

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 29, 2025**
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: 001-36704



BGSF, INC.

(exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-0656684
(I.R.S. Employer
Identification No.)

5850 Granite Parkway, Suite 730
Plano, Texas 75024
(972) 692-2400

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 every Interactive Data File required to be submitted 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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 ☒
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BGSF	NYSE

As of August 4, 2025 there were 11,158,828 shares of the registrant's common stock outstanding.

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Forward-Looking Statements

This Quarterly Report on Form-10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including, but not limited to, statements regarding:

- future financial performance and growth targets or expectations;
- market and industry trends and developments; and
- the benefits of our completed and future merger, acquisition and disposition transactions.

You can identify these and other forward-looking statements by the use of words such as “aim,” “potential,” “may,” “could,” “can,” “would,” “might,” “likely,” “will,” “expect,” “intend,” “plan,” “predict,” “ongoing,” “project,” “budget,” “scheduled,” “estimate,” “anticipate,” “believe,” “forecast,” “committed,” “future” or “continue” or the negative thereof or similar variations.

These forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q and our current expectations, forecasts and assumptions and involve a number of risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- the availability of field talents’ workers’ compensation insurance coverage at commercially reasonable terms;
- insurance coverage may not be adequate for our needs (including but not limited to general liability, crime, fiduciary, property, umbrella and excess, and cybersecurity);
- the availability of qualified field talent;
- compliance with federal, state, local labor and foreign labor and employment laws and regulations and changes in such laws and regulations;
- the ability to compete with new competitors and competitors with superior marketing and financial resources;
- management team changes;
- the favorable resolution of current or future litigation;
- the impact of outstanding indebtedness on the ability to fund operations or obtain additional financing;
- our ability to repay, refinance, extend or restructure existing indebtedness at or prior to its maturity date on favorable or comparable terms, or at all;
- the ability to leverage the benefits of recent acquisitions and successfully integrate newly acquired operations;
- the impact of, and the ability to mitigate or manage disruptions posed by pandemics;
- adverse changes in the economic conditions of the industries or markets that we serve;
- disturbances in world financial, credit, and stock markets;
- unanticipated changes in regulations affecting our business;
- a decline in consumer confidence and discretionary spending;
- inflationary pressures and our responses thereto;
- the general performance of the U.S. and global economies;
- continued or escalated conflict in the Middle East or elsewhere;
- the impact of our ongoing strategic alternatives review process;
- the impact of our cost restructuring plan;
- our ability to raise equity or debt financing;
- our ability to obtain waivers under or amendments with respect to our outstanding indebtedness; the closing conditions for the sale of BGSF’s Professional segment not being satisfied;
- the ability of the parties to close the sale of BGSF’s Professional segment on the expected closing timeline or at all;
- the impact the sale of BGSF’s Professional segment or its pendency may have on BGSF’s operations, team members, field talent, client partners, and other constituents;
- the use of proceeds of the sale of BGSF’s Professional segment; and
- other risks referenced from time to time in our past and future filings with the Securities and Exchange Commission (“SEC”), including in our Annual Report on Form 10-K for the fiscal year ended December 29, 2024.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we do not undertake any obligation to update or release any revisions to these forward-looking statements to reflect any events or circumstances, whether as a result of new information, future events, changes in assumptions or otherwise, after the date hereof.

Where You Can Find Other Information

Our website is <https://bgsf.com>. Information contained on our website is not part of this Quarterly Report on Form 10-Q. Information that we file with or furnish to the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in these reports are available for download, free of charge, on our website soon after such reports are filed with or furnished to the SEC. These reports and other information, including exhibits filed or furnished therewith, are also available at the SEC's website at www.sec.gov.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

BGSE, Inc. and Subsidiaries UNAUDITED CONSOLIDATED BALANCE SHEETS (in thousands, except share amounts)

	June 29, 2025	December 29, 2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,777	\$ 32
Accounts receivable (net of allowance for credit losses of \$1,156 and \$910, respectively)	13,637	17,148
Prepaid expenses	1,687	1,600
Other current assets	2,029	2,213
Current assets of discontinued operations	27,473	24,354
Total current assets	47,603	45,347
Property and equipment, net	299	608
Other assets		
Deposits	1,996	2,003
Software as a service, net	3,651	4,068
Deferred income taxes, net	9,227	7,849
Right-of-use asset - operating leases, net	856	1,083
Intangible assets, net	3,911	4,385
Goodwill	1,074	1,074
Noncurrent assets of discontinued operations	81,075	83,694
Total other assets	101,790	104,156
Total assets	\$ 149,692	\$ 150,111
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,368	\$ 80
Accrued payroll and expenses	7,086	4,868
Long-term debt, current portion (net of debt issuance costs of \$18 and \$24, respectively)	3,807	3,801
Accrued interest	510	223
Income taxes payable	295	212
Convertible note	4,368	4,368
Lease liabilities, current portion	474	544
Current liabilities of discontinued operations	11,093	11,825
Total current liabilities	29,001	25,921
Line of credit (net of debt issuance costs of \$256 and \$770, respectively)	7,744	5,625
Long-term debt, less current portion (net of debt issuance costs of \$149 and \$198, respectively)	30,664	32,527
Lease liabilities, less current portion	506	698
Noncurrent liabilities of discontinued operations	3,491	3,071
Total liabilities	71,406	67,842
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 11,158,828 and 11,038,623 shares issued and outstanding, respectively, net of 3,930 shares of treasury stock, at cost, respectively.	55	53
Additional paid in capital	70,733	70,260
Retained earnings	7,498	11,956
Total stockholders' equity	78,286	82,269
Total liabilities and stockholders' equity	\$ 149,692	\$ 150,111

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

BGSF, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share and dividend amounts)

For the Thirteen and Twenty-six Week Periods Ended June 29, 2025 and June 30, 2024

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	2025	2024	2025	2024
Revenues	\$ 23,506	\$ 25,726	\$ 44,389	\$ 50,273
Cost of services	15,096	16,130	28,419	31,334
Gross profit	8,410	9,596	15,970	18,939
Selling, general, and administrative expenses	12,576	10,739	21,580	21,001
Depreciation and amortization	259	332	588	671
Operating loss	(4,425)	(1,475)	(6,198)	(2,733)
Interest expense, net	(1,829)	(1,105)	(2,931)	(2,386)
Loss from continuing operations before income taxes	(6,254)	(2,580)	(9,129)	(5,119)
Income tax benefit from continuing operations	1,392	498	2,031	989
Net loss from continuing operations	(4,862)	(2,082)	(7,098)	(4,130)
Income from discontinued operations:				
Income from discontinued operations	1,309	1,601	3,377	3,319
Income tax expense	(183)	(280)	(737)	(742)
Net loss	<u>\$ (3,736)</u>	<u>\$ (761)</u>	<u>\$ (4,458)</u>	<u>\$ (1,553)</u>
Net (loss) income per share - basic:				
Net loss from continuing operations	\$ (0.44)	\$ (0.19)	\$ (0.65)	\$ (0.38)
Net income from discontinued operations:				
Income	0.12	0.15	0.31	0.31
Income tax expense	(0.02)	(0.03)	(0.07)	(0.07)
Net loss per share - basic	<u>\$ (0.34)</u>	<u>\$ (0.07)</u>	<u>\$ (0.41)</u>	<u>\$ (0.14)</u>
Net (loss) income per share-diluted:				
Net loss from continuing operations	\$ (0.44)	\$ (0.19)	\$ (0.65)	\$ (0.38)
Net income from discontinued operations:				
Income	0.12	0.15	0.31	0.31
Income tax expense	(0.02)	(0.03)	(0.07)	(0.07)
Net loss per share - diluted	<u>\$ (0.34)</u>	<u>\$ (0.07)</u>	<u>\$ (0.41)</u>	<u>\$ (0.14)</u>
Weighted-average shares outstanding:				
Basic	11,019	10,880	10,986	10,858
Diluted	11,019	10,880	10,986	10,858
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ 0.15

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

BGSE, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

For the Twenty-six Week Period Ended June 29, 2025

	Preferred Stock	Common Stock Shares	Par Value	Treasury Stock Amount	Additional Paid in Capital	Retained Earnings	Total
Stockholders' equity, December 29, 2024	—	11,039	\$ 110	\$ (57)	\$ 70,260	\$ 11,956	\$ 82,269
Share-based compensation from continuing operations	—	—	—	—	168	—	168
Share-based compensation from discontinued operations	—	—	—	—	18	—	18
Issuance of restricted shares	—	53	1	—	(1)	—	—
Issuance of ESPP shares	—	17	—	—	87	—	87
Net loss	—	—	—	—	—	(722)	(722)
Stockholders' equity, March 30, 2025	<u>—</u>	<u>11,109</u>	<u>\$ 111</u>	<u>\$ (57)</u>	<u>\$ 70,532</u>	<u>\$ 11,234</u>	<u>\$ 81,820</u>
Share-based compensation from continuing operations	—	—	—	—	137	—	137
Share-based compensation from discontinued operations	—	—	—	—	18	—	18
Issuance of restricted shares	—	35	1	—	(1)	—	—
Issuance of ESPP shares	—	15	—	—	47	—	47
Net loss	—	—	—	—	—	(3,736)	(3,736)
Stockholders' equity, June 29, 2025	<u>—</u>	<u>11,159</u>	<u>\$ 112</u>	<u>\$ (57)</u>	<u>\$ 70,733</u>	<u>\$ 7,498</u>	<u>\$ 78,286</u>

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

BGSE, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

For the Twenty-six Week Period Ended June 30, 2024

	Preferred Stock	Common Stock		Treasury Stock Amount	Additional Paid in Capital	Retained Earnings	Total
		Shares	Par Value				
Stockholders' equity, December 31, 2023	—	10,888	\$ 109	\$ (57)	\$ 68,551	\$ 16,933	\$ 85,536
Share-based compensation from continuing operations	—	—	—	—	219	—	219
Share-based compensation from discontinued operations	—	—	—	—	16	—	16
Issuance of restricted shares	—	11	—	—	(1)	—	(1)
Exercise of common stock options	—	16	—	—	102	—	102
Issuance of ESPP shares	—	14	—	—	112	—	112
Cash dividend declared	—	—	—	—	—	(1,639)	(1,639)
Net loss	—	—	—	—	—	(792)	(792)
Stockholders' equity, March 31, 2024	—	10,929	\$ 109	\$ (57)	\$ 68,999	\$ 14,502	\$ 83,553
Share-based compensation from continuing operations	—	—	—	—	220	—	220
Share-based compensation from discontinued operations	—	—	—	—	16	—	16
Issuance of restricted shares	—	12	—	—	—	—	—
Issuance of ESPP shares	—	15	1	—	132	—	133
Net loss	—	—	—	—	—	(761)	(761)
Stockholders' equity, June 30, 2024	—	10,956	\$ 110	\$ (57)	\$ 69,367	\$ 13,741	\$ 83,161

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

BGSF, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

For the Twenty-six Week Periods Ended June 29, 2025 and June 30, 2024

	2025	2024
Cash flows from operating activities		
Net loss	\$ (4,458)	\$ (1,553)
Net income from discontinued operations	(2,640)	(2,577)
Adjustments to reconcile net loss to net cash provided by activities:		
Depreciation	58	83
Amortization	530	588
Software as a service	425	328
Loss on disposal of property and equipment	6	—
Amortization of debt issuance costs	598	89
Provision for credit losses	1,656	1,016
Share-based compensation	305	439
Deferred income taxes, net of acquired deferred tax liability	(1,378)	1,436
Net changes in operating assets and liabilities:		
Accounts receivable	1,851	5,948
Prepaid expenses	(87)	616
Other current assets	(393)	820
Deposits	8	593
Accounts payable	1,288	160
Accrued payroll and expenses	3,263	(867)
Accrued interest	287	(218)
Income taxes receivable	(384)	(771)
Other current liabilities	—	2,116
Operating leases	(33)	(33)
Other long-term liabilities	2,060	6,372
Net cash provided by continuing operating activities	2,962	14,585
Net cash provided by discontinued operating activities	253	132
Net cash provided by operating activities	3,215	14,717
Cash flows from investing activities		
Capital expenditures	(13)	(863)
Net cash used in continuing investing activities	(13)	(863)
Net cash used in discontinued investing activities	(63)	(132)
Net cash used in investing activities	(76)	(995)
Cash flows from financing activities		
Net borrowings (payments) under line of credit	1,604	(10,808)
Principal payments on long-term debt	(1,913)	(850)
Payments of dividends	—	(1,639)
Issuance of ESPP shares	134	244
Issuance of shares under the 2013 Long-Term Incentive Plan	—	102
Payments of debt issuance costs	(29)	(545)
Net cash used in continuing financing activities	(204)	(13,496)
Net change in cash and cash equivalents of continuing operations	2,745	226
Cash and cash equivalents, beginning of period	32	—
Cash and cash equivalents, end of period	\$ 2,777	\$ 226
Supplemental cash flow information:		
Cash paid for interest, net	\$ 1,950	\$ 2,417
Cash paid for taxes, net of refunds	\$ 739	\$ 636

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

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

BGSF, Inc. (the “Company”) provides workforce solutions through the Property Management segment that currently operates primarily within the United States of America (“U.S.”). The Property Management segment provides office and maintenance field talent in 39 states and D.C., to property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations.

The Company normally experiences seasonal fluctuations. The quarterly operating results are affected by the number of billing days in a quarter, as well as the seasonality of client partners' business in its Property Management business. Demand for the Property Management workforce solutions has typically increased in the second quarter 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. Overall first quarter demand can be affected by adverse weather conditions in the winter months. In addition, the Company's cost of services typically increases in the first quarter primarily due to the reset of payroll taxes.

On May 8, 2024, the Company announced that our Board of Directors had initiated a process to evaluate potential strategic alternatives and engaged financial advisors in an endeavor to maximize shareholder value (“Strategic alternatives review”). During December 2024, the Company announced a cost restructuring plan as part of the strategic review process. On June 14, 2025, the Company entered into an Equity Purchase Agreement with INSPYR Solutions Intermediate, LLC, pursuant to which the Company will sell substantially all of the outstanding equity interest pertaining to the Professional segment (“BGSF Professional”). The BGSF Professional financial results for periods prior to the sale have been reflected as discontinued operations in the Unaudited Consolidated Financial Statements, see “Note 3 - Discontinued Operations.”

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in the United States of America (“GAAP”), pursuant to the applicable rules and regulations of the SEC. The information furnished herein reflects all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary to present a fair statement of the financial position and operating results of the Company as of and for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full fiscal year or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, management of the Company believes, to the best of its knowledge, that the disclosures herein are adequate to make the information presented not misleading. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the fiscal year ended December 29, 2024, included in its Annual Report on Form 10-K.

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 Periods

The Company has a 52/53 week fiscal year. Fiscal periods for the consolidated financial statements included herein are as of June 29, 2025 and December 29, 2024, and include the thirteen and twenty-six week periods ended June 29, 2025 and June 30, 2024, referred to herein as Fiscal 2025 and 2024, respectively.

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform with the 2025 presentation.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Management Estimates

The preparation of consolidated 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 as of the date of the consolidated 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 consolidated financial statements include allowances for credit losses, goodwill, intangible assets, lease liabilities, and income taxes. Additionally, the valuation of share-based compensation 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 convertible debt. The carrying values of accounts receivable, accounts payable, accrued payroll and expenses, 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 BMO Bank, N.A. ("BMO") that provides for a revolving credit facility, 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.

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 from continuing operations as of June 29, 2025 and December 29, 2024 or revenue from continuing operations for the twenty-six week periods ended June 29, 2025 and June 30, 2024. Geographic revenue from continuing operations in excess of 10% of the Company's consolidated revenue in Fiscal 2025 and the related percentage for Fiscal 2024 was generated in the following areas at:

	Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024
Texas	28 %	23 %

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.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 credit losses 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, historical credit loss, evaluation of credit risk related to certain individual client partners and the Company's ongoing examination process. The additional risk pool and increased expected credit losses that were identified during 2024 have been resolved. During Fiscal 2025, the Company identified an additional risk pool related to Property Management, which increased the estimate of expected credit losses. Receivables are written off after they are deemed to be uncollectible after all reasonable means of collection have been exhausted. Recoveries of receivables previously written off are recorded as income when received.

Changes in the allowance for credit losses from continuing operations are as follows (in thousands):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Beginning balance	\$ 1,000	\$ 285	\$ 910	\$ 161
Provision for credit losses	1,458	485	1,656	1,016
Amounts written off	(1,348)	(286)	(1,460)	(693)
Recoveries	46	—	50	—
Ending balance	<u>\$ 1,156</u>	<u>\$ 484</u>	<u>\$ 1,156</u>	<u>\$ 484</u>

Property and Equipment

Property and equipment from continuing operations are stated net of accumulated depreciation and amortization of \$1.3 million at June 29, 2025 and December 29, 2024.

Deposits

The Company maintains guaranteed costs policies for workers' compensation coverage in monopolistic states and minimal loss retention coverage in all other states. Under these policies, the Company is required to maintain refundable deposits of \$1.8 million, which are included in Deposits in the accompanying consolidated balance sheets, as of June 29, 2025 and December 29, 2024.

Software as a Service

The Company capitalizes direct costs incurred in cloud computing implementation costs from hosting arrangements, which are categorized as long-lived assets, and are reported as Software as a service in the accompanying consolidated balance sheets. All other internal-use software development costs are capitalized and reported as a component of computer software within Intangible assets. Software as a service from continuing operations is stated net of accumulated amortization of \$2.9 million and \$2.5 million at June 29, 2025 and December 29, 2024, respectively.

The Company reviews its long-lived assets, primarily Property and equipment and Software as a service, 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 impairment triggering events identified with respect to long-lived assets during Fiscal 2025 or Fiscal 2024.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Leases

The Company leases all their office space through operating leases, which expire at various dates through 2030. Many of the lease agreements obligate the Company to pay real estate taxes, insurance, and certain maintenance costs, which are accounted for separately. Certain of the Company's lease arrangements contain renewal provisions of 5 years, exercisable at the Company's option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Contracts with lease and non-lease components are accounted for on a combined basis.

The Company determines if an arrangement is an operating lease at inception. Leases and subleases with an initial term of 12 months or less are not recorded on the balance sheet. All other leases and subleases are recorded on the balance sheet as right-of-use assets and lease liabilities for the lease term.

Right-of-use lease assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. The present value of lease payments is determined using the incremental borrowing rate based on the information available at lease commencement date, unless the implicit rate in the lease is readily determinable. The Company's operating lease expense is recognized on a straight-line basis over the lease term and is recorded in selling, general, and administrative expenses.

Intangible Assets

The Company holds Intangible assets with finite lives. 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 are discounted back to their net present value.

The Company develops and implements software to enhance the performance and capabilities of the information technology infrastructure. Direct internal payroll costs and external costs for the development of software are capitalized from the time internal-use software is considered probable until the software is deployed. All other preliminary and planning stage costs are expensed as incurred. Minor upgrades and enhancements to software systems are expensed in the period incurred as software maintenance and training costs.

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 considered the current and expected future economic and market conditions and its impact on each of the reporting units. 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. There were no impairment indicators identified during Fiscal 2025. See "Note 6 - Intangible Assets."

Goodwill

Goodwill is not amortized, but instead is evaluated at the reporting unit level for impairment annually at the end of each fiscal year, or more frequently, if conditions indicate an earlier review is necessary. The Company considered the current and expected future economic and market conditions and its impact on each of the reporting units. If the Company has determined that it is more likely than not that the fair value for one or more reporting units is greater than their carrying value, the Company may use a qualitative assessment for the annual impairment test. The Company determined there were no impairment indicators for goodwill assets during Fiscal 2025 or Fiscal 2024.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Debt Issuance Costs

Debt issuance costs are amortized into interest expense 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 operating and financial goals are met. The fair value of this contingent consideration is determined using expected cash flows and present value technique. 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 derives its revenues from continuing operations by providing workforce solution and placement services through the Property Management segment. 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 from continuing operations 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.

Workforce solution 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.

Contingent placement revenues - Any revenues associated with workforce solutions that are provided on a contingent basis are recognized once the contingency is resolved, as this is when control is transferred to the client partner, usually when employment candidates start their employment.

The Company estimates the effect of 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 placement workforce solutions are charged to employment candidates. These assumptions determine the timing of revenue recognition for the reported period.

Refer to Note 14 for disaggregated revenues by functional specialization and segment.

Payment terms in the Company's contracts vary by the type and location of its client partner and the workforce solutions offered. The term between invoicing and when payment is due is not significant. There were no unsatisfied performance obligations as of June 29, 2025. There were no revenues recognized during the twenty-six week period ended June 29, 2025 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 the twenty-six week period ended June 29, 2025. The opening balance of accounts receivable at December 31, 2023 was \$29.6 million.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Share-Based Compensation

The Company recognizes compensation expense in selling, general, and administrative expenses over the service period for common stock 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 loss 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 (in thousands):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Weighted-average number of common shares outstanding:	11,019	10,880	10,986	10,858
Weighted-average number of diluted common shares outstanding	11,019	10,880	10,986	10,858
Stock options and restricted stock	790	884	790	884
Convertible note	255	255	255	255
Antidilutive shares	1,045	1,139	1,045	1,139

Income Taxes

The effective tax rate from continuing operations was 22.3% and 19.3% for the thirteen and twenty-six week period ended June 29, 2025 and June 30, 2024, respectively. Effective tax rates for all periods consist of federal statutory rate plus state income taxes. The higher effective tax rate for Fiscal 2025 is primarily due to greater state taxes.

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 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.

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. As a matter of operation, the Company first calculates the effective tax on continuing operations, and then allocated the remaining taxes to our discontinued operations, in accordance with Accounting Standards Codification ("ASC") Topic 740.

The Company follows the guidance Accounting Standards Codification ("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.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements

In November 2024, Financial Accounting Standards Board (“FASB”) issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures, which will require the Company to disclose the amounts of purchases of inventory, employee compensation, depreciation and intangible asset amortization, as applicable, included in certain expense captions in the Consolidated Statements of Operations. The new guidance is effective for fiscal years beginning after December 15, 2026 and for interim periods beginning after December 15, 2027, early adoption is permitted. The Company is evaluating the impact of the new guidance on its consolidated financial statements and related disclosures.

NOTE 3 - DISCONTINUED OPERATIONS

On June 14, 2025, the Company entered into an Equity Purchase Agreement (“EPA”) with INSPYR Solutions Intermediate, LLC, (“INSPYR”), pursuant to which the Company will sell to INSPYR substantially all of the outstanding equity interest pertaining to BGSF Professional. Under the EPA, INSPYR will pay \$99.0 million in cash at the closing of the transaction and assume certain assets, equity interests, liabilities, and obligations of the Company pertaining to BGSF Professional. The EPA further provides for customary purchase price adjustments, including a net working capital adjustment.

The EPA contains customary representations and warranties, covenants (including certain non-competition and non-solicitation covenants restricting the Company with respect to the professional staffing business), closing conditions, and indemnification provisions. The EPA also includes a payment obligation related to the June 10, 2025 letter agreement with Arroyo Consulting, LLC related to the payout of \$2.5 million in contingent consideration where by the Company will assume a portion of this obligation to be paid by \$1.2 million at closing and \$0.6 million in monthly installments. After the closing of the transaction, the Company will provide certain back-office services to INSPYR for a limited period of time.

The BGSF Professional financial results for periods prior to the sale have been reflected in our Unaudited Consolidated Balance Sheet, Unaudited Consolidated Statements of Operations, Unaudited Consolidated Statement of Changes in Stockholders’ Equity and Unaudited Consolidated Statements of Cash Flows as discontinued operations.

The financial results of BGSF Professional are as follows (in thousands):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Revenue	\$ 40,268	\$ 42,411	\$ 82,619	\$ 86,630
Cost of services	28,024	28,377	57,015	58,501
Gross profit	12,244	14,034	25,604	28,129
Selling, general, and administrative expenses	10,000	10,828	19,908	21,582
Gain on contingent consideration	(450)	—	(450)	—
Depreciation and amortization	1,336	1,649	2,678	3,317
Income from discontinued operations	1,358	1,557	3,468	3,230
Interest (expense) benefit	(49)	44	(91)	89
Income from discontinued operations before taxes	1,309	1,601	3,377	3,319
Income tax expense	(183)	(280)	(737)	(742)
Income from discontinued operations, net of income taxes	\$ 1,126	\$ 1,321	\$ 2,640	\$ 2,577

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Carrying amount of assets, liabilities, and equity included as part of discontinued operations (in thousands):

	June 29, 2025	December 29, 2024
Carrying amount of assets included as part of discontinued operations:		
Cash and cash equivalents	\$ 511	\$ 321
Accounts receivable (net of allowance for credit losses of \$378 and \$223, respectively)	25,719	23,046
Prepaid expenses	1,105	885
Other current assets	138	102
Total current assets	27,473	24,354
Property and equipment, net	568	529
Deposits	84	88
Software as a service, net	361	370
Deferred income taxes, net	640	607
Right of-use-assets-operating leases, net	3,676	3,891
Intangible assets, net	17,668	20,131
Goodwill	58,078	58,078
Total other assets	81,075	83,694
Total assets classified as discontinued operations	\$ 108,548	\$ 108,048
Carrying amount of liabilities and equity included as part of discontinued operations:		
Accrued payroll and expenses	\$ 8,336	\$ 8,133
Contingent consideration, current portion	1,696	2,662
Lease liabilities, current portions	1,061	1,030
Total current liabilities	11,093	11,825
Lease liabilities, less current portion	2,883	3,071
Contingent consideration, less current portion	608	—
Total noncurrent liabilities	3,491	3,071
Other long-term liabilities (intercompany)	29,222	32,195
Total liabilities classified as discontinued operations	43,806	47,091
Retained earnings	64,742	60,957
Total liabilities and equity classified as discontinued operations	\$ 108,548	\$ 108,048

NOTE 4 - OTHER CURRENT ASSETS

Other current assets from continuing operations as of June 29, 2025 and December 29, 2024 consist of the following (in thousands):

	June 29, 2025	December 29, 2024
CARES Act receivable	\$ 616	\$ 1,661
Income tax receivable	981	513
Other	432	39
Total	\$ 2,029	\$ 2,213

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LEASES

The Company's future operating lease obligations that have not yet commenced are immaterial. Short-term leases and subleases were immaterial. The supplemental balance sheet information related to the Company's operating leases were as follows at (dollars in thousands):

	June 29, 2025	December 29, 2024
Weighted average remaining lease term of operating leases	2.7 years	2.8 years
Weighted average discount rate for operating leases	8.0 %	7.8 %

The supplemental cash flow information from continuing operations related to the Company's operating leases were as follows (dollars in thousands):

	Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024
Cash paid for operating leases	\$ 303	\$ 364
Operating lease expense	\$ 270	\$ 331

The undiscounted annual future minimum lease payments from continuing operations consist of the following at (in thousands):

	June 29, 2025
2025 (remaining)	\$ 325
2026	484
2027	158
2028	94
2029	95
Thereafter	24
Total lease payments	1,180
Imputed interest	(200)
Present value of lease liabilities	\$ 980

NOTE 6 - INTANGIBLE ASSETS

Intangible assets from continuing operations are stated net of accumulated amortization of \$5.6 million and \$5.1 million at June 29, 2025 and December 29, 2024, respectively. Amortization expense from continuing operations for Fiscal 2025 and Fiscal 2024 are comprised of following (in thousands):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Computer software - amortization expense	\$ 230	\$ 292	\$ 530	\$ 588
Total expense	\$ 230	\$ 292	\$ 530	\$ 588

BGSF, Inc. and Subsidiaries
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NOTE 7 - ACCRUED PAYROLL AND EXPENSES

Accrued payroll and expenses from continuing operations consist of the following at (in thousands):

	June 29, 2025	December 29, 2024
Payroll	\$ 1,765	\$ 1,339
Payroll related	1,411	991
Bonuses and commissions	484	375
Strategic alternatives review	1,291	—
Other	2,135	2,163
Accrued payroll and expenses	<u>\$ 7,086</u>	<u>\$ 4,868</u>

NOTE 8 - DEBT

On July 16, 2019, the Company entered into a Credit Agreement (the “Credit Agreement”), which would have matured on July 16, 2024, led by BMO, as lead administrative agent, lender, letters of credit issuer, and swing line lender. The Company entered into four amendments from August 18, 2022 through May 19, 2023, which changed the interest rate component from LIBOR to the Secured Overnight Financing Rate (“SOFR”), exercised the option to borrow \$40.0 million, required 2.5% of the original principal balance of the new term loan, permitted a foreign entity acquisition, modified the distributions terms, and increased a revolving credit facility (the “Revolving Facility”) by \$6.0 million.

On March 12, 2024, the Credit Agreement was amended and restated through the Company’s entry into an Amended and Restated Credit Agreement, which would have matured on March 12, 2028, led by BMO as administrative agent, letter of credit issuer, and swing line lender (the “Restated Agreement”). The Restated Agreement provided for a Revolving Facility which permitted the Company to borrow funds in an aggregate amount up to \$40 million. The Restated Agreement also provided for a term loan commitment, which permitted the Company to borrow funds from time to time (the “Term Loan”). In July 2024, the Company exercised the option to borrow on a delayed draw term loan of \$4.3 million related to payments on the Arroyo Consulting Acquisition's working capital “true up”, hold backs, and year one contingent consideration.

On November 6, 2024, the Company entered into the First Amendment to Restated Agreement, maturing December 31, 2026, led by BMO as administrative agent, letter of credit issuer, and swing line lender (the “First Credit Amendment”). The availability on the Revolving Facility, which permits the Company to borrow funds from time to time, was reduced in an aggregate amount up to \$20 million. The Company is required to repay the Term Loan in quarterly principal installments equal to 2.5% of the aggregate principal balance. The First Credit Amendment provides for interest either at the Base Rate plus the Applicable Margin, or the Adjusted Term SOFR plus the Applicable Margin (as defined in the First Credit Amendment). The Company’s obligations are secured by a first priority security interest in substantially all tangible and intangible property of the Company’s and its subsidiaries. The First Credit Amendment provides for an amended financial covenants with a maximum Leverage Ratio, a minimum Fixed Charge Coverage Ratio, and a minimum earnings before interest, income taxes, depreciation, and amortization (“EBITDA”) (as such terms are defined in the First Credit Amendment). The Company will pay an unused commitment fee on the daily average unused amount of Revolving Facility.

The Company was not in compliance with the foregoing financial covenants and certain affirmative covenants as of the quarter ended December 29, 2024, March 30, 2025, and June 29, 2025. On March 13, 2025, the Company entered into a Waiver and Second Amendment to Restated Agreement (the “Second Amendment”) pursuant to which, among other things, the lenders unanimously waived noncompliance with the foregoing covenants as of December 29, 2024 and March 30, 2025, and certain amendments were made to the Restated Agreement including, but not limited to, a new definition of Applicable Margin, a reduction of the swing line sublimit to zero, and limiting the aggregate revolving credit borrowings to \$8.0 million. The amendments described in the Second Amendment are effective as of March 13, 2025 and the Company incurred nominal fees in debt issuance costs. Additionally, per the terms of the Second Amendment, the Company is subject to the satisfaction or waiver of certain conditions described therein relating to, among other things, debt financing and refinancing and our previously announced strategic alternatives review.

BGSF, Inc. and Subsidiaries
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On May 7, 2025, the Company entered into a Waiver and Amendment (the “Waiver and Amendment”) pursuant to which, among other things, the lenders unanimously waived noncompliance with the requirement under the Second Amendment that the Company receive at least \$2.0 million in cash equity contributions for working capital purposes by April 25, 2025. The Waiver and Amendment amended the foregoing requirement provided that, by May 30, 2025, the Company receive at least \$2.0 million of cash equity contributions or proceeds of subordinated debt. During thirteen week periods ended June 29, 2025, the Company recognized interest expense approximately \$0.4 million related to the Waiver and Amendment on the unamortized debt issuances costs.

On August 4, 2025, the Company entered into a Waiver and Second Amendment pursuant to which, among other things, the lenders unanimously waived noncompliance with the foregoing covenants as of June 29, 2025 and with the requirements under the Second Amendment so long as the Company will finalize and close the sale of both BG Finance and Accounting, Inc. and BGSF Professional, LLC by BGSF, Inc. for a purchase price that will result in the receipt of net cash proceeds sufficient to pay all obligations, indebtedness, and liabilities related to the Credit Agreement no later than September 30, 2025.

The failure to comply with such covenants would result in an event of default which, if not cured or waived, would trigger prepayment obligations. There can be no assurances that any lender will waive any defaults. If we refinance our indebtedness, 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, financial condition, or results of operations. The terms of any such refinancing could be less favorable and our business, financial condition, and results of operations could be materially adversely affected by increased costs and interest rates. The Company is actively engaging in the previously announced strategic alternatives review process and actively evaluating equity and debt financing opportunities that may be available.

Letter of Credit

In conjunction with the EdgeRock acquisition, the Company entered into a standby letter of credit arrangement, which expired, for purposes of protecting a lessor against default on lease payments. As of December 29, 2024, the Company had a maximum financial exposure from this standby letter of credit totaling \$0.1 million that ended in 2025, all of which was considered usage against the Revolving Facility. The Company has no history of default, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any disputes thereunder that might arise in the future would not materially affect the Company’s consolidated financial statements. Accordingly, no liability has been recorded in respect to these arrangements as of June 29, 2025.

Line of Credit

At June 29, 2025 and December 29, 2024, \$8.0 million and \$6.4 million, respectively, was outstanding on the revolving facilities. Average daily balance for the thirteen week periods ended June 29, 2025 and June 30, 2024 was \$8.0 million and \$14.9 million, respectively. Average daily balance for the twenty-six week periods ended June 29, 2025 and June 30, 2024 was \$7.7 million and \$17.9 million, respectively.

Borrowings under the revolving facilities consisted of and bore interest at (in thousands):

	June 29, 2025		December 29, 2024	
Base Rate	\$	— %	\$	10.25 %
SOFR	4,000	10.21 %	4,000	8.23 %
SOFR	4,000	10.17 %	—	— %
Total	<u>\$ 8,000</u>		<u>\$ 6,395</u>	

BGSF, Inc. and Subsidiaries
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Long-Term Debt

Long-term debt consisted of and bore interest at (in thousands):

	June 29, 2025		December 29, 2024	
SOFR	\$ 34,638	10.21 %	\$ 36,550	8.23 %
Long-term debt	<u>\$ 34,638</u>		<u>\$ 36,550</u>	

Convertible Note

At December 29, 2024, the Company had a two-year convertible unsecured promissory note of \$4.4 million due to the seller with an annual interest rate of 6%, with interest paid quarterly related to the 2022 Horn Solutions acquisition. The promissory note is convertible into shares of our common stock at any time after the one-year anniversary of the promissory note at a conversion price equal to \$17.12 per share, prior to the maturity date of December 12, 2024. On January 30, 2025, the Company amended the promissory note which increased the interest rate to 7% and extended the maturity date to December 12, 2025. The promissory note is subordinate to the Company's senior debt.

NOTE 9 - 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 requires the Company to develop relevant assumptions.

There were no transfers between the respective Levels during Fiscal 2025. The following table summarizes the financial liabilities measured at fair value on a recurring basis and the level they fall within the fair value hierarchy (in thousands):

Financial Statement Classification	Fair Value Hierarchy	June 29, 2025	December 29, 2024
Convertible note	Level 2	\$ 4,368	\$ 4,368

Key inputs in determining the fair value of the convertible note as of June 29, 2025 and December 29, 2024 included current stock price, the conversion price, and the maturity date. Key inputs in determining the fair value of the contingent consideration which is included in discontinued operations, as of June 29, 2025 and December 29, 2024 included discount rates of approximately 7% as well as management's estimates of future sales volumes and EBITDA.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - 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.

The Company insures against, subject to and upon the terms and conditions of various insurance policies, claims or losses from workers' compensation, general liability, automobile liability, property damage, professional liability, employment practices, fiduciary liability, fidelity losses, crime and cyber risk, 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.

NOTE 11 – 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.

Restricted Stock

The Company issued net restricted common stock of 88,518 and 23,310 shares to team members and non-team member (non-employee) directors in Fiscal 2025 and Fiscal 2024, respectively. The restricted shares of \$0.01 par value per share were issued under the 2013 Long-Term Incentive Plan ("2013 Plan") and 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.

NOTE 12 – SHARE-BASED COMPENSATION

Stock Options

For the thirteen week periods ended June 29, 2025 and June 30, 2024, the Company recognized \$0.1 million of compensation expense from continuing operations related to stock options. For the twenty-six week periods ended June 29, 2025 and June 30, 2024, the Company recognized \$0.1 million and \$0.2 million, respectively, of compensation expense from continuing operations related to stock options. Unamortized share-based compensation expense from continuing operations as of June 29, 2025 amounted to \$0.5 million which is expected to be recognized over the next 1.6 years. As of June 29, 2025, a total of 1.1 million shares remain available for issuance under 2013 Plan.

A summary of stock option activity is presented as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Total Intrinsic Value of Awards (in thousands)
Options outstanding at December 29, 2024	901,612	\$ 15.41	5.3	\$ —
Granted	31,686	3.55		
Forfeited / Canceled	(142,800)	12.08		
Options outstanding at June 29, 2025	790,498	\$ 15.54	5.1	\$ 5
Options exercisable at December 29, 2024	717,076	\$ 16.59	4.6	\$ —
Options exercisable at June 29, 2025	606,447	\$ 17.35	4.2	\$ —

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	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested outstanding at December 29, 2024	184,536	\$ 7.94
Nonvested outstanding at June 29, 2025	184,051	\$ 6.86

Restricted Stock

For the thirteen week periods ended June 29, 2025 and June 30, 2024, the Company recognized \$0.1 million of compensation expense related to restricted stock awards. For the twenty-six week periods ended June 29, 2025 and June 30, 2024, the Company recognized \$0.2 million and \$0.3 million, respectively, of compensation expense related to restricted stock awards. Unamortized share-based compensation expense as of June 29, 2025 amounted to \$0.6 million which is expected to be recognized over the next 1.8 years.

A summary of restricted stock activity is presented as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Restricted outstanding at December 29, 2024	74,820	\$ 10.02
Issued	88,518	\$ 3.81
Vested	(37,189)	\$ 8.60
Restricted outstanding at June 29, 2025	126,149	
Nonvested outstanding at December 29, 2024	74,820	\$ 10.02
Nonvested outstanding at June 29, 2025	126,149	\$ 6.08

NOTE 13 - TEAM MEMBER BENEFIT PLAN

Defined Contribution Plan

The Company provides a defined contribution plan (the “401(k) Plan”) for the benefit of its eligible team members and field talent. The 401(k) Plan allows participants to make contributions subject to applicable statutory limitations. The Company matches participants contributions 100% up to the first 3% and 50% of the next 2% of a team member's or field talent's compensation. The Company contributed \$0.1 million from continuing operations to the 401(k) Plan for the thirteen week periods ended June 29, 2025 and June 30, 2024. The Company contributed \$0.2 million and \$0.3 million from continuing operations, respectively, to the 401(k) Plan for the twenty-six week periods ended June 29, 2025 and June 30, 2024.

NOTE 14 - BUSINESS SEGMENT

The Company has continuing operations through one segment of Property Management, which includes centralized support services through executive, marketing, human resources, information technology, accounting, treasury, and billing operations. The chief operating decision-maker (the “CODM”), the President and Chief Executive Officer, establishes the strategic direction of the Company, priorities, and long-term financial objectives. The CODM is ultimately responsible for evaluating segment performance and making decisions regarding resource allocation. The Property Management segment provides office and maintenance field talent to property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations. The CODM considers variances between actual results and expectations as well as historical trends for segment income when making decisions about allocating capital and personnel resources to each segment.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Segment loss from continuing operations includes all revenue and cost of services, direct selling expenses, depreciation and amortization expense and excludes all general and administrative expenses. The following table provides a reconciliation of revenue and loss from continuing operations by reportable segment to consolidated results for the periods indicated (in thousands):

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Contract field talent	\$ 23,000	\$ 25,272	\$ 43,279	\$ 49,332
Contingent placements	506	454	1,110	941
Revenue	23,506	25,726	44,389	50,273
Compensation and related	15,058	16,090	28,344	31,254
Other	38	40	75	80
Gross profit	8,410	9,596	15,970	18,939
Selling:				
Compensation	4,195	4,771	8,121	9,321
Advertising, occupancy, and travel	447	564	825	908
Software, insurance, and professional fees	296	336	669	632
Other	1,806	674	2,176	1,374
Contributions to overhead	1,666	3,251	4,179	6,704
General and administrative:				
Compensation	2,184	2,365	4,245	4,678
Software	828	590	1,525	1,226
Professional fees	569	482	1,111	932
Strategic alternatives review	1,613	280	1,634	349
Other	638	677	1,273	1,580
Depreciation and amortization	259	332	588	671
Operating loss	(4,425)	(1,475)	(6,197)	(2,732)
Interest expense, net	(1,829)	(1,105)	(2,931)	(2,386)
Income tax benefit from continuing operations	1,392	498	2,031	989
Net loss from continuing operations	\$ (4,862)	\$ (2,082)	\$ (7,097)	\$ (4,129)
Capital expenditures	\$ 13	\$ 432	\$ 13	\$ 863
Total assets	\$ 41,881	\$ 50,240	\$ 41,881	\$ 50,240

NOTE 15 - SUBSEQUENT EVENT

On August 4, 2025, the Company entered into a Waiver and Second Amendment pursuant to which, among other things, the lenders unanimously waived noncompliance with the requirement under the Second Amendment so long as the Company will finalize and close the sale of each of BG Finance and Accounting, Inc. and BGSF Professional, LLC by BGSF, Inc. for a purchase price that will result in the receipt of net cash proceeds sufficient to pay the in full in cash, and that will result in the payment of the all obligations, indebtedness, and liabilities related to the Credit Agreement, in each case by no later than September 30, 2025.

The failure to comply with such covenants would result in an event of default which, if not cured or waived, would trigger prepayment obligations. There can be no assurances that any lender will waive any defaults. If we refinance our indebtedness, 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, financial condition, or results of operations. The terms of any such refinancing could be less favorable and our business, financial condition, and results of operations could be materially adversely affected by increased costs and interest rates. The Company is actively engaging in the previously announced strategic alternatives review process and actively evaluating equity and debt financing opportunities that may be available.

BGSF, Inc. and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our accompanying Unaudited Consolidated Financial Statements and related notes thereto and our Annual Report on Form 10-K for the fiscal year ended December 29, 2024. Comparative segment revenues and related financial information are discussed herein and are presented in Note 14 to our Unaudited Consolidated Financial Statements. See “Forward Looking Statements” on page 3 of this report and “Risk Factors” included in our filings with the SEC, including our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 29, 2024, for a description of important factors that could cause actual results to differ from expected results. Our historical financial information may not be indicative of our future performance.

Overview

On May 8, 2024, we announced that our Board of Directors had initiated a process to evaluate potential strategic alternatives and engaged financial advisors in an endeavor to maximize shareholder value (“Strategic alternatives review”). During December 2024, we announced a cost restructuring plan as part of our strategic review process. On June 14, 2025, we entered into an Equity Purchase Agreement with INSPYR Solutions Intermediate, LLC, pursuant to which we will sell substantially all of our outstanding equity interest pertaining to the Professional segment. The Professional segment financial results for periods prior to the sale have been reflected as discontinued operations in our Unaudited Consolidated Financial Statements, see “Note 3 - Discontinued Operations.”

We currently operate primarily within the United States of America in our Property Management segment. Our Property Management segment provides office and maintenance field talent in 38 states and D.C., to property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations.

Our business normally experiences seasonal fluctuations, primarily in the Property Management segment. 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 Property Management workforce solutions typically increase in the second quarter 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. 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.

Results of Operations

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(dollars in thousands)			
Revenues	\$ 23,506	\$ 25,726	\$ 44,389	\$ 50,273
Cost of services	15,096	16,130	28,419	31,334
Gross profit	8,410	9,596	15,970	18,939
Selling, general, and administrative expenses	12,576	10,739	21,580	21,001
Depreciation and amortization	259	332	588	671
Operating loss	(4,425)	(1,475)	(6,198)	(2,733)
Interest expense, net	(1,829)	(1,105)	(2,931)	(2,386)
Loss from continuing operations before income taxes	(6,254)	(2,580)	(9,129)	(5,119)
Income tax benefit from continuing operations	1,392	498	2,031	989
Net loss from continuing operations	\$ (4,862)	\$ (2,082)	\$ (7,098)	\$ (4,130)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of services	64.2	62.7	64.0	62.3
Gross profit	35.8	37.3	36.0	37.7
Selling, general, and administrative expenses	53.5	41.7	48.6	41.8
Depreciation and amortization	1.1	1.3	1.3	1.3
Operating loss	(18.8)	(5.7)	(13.9)	(5.4)
Interest expense, net	(7.8)	(4.2)	(6.6)	(4.7)
Loss from continuing operations before income taxes	(26.6)	(9.9)	(20.5)	(10.1)
Income tax benefit	5.9	1.9	4.6	2.0
Net loss from continuing operations	(20.7)%	(8.0)%	(15.9)%	(8.1)%

Thirteen Week Fiscal Period Ended June 29, 2025 (“Fiscal 2025”) Compared with Thirteen Week Fiscal Period Ended June 30, 2024 (“Fiscal 2024”)

	Thirteen Weeks Ended	
	June 29, 2025	June 30, 2024
	(dollars in thousands)	
Revenues	\$ 23,506	\$ 25,726
Gross Profit	\$ 8,410	\$ 9,596
Gross Profit Percentage	35.8 %	37.3 %

Revenues: Revenues decreased approximately \$2.2 million (8.6%). The decrease was primarily due to a 9.7% reduction in billed hours, which was driven by a combination of lower demand from cost pressures at the property management companies and increased competition in certain markets with partial offsets by higher permanent placement business, average bill rate, and multi-family property owners.

Gross Profit: We determine spread as the difference between bill rate and pay rate. Gross profit decreased approximately \$1.2 million (12.4%), which is in line with revenues and a 3% decrease in average spread with a partial offset by higher permanent placement business that have no cost of service.

Selling, General, and Administrative Expenses: Selling, general, and administrative expenses increased \$1.8 million (17.1%), primarily due to additional costs related to the Strategic alternatives review. The components of selling, general, and administrative expense are detailed in the following table:

	Thirteen Weeks Ended					
	June 29, 2025		June 30, 2024		\$ Change	% Change
	Amount	% of Revenue	Amount	% of Revenue		
Selling	\$ 6,744	28.7 %	\$ 6,345	24.7 %	\$ 399	6.3 %
General and administrative:						
Compensation and related	2,184	9.3	2,365	9.2	(181)	(7.7)%
Software	828	3.5	590	2.3	238	40.3 %
Liability insurance	305	1.3	249	1.0	56	22.5 %
Professional fees	569	2.4	482	1.9	87	18.0 %
Share-based compensation	137	0.6	220	0.9	(83)	(37.7)%
Strategic alternatives review	1,613	6.9	280	1.1	1,333	476.1 %
Other	196	0.8	208	0.8	(12)	(5.8)%
Total	\$ 12,576	53.5 %	\$ 10,739	41.9 %	\$ 1,837	17.1 %

Depreciation and Amortization: Depreciation and amortization charges decreased \$0.1 million (22.0%) primarily due to lower amortization of intangible assets for computer software.

Interest Expense, net: Interest expense, net increased \$0.7 million 65.5% primarily from the adjustment of amortization of debt issuance costs on the May 2025 Waiver and Amendment with BMO Bank, N.A. (“BMO”).

Income Tax Benefit: Income tax benefit increased \$0.9 million primarily due to increased net loss before taxes and a higher effective tax rate in Fiscal 2025.

Twenty-six Week Fiscal Period Ended June 29, 2025 (“Fiscal 2025”) Compared with Twenty-six Week Fiscal Period Ended June 30, 2024 (“Fiscal 2024”)

	Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024
	(dollars in thousands)	
Revenues	\$ 44,389	\$ 50,273
Gross Profit	\$ 15,970	\$ 18,939
Gross Profit Percentage	36.0 %	37.7 %

Revenues: Revenues decreased approximately \$5.9 million (11.7%). The decrease was primarily due to a 12.5% reduction in billed hours, which was driven by a combination of lower demand from cost pressures at the property management companies and increased competition in certain markets with partial offsets by higher permanent placement business, average bill rate, and multi-family property owners.

Gross Profit: We determine spread as the difference between bill rate and pay rate. Gross profit decreased approximately \$2.9 million (15.7%) which is in line with revenues and a 3.7% decrease in average spread with a partial offset by higher permanent placement business that have no cost of service.

Selling, General, and Administrative Expenses: Selling, general, and administrative expenses increased \$0.6 million (2.8%) primarily due to additional costs related to the Strategic alternatives review. The components of selling, general, and administrative expense are detailed in the following table:

	Twenty-six Weeks Ended							
	June 29, 2025		June 30, 2024		\$ Change	% Change		
	Amount	% of Revenue	Amount	% of Revenue				
							(dollars in thousands)	
Selling	\$	11,791	26.6 %	\$	12,235	24.3 %	(444)	(3.6)%
General and administrative:								
Compensation and related		4,245	9.6		4,679	9.3	(434)	(9.3)%
Software		1,525	3.4		1,226	2.4	299	24.4 %
Liability insurance		535	1.2		500	1.0	35	7.0 %
Professional fees		1,111	2.5		932	1.9	179	19.2 %
Share-based compensation		305	0.7		439	0.9	(134)	(30.5)%
Strategic alternatives review		1,634	3.7		349	0.7	1,285	368.2 %
Other		434	1.0		640	1.3	(206)	(32.2)%
Total	\$	21,580	48.7 %	\$	21,000	41.8 %	\$ 580	2.8 %

Depreciation and Amortization: Depreciation and amortization charges decreased approximately \$0.1 million (12.4%) primarily due to lower amortization of intangible assets for computer software.

Interest Expense, net: Interest expense increased \$0.5 million (22.8%) primarily from the adjustment of amortization of debt issuance costs on the May 2025 Waiver and Amendment with BMO.

Income Tax Benefit: Income tax benefit increased \$1.0 million primarily due to increased net loss before taxes and a higher effective tax rate in Fiscal 2025 and lower state tax expense.

Use of Non-GAAP Financial Measures

We present Adjusted EBITDA (defined below), a measure that is not in accordance with accounting principles generally accepted in the United States of America (“non-GAAP”), in this Quarterly Report to provide investors with a supplemental measure of our operating performance. We believe that Adjusted EBITDA is a useful performance measure and is used by us to facilitate a comparison 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 accounting principles generally accepted in the United States of America (“GAAP”) can provide alone. Our board and management also use Adjusted EBITDA as one 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 agreement are based on EBITDA, as defined in the credit agreement.

We define “Adjusted EBITDA” as earnings before interest expense, income taxes, depreciation and amortization expense, costs associated with the Strategic alternatives review, software as a service costs, and certain non-cash expenses such as 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 equipment 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. Adjusted EBITDA should not be considered as an alternative to net loss from operations for the periods indicated as a measure of our performance. Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this performance measure in isolation from, or as an alternative to, GAAP measures such as net loss. Adjusted EBITDA is not a measure of liquidity under GAAP or otherwise, and is not an alternative to cash flow from operating activities. Our presentation of Adjusted 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 include: (i) it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments; (ii) it does not reflect changes in, or cash requirements for, our working capital needs; (iii) it does not reflect income tax payments we may be required to make; and (iv) it does 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 unaudited consolidated financial statements included elsewhere in this report and the reconciliation to Adjusted EBITDA from net 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 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 ongoing operating performance.

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
	(dollars in thousands)			
Net loss from continuing operations	\$ (4,862)	\$ (2,082)	\$ (7,098)	\$ (4,130)
Income tax benefit	(1,392)	(498)	(2,031)	(989)
Interest expense, net	1,829	1,105	2,931	2,386
Operating loss	(4,425)	(1,475)	(6,198)	(2,733)
Depreciation and amortization	259	332	588	671
Share-based compensation	137	220	305	439
Strategic alternatives review	1,613	280	1,634	349
Software as a service	291	180	425	328
Aged receivable adjustment	980	199	1,070	324
Adjusted EBITDA from continuing operations	(1,145)	(264)	(2,176)	(622)
Adjusted EBITDA Margin (% of revenue)	(4.9)%	(1.0)%	(4.9)%	(1.2)%
Income from discontinued operations	1,126	1,321	2,640	2,577
Adjustments to discontinued operations	1,142	1,901	3,090	4,001
Adjusted EBITDA from discontinued operations	2,268	3,222	5,730	6,578
Adjusted EBITDA, net	\$ 1,123	\$ 2,958	\$ 3,554	\$ 5,956

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 first amendment under our amended and restated credit agreement with BMO, that provides for a revolving credit facility maturing December 31, 2026 (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, 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 markets 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 and adversely affected.

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

	June 29, 2025	December 29, 2024
	(dollars in thousands)	
Working capital from continuing operations	\$ 2,222	\$ 6,897
	Twenty-six Weeks Ended	
	June 29, 2025	June 30, 2024
	(dollars in thousands)	
Net cash provided by (used in) continuing operations:		
Operating activities	\$ 2,962	\$ 14,585
Investing activities	(13)	(863)
Financing activities	(204)	(13,496)
Net change in cash and cash equivalents discontinued operations	190	—
Net change in cash and cash equivalents	\$ 2,935	\$ 226

Operating Activities

Cash provided by operating activities from continuing operations consists of net loss adjusted for non-cash items, including depreciation and amortization, share-based compensation expense, interest expense, provision for credit losses, 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 2025, net cash provided by operating activities was \$3.0 million, a decrease of \$11.6 million compared with net cash provided by operating activities of \$14.6 million for Fiscal 2024. The decrease is primarily due to decreased receipts on accounts receivable and partially offset by decreased payments on accrued payroll and expenses.

Investing Activities

Cash used in investing activities from continuing operations consists primarily of capital expenditures.

In Fiscal 2025, capital expenditure were minimal. In Fiscal 2024, we made capital expenditures of \$0.9 million primarily related to the continued information technology improvements.

Financing Activities

Cash flows from financing activities from continuing operations consisted principally of borrowings and payments under our credit agreement and payment of dividends.

For Fiscal 2025, we borrowed \$1.6 million on our Revolving Facility for increased operating needs and we paid down \$1.9 million on the Term Loan. For Fiscal 2024, we reduced our Revolving Facility \$10.8 million, we disbursed \$1.6 million in cash dividends on our common stock, and we paid down \$0.9 million on the Term Loan.

Credit Agreements

On July 16, 2019, we entered into a Credit Agreement, which would have matured on July 16, 2024, led by BMO, as lead administrative agent, lender, letters of credit issuer, and swing line lender. We entered into four amendments from August 18, 2022 through May 19, 2023, which changed the interest rate component from LIBOR to the Secured Overnight Financing Rate (“SOFR”), exercised the option to borrow \$40.0 million, required 2.5% of the original principal balance of the new term loan, permitted a foreign entity acquisition, modified the distributions terms, and increased a revolving credit facility (the “Revolving Facility”) by \$6.0 million.

On March 12, 2024, the Credit Agreement was amended and restated through our entry into an Amended and Restated Credit Agreement, which would have matured on March 12, 2028, led by BMO as administrative agent, letter of credit issuer, and swing line lender (the “Restated Agreement”). The Restated Agreement provided for a Revolving Facility which permitted

us to borrow funds in an aggregate amount up to \$40 million. The Restated Agreement also provided for a term loan commitment, which permitted us to borrow funds from time to time (the “Term Loan”). In July 2024, we exercised the option to borrow on a delayed draw term loan of \$4.3 million related to payments on the Arroyo Consulting Acquisition's working capital “true up”, hold backs, and year one contingent consideration.

On November 6, 2024, we entered into the First Amendment to Restated Agreement, maturing December 31, 2026, led by BMO as administrative agent, letter of credit issuer, and swing line lender (the “First Credit Amendment”). The availability on the Revolving Facility, which permits us to borrow funds from time to time, was reduced in an aggregate amount up to \$20 million. We are required to repay the Term Loan in quarterly principal installments equal to 2.5% of the aggregate principal balance. The First Credit Amendment provides for interest either at the Base Rate plus the Applicable Margin, or the Adjusted Term SOFR plus the Applicable Margin (as defined in the First Credit Amendment). Our obligations are secured by a first priority security interest in substantially all our tangible and intangible property. The First Credit Amendment provides for an amended financial covenants with a maximum Leverage Ratio, a minimum Fixed Charge Coverage Ratio, and a minimum EBITDA (as such terms are defined in the First Credit Amendment). We will pay an unused commitment fee on the daily average unused amount of Revolving Facility.

We were not in compliance with the foregoing financial covenants and certain affirmative covenants as of the quarter ended December 29, 2024, March 30, 2025, and June 29, 2025. On March 13, 2025, we entered into a Waiver and Second Amendment to Restated Agreement (the “Second Amendment”) pursuant to which, among other things, the lenders unanimously waived noncompliance with the foregoing covenants as of December 29, 2024 and March 30, 2025, and certain amendments were made to the Restated Agreement including, but not limited to, a new definition of Applicable Margin, a reduction of the swing line sublimit to zero, and limiting the aggregate revolving credit borrowings to \$8.0 million. The amendments described in the Second Amendment are effective as of March 13, 2025 and we incurred nominal fees in debt issuance costs. Additionally, per the terms of the Second Amendment, we are subject to the satisfaction or waiver of certain conditions described therein relating to, among other things, debt financing and refinancing and our previously announced strategic alternatives review.

On May 7, 2025, we entered into a Waiver and Amendment (the “Waiver and Amendment”) pursuant to which, among other things, the lenders unanimously waived noncompliance with the requirement under the Second Amendment that we receive at least \$2 million in cash equity contributions for working capital purposes by April 25, 2025. The Waiver and Amendment amended the foregoing requirement provided that, by May 30, 2025, we receive at least \$2 million of cash equity contributions or proceeds of subordinated debt.

On August 4, 2025, the we entered into a Waiver and Second Amendment pursuant to which, among other things, the lenders unanimously waived noncompliance with the foregoing covenants as of June 29, 2025 and with the requirements under the Second Amendment so long as we will finalize and close the sale of both BG Finance and Accounting, Inc. and BGSF Professional, LLC by BGSF, Inc. for a purchase price that will result in the receipt of net cash proceeds sufficient to pay the in full in cash, and that will result in the payment of the all obligations, indebtedness, and liabilities related to the Credit Agreement, in each case by no later than September 30, 2025.

The failure to comply with such covenants would result in an event of default which, if not cured or waived, would trigger prepayment obligations. There can be no assurances that any lender will waive any defaults. If we refinance our indebtedness, 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, financial condition, or results of operations. The terms of any such refinancing could be less favorable and our business, financial condition, and results of operations could be materially adversely affected by increased costs and interest rates. We are actively engaging in the previously announced strategic alternatives review process and actively evaluating equity and debt financing opportunities that may be available.

Off-Balance Sheet Arrangements

Letter of Credit

In conjunction with the EdgeRock acquisition, we entered into a standby letter of credit arrangement, which expired, for purposes of protecting a lessor against default on lease payments. As of December 29, 2024, we had a maximum financial exposure from this standby letter of credit totaling \$0.1 million that ended in 2025, all of which was considered usage against our Revolving Facility. The Company has no history of default, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any disputes thereunder that might arise in the future would not materially affect the Company's consolidated financial statements. Accordingly, no liability has been recorded in respect to these arrangements as of June 29, 2025.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of our consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amount of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends, and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, estimates, assumptions and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2, Summary of Significant Accounting Policies, of the Notes to Unaudited Consolidated Financial Statements included in “Item 1. Financial Statements.” Please also refer to our Annual Report on Form 10-K for the fiscal year ended December 29, 2024 for a more detailed discussion of our critical accounting policies.

Revenue Recognition

We derive our revenues from continuing operations by providing workforce solutions and 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. We recognize revenue through the following types of services: workforce solutions and contingent placements.

Intangible Assets

We hold intangible assets with finite lives. 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. We develop and implement software modifications to our information technology infrastructure with direct internal payroll costs and external costs capitalized. Minor upgrades and enhancements to software systems are expensed in the period incurred as software maintenance and training costs.

Goodwill

Goodwill represents the difference between the enterprise value or consideration exchanged less the fair value of all recognized net asset fair values including identifiable intangible asset values in a business combination. We review 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.

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. We recognize any penalties when necessary as part of selling, general, and administrative expenses. 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. When appropriate, we will record a valuation allowance against net deferred tax assets to offset future tax benefits that may not be realized. We follow the guidance of Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes.

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 Unaudited Consolidated Financial Statements in this Quarterly Report on Form 10-Q and Note 2 in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 29, 2024.

Item 3. 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 and inflation risks. Through the current period, we have been able to moderate the negative impacts of an inflationary market by adjusting our pricing model.

Interest Rates

Our Revolving Facility and Term Loan are priced at a 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures are effective, at a reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

For the fiscal quarter ended June 29, 2025, there have been no changes in our internal control over financial reporting identified in connection with the evaluations required by Rule 13a-15(d) or Rule 15d-15(d) under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our team members are working remotely. We are continually monitoring and assessing the impact of the ongoing situation on our internal controls to minimize the impact on their design and operating effectiveness.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and our CFO, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all 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. 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. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No change from the information provided in ITEM 3. LEGAL PROCEEDINGS included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2024.

ITEM 1A. RISK FACTORS

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Quarterly Report on Form 10-Q, as well as the risk factors disclosed in Item 1A. of Part I of our Annual Report on Form 10-K for the fiscal year ended December 29, 2024 (our “2024 Form 10-K”), and filed with the SEC on March 17, 2025, and in our other Quarterly Reports on Form 10-Q filed subsequently with the SEC. Any of the risks discussed in this Quarterly Report on Form 10-Q, and any of the risks disclosed in Item 1A. of Part I of our 2024 Form 10-K or in our other Quarterly Reports on Form 10-Q filed subsequently with the SEC, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition.

The sale of our Professional segment (the “Sale”) is subject to receipt of the required stockholder approval and other closing conditions and may not be completed as anticipated, or at all.

We are seeking the approval of the Sale by our stockholders in accordance with Section 271 of the Delaware General Corporation Law on the basis that the Sale may be considered to constitute the sale of substantially all of BGSF’s property and assets within the meaning of that statute. The closing is conditioned on, among other things, BGSF obtaining the required stockholder approval at a special meeting. In addition, the Equity Purchase Agreement provides for certain termination rights as described therein. The proceeds that may be realized from the Sale are contingent upon receiving the required stockholder approval and satisfying the other closing conditions. There can be no assurances that we will receive the vote and satisfy such conditions. Any delay in receiving the required stockholder vote and satisfying the other closing conditions may increase the risk that the Sale will be terminated, or reduce the benefits we expect to achieve.

The Sale and the other transactions contemplated by the Equity Purchase Agreement, whether or not completed, may adversely affect the retained business.

Transactions such as the Sale are often subject to lawsuits by stockholders. It is possible that our common stockholders or other stakeholders will commence or seek to commence litigation against BGSF or the BGSF Board of Directors. Such litigation could result in substantial costs and divert management’s attention from other business concerns, which could adversely affect the retained business. In addition, our ability to execute on our business strategies for the retained business depends on the retention and recruitment of qualified executives and other professionals. We rely upon the services of our current executive and senior management teams. The market for qualified executives, senior managers and other employees has become very competitive. As a result of the Sale, we may experience higher employee turnover and finding qualified replacements may be more difficult. The loss of the services of members of our executive and/or senior management teams or our inability to hire and retain other talented personnel could delay or prevent us from succeeding in executing our strategies, which could negatively impact the retained business. Further, while the completion of the Sale is pending, we may be unable to attract and retain key personnel and our management’s focus and attention and employee resources may be diverted from operational matters.

Because BGSF is expected to have fewer revenues and assets following the Sale, there is a possibility that such reduced revenues and assets may affect our ability to satisfy NYSE’s continued listing standards, which could result in the delisting of our common stock.

The continued listing standards of NYSE include, among other things, requirements that we maintain certain levels of stockholders’ equity, total assets, total revenue, market capitalization and/or minimum trading price. Even though we currently satisfy these requirements, following the Sale, our business will be smaller, which may cause us to fail to satisfy NYSE’s continued listing standards. In the event that we are unable to satisfy such continued listing standards, our common stock may be delisted from NYSE. Any delisting of our common stock from such market could adversely affect our ability to attract new investors, decrease the liquidity of our outstanding shares of common stock, reduce our flexibility to raise additional capital, reduce the price at which our common stock trades and increase the transaction costs inherent in trading such shares with overall negative effects for our stockholders. In addition, delisting of our common stock could deter broker-dealers from making a market in or otherwise seeking or generating interest in our common stock, and might

deter certain institutions and persons from investing in our securities at all. For these reasons and others, delisting could adversely affect the price of our common stock and our business, financial condition and results of operations.

If we fail to complete the Sale, our business and financial performance may be adversely affected. The completion of the Sale is subject to the satisfaction or waiver of various conditions, including the approval of the Sale by our stockholders, which may not be satisfied in a timely manner or at all.

If the Sale is not completed, we may have difficulty recouping the costs incurred in connection with negotiating the Sale and the other transactions. Our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the Sale, and we will have incurred significant third-party transaction costs, in each case, without any commensurate benefit, which may have a material and adverse effect on our stock price and results of operations. Furthermore, if the Sale and the other transactions are not completed, the announcement of the termination of the Equity Purchase Agreement may adversely affect our relationships with our customers, business partners, and employees, which could have a material adverse impact on our ability to effectively operate our business, and we may be required to pay the seller termination fee of \$2,970,000 or the expense reimbursement of up to \$3,000,000 under certain circumstances, each of which could have further adverse effects on our business, results of operations and the trading price of BGSF's common stock.

If the Equity Purchase Agreement is not approved or if we fail to complete the Sale, there may not be any other offer from potential acquirors that the BGSF Board of Directors determines to be attractive.

If we fail to complete the Sale, the BGSF Board of Directors, in discharging its fiduciary obligations to our stockholders, may evaluate other strategic alternatives including, but not limited to, continuing to operate the business of the Professional segment for the foreseeable future or an alternative transaction relating to the Professional segment. An alternative transaction, if available, may yield lower consideration or value than the proposed Sale, be on less favorable terms and conditions than those contained in the Equity Purchase Agreement and involve significant delay. Any future sale of substantially all of BGSF's property and assets within the meaning of Section 271 of the DGCL and related case law or other similar transaction may be subject to further stockholder approval, and there is no guarantee that BGSF would be able to obtain such stockholder approval in favor of any such sale or other transaction. If the Acquired Companies are not sold, there can be no assurance that we will realize value at least equivalent to the proceeds of the Sale from the operation of the business of the Professional segment over time, or any value; nor can we predict the timeline for realizing value, if any, from the business of the Professional segment in the absence of the Sale.

BGSF will receive all proceeds from the Sale.

BGSF intends to use the net proceeds from the Sale to substantially eliminate its outstanding debt and to make investments in its Property Management segment. The BGSF Board of Directors intends to work with its financial advisors to determine the best use of the remaining proceeds to increase stockholder value while continuing to evaluate strategic alternatives. BGSF's stockholders will not directly receive any proceeds from the Sale.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Plans

During the fiscal quarter ended June 29, 2025, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The following exhibits are filed or furnished with this Quarterly Report on Form 10-Q.

Exhibit Number	Description
2.1	<u>Equity Purchase Agreement, dated as of June 14, 2025, among INSPYR Solutions Intermediate, LLC, BGSE Inc., BG Finance and Accounting, Inc., and BGSE Professional, LLC (incorporated by reference from the registrant's Current Report on Form 8-K filed on June 23, 2025)</u>
3.1	<u>Certificate of Incorporation of BG Staffing, Inc. (incorporated by reference from Amendment No. 2 to the Company's registration statement on Form S-1 (File No. 333-191683) filed on November 4, 2013).</u>
3.2	<u>Certificate of Amendment to Certificate of Incorporation of BGSE, Inc. (incorporated by reference from the registrant's Current Report on Form 8-K filed on February 12, 2021).</u>
3.3	<u>Bylaws of BG Staffing, Inc. (incorporated by reference from Amendment No. 2 to the Company'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 Company's registration statement on Form S-1 (File No. 333-191683) filed on October 28, 2013).</u>
10.1	<u>Form of Indemnification Agreement for director and executive officers of BGSE, Inc. (incorporated by reference from the registrant's Current Report on Form 8-K filed on February 4, 2014)</u>
10.2	<u>Waiver and Amendment to Amended and Restated Credit Agreement, dated as of May 7, 2025, by and among BGSE, Inc., the Guarantors and Lenders signatories thereto, and BMO Bank N.A., as Administrative Agent (incorporated by reference to the registrant's Quarterly Report on Form 10-Q filed on May 7, 2025)</u>
10.3**	<u>Separation Agreement, dated as of June 14, 2025, between B G Staff Services, Inc. and Beth Garvey (incorporated by reference from the registrant's Current Report on Form 8-K filed on June 23, 2025)</u>
10.4*	<u>Waiver and Second Amendment to Amended and Restated Credit Agreement, dated as of August 4, 2025, by and among BGSE, Inc., the Guarantors and Lenders signatories thereto, and BMO Bank N.A., as Administrative Agent</u>
31.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002.</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*	The following financial information from BGSE's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2025 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Operations and Comprehensive (Loss) Income, (iii) the Unaudited Statements of Changes in Stockholders' Equity, (iv) the Unaudited Consolidated Statements of Cash Flows, and (vi) Notes to the Unaudited Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	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, 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.
††	Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules and similar attachments have been omitted. The Company hereby agrees to furnish a copy of any omitted schedule or attachment to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BGSF, INC.

/s/ Kelly Brown

Name:	Kelly Brown
Title:	Interim Co-Chief Executive Officer (Principal Executive Officer)

/s/ Keith Schroeder

Name:	Keith Schroeder
Title:	Interim Co-Chief Executive Officer, Chief Financial Officer and Secretary (Principal Executive Officer and Principal Financial Officer)

Date: August 6, 2025

Waiver and Amendment

This Waiver and Amendment (this “*Agreement*”) is entered into as of August 4, 2025 (the “*Effective Date*”), by and among BGSF INC., a Delaware corporation (the “*Borrower*”), the Guarantors listed below as signatories hereto, the Lenders listed below as signatories hereto (constituting unanimous Lender consent), and BMO Bank N.A. as administrative agent (in such capacity, including any successor thereto, the “*Agent*”) for the Lenders.

RECITALS:

A. The Lenders currently extend credit to the Borrower on the terms and conditions set forth in that certain Amended and Restated Credit Agreement dated as of March 12, 2024 (as amended by that certain First Amendment to Amended and Restated Credit Agreement, dated as of November 6, 2024 (the “*First Amendment*”) by and among the Borrower, the Guarantors, the Lenders party thereto, and the Agent, and as amended by that certain Waiver and Second Amendment to Amended and Restated Credit Agreement, dated as of March 13, 2025 (the “*Waiver and Second Amendment*”) by and among the Borrower, the Guarantors, the Lenders party thereto, and the Agent), and as amended by that certain Waiver and Amendment, dated as of May 7, 2025 (the “*May 2025 Waiver and Amendment*”) by and among the Borrower, the Guarantors, the Lenders party thereto, and the Agent) (as so amended and as further amended, restated, amended and restated, supplemented or otherwise modified from time to time pursuant to the terms thereof, the “*Credit Agreement*”).

B. The Borrower has (a) failed to timely comply with the requirement to consummate at least one of a Subordinated Debt Transaction, a Refinancing or a Strategic Transaction reasonably acceptable to the Lenders by no later than June 30, 2025 as set forth in Section 8.1 of the Waiver and Second Amendment, and pursuant to Section 10 of the Waiver and Second Amendment such failure constitutes an immediate Event of Default under the Credit Agreement, (b) failed to comply with Section 8.4 of the Waiver and Second Amendment (as amended by the May 2025 Waiver and Amendment), and pursuant to Section 10 of the Waiver and Second Amendment each such failure constitutes an immediate an Event of Default under the Credit Agreement and (c) failed to timely make principal payments of Existing Term Loans and Delayed Draw Term Loans due June 30, 2025, with each such failure resulting in an immediate Event of Default under Section 10.1(a)(i) of the Credit Agreement (collectively, the “*Existing Events of Default*”).

C. The Borrower has requested that the Lenders waive the Existing Events of Default and agree to certain amendments to the Waiver and Second Amendment, and the Lenders are willing to waive the Existing Events of Default (and only the Existing Events of Default) and agree to such amendments on the terms and conditions set forth in this Agreement.

Now, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. *Incorporation of Recitals; Defined Terms.* The parties hereto acknowledge that the Recitals set forth above are true and correct in all material respects. The defined terms in the Recitals set forth above are hereby incorporated into this Agreement by reference. All other capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement (as amended).

2. *Acknowledgement of Liens.* The Obligated Parties hereby acknowledge and agree that the Obligations owing to the Agent and the Lenders arising out of or in any manner relating to the Loan Documents, as well as all Bank Product Obligations, shall continue to be secured by Liens on all assets and property of the Obligated Parties, including, without limitation, all accounts, chattel paper, commercial tort claims, deposit accounts, documents, general intangibles, goods (including all farm products, inventory, equipment, and fixtures), instruments, investment property, letter-of-credit rights, letters of credit, money, real estate, and certain other assets and properties of the Obligated Parties, whether now owned or existing or hereafter created, acquired or arising, and in each of the foregoing cases, to the extent provided for in the Loan Documents heretofore executed and delivered by the Obligated Parties; and nothing herein contained shall in any manner affect or impair the priority of the Liens created and provided for thereby as to the indebtedness, obligations, and liabilities which would be secured thereby prior to giving effect to this Agreement.

3. *Waiver.* At the direction of the Lenders signatory hereto, and in consideration for the agreements of the Borrower set forth herein and upon the effectiveness of this Agreement, the Agent and the Lenders waive the Existing Events of Default (and only the Existing Events of Default). This waiver is limited to the matters expressly set forth herein and all other terms and conditions of the Credit Agreement, the Waiver and Second Amendment and the other Loan Documents shall stand and remain unchanged and in full force and effect (except as amended by this Agreement).

4. *Financial Covenant Testing and Reporting.* Notwithstanding anything in the Credit Agreement to the contrary, during the period from the Effective Date through September 27, 2025, a failure by the Borrower to comply with the financial covenants set forth in Sections 9.1, 9.2, 9.3 of the Credit Agreement shall not cause or constitute an Event of Default; provided, however, that the Borrower shall still be required to continue to calculate and report compliance and non-compliance with such financial covenant levels as contemplated by Section 7.1 of the Credit Agreement.

5. *Amendment to Waiver and Second Amendment.* Upon the satisfaction of the conditions precedent set forth in Section 8 below, the Waiver and Second Amendment shall be and hereby is amended as of the Effective Date as follows:

5.1. Section 8.1 of the Waiver and Second Amendment is amended and restated to read as follows:

8.1 *Strategic Transaction.* At all times, the Borrower shall use commercially reasonable efforts to finalize and close the sale of all of the issued and outstanding

Equity Interests of each of BG Finance and Accounting, Inc. and BGSF Professional, LLC by BGSF, Inc. for a purchase price that will result in the receipt of net cash proceeds sufficient to pay the Obligations in full in cash, and that will result in the payment of the Obligations in full in cash, in each case by no later than September 30, 2025 (the “*Strategic Transaction*”). The Borrower shall perform, or deliver to the Agent, as applicable, the following item listed in the table below on or before the dates specified (or by such later date as may be agreed to by the Agent and the Lenders in each of their sole discretion in writing, for which e-mail may suffice) (the “*Milestone*”). Furthermore, beginning with the first calendar week after the Second Amendment Effective Date and each calendar week thereafter, the Borrower shall facilitate a weekly update call regarding the status of the milestone outlined below, with such update to occur no less than on a weekly basis (with additional update calls to occur upon the reasonable request of the Agent), and such calls shall be at a mutually agreeable time for all parties involved. Nothing herein shall constitute the approval of or consent of the Agent or Lenders to the Strategic Transaction or the agreement of the Agent or Lenders to release any Obligated Party or to release, permit or subordinate any Lien in connection with the Strategic Transaction, and the Strategic Transaction shall remain subject to such subsequent consents and approvals.

ITEM	DELIVERY/ACTION	DUE DATE
A.	Consummate and close the Strategic Transaction and pay all Obligations in full in cash.	September 30, 2025

The failure to timely satisfy the Milestone shall constitute a breach of the provisions of this Section 8.1, and, in turn, an immediate Event of Default under the Credit Agreement.

5.2 Section 8.4 of the Waiver and Second Amendment is amended and restated to read as follows:

8.4 [Reserved].

6. *RELEASE.* (a) FOR VALUE RECEIVED, INCLUDING WITHOUT LIMITATION, THE AGREEMENTS OF THE LENDERS IN THIS AGREEMENT, EACH OBLIGATED PARTY, ON BEHALF OF ITSELF AND ITS SUCCESSORS AND ASSIGNS, AND ITS CURRENT AND FORMER SHAREHOLDERS, MEMBERS, PARENTS, SUBSIDIARIES, DIVISIONS, AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, ADVISORS, CONSULTANTS, AND OTHER REPRESENTATIVES (COLLECTIVELY, THE “*RELEASING PARTIES*”), HEREBY TO THE EXTENT PERMITTED BY APPLICABLE LAW ABSOLUTELY, UNCONDITIONALLY, AND IRREVOCABLY RELEASES AND FOREVER DISCHARGES THE AGENT AND THE LENDERS, AND THEIR CURRENT AND FORMER SHAREHOLDERS, MEMBERS, PARENTS, SUBSIDIARIES, DIVISIONS, AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, ADVISORS, CONSULTANTS, AND OTHER REPRESENTATIVES (COLLECTIVELY, THE “*RELEASED PARTIES*”) OF AND FROM ANY AND ALL CLAIMS (INCLUDING, WITHOUT LIMITATION, ALL

COUNTERCLAIMS, CROSSCLAIMS, DEFENSES, RIGHTS OF SET-OFF AND RECOUPMENT), ACTIONS, CAUSES OF ACTION, ACTS AND OMISSIONS, CONTROVERSIES, DEMANDS, SUITS, AND OTHER LIABILITIES (COLLECTIVELY, THE "*CLAIMS*") OF EVERY KIND OR NATURE WHATSOEVER, BOTH IN LAW AND IN EQUITY, KNOWN OR UNKNOWN RELATING TO THE LOAN DOCUMENTS, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, WHICH ANY RELEASING PARTY HAS OR EVER HAD AGAINST THE RELEASED PARTIES PRIOR TO, THROUGH, AND INCLUDING THIS DATE, INCLUDING, WITHOUT LIMITATION, CLAIMS ARISING OUT OF THE EXISTING FINANCING ARRANGEMENTS BETWEEN THE BORROWER AND THE LENDERS AND ANY CLAIM OF BREACH OF THE DUTY OF GOOD FAITH AND FAIR DEALING BASED ON, AMONG OTHER THINGS, THE RELEASED PARTIES' EXERCISE OF DISCRETION UNDER THE LOAN DOCUMENTS (A "*RELEASED CLAIM*"); PROVIDED THAT THE FOREGOING SHALL NOT IN ANY CASE RELEASE THE AGENT OR THE LENDERS FROM THEIR OBLIGATIONS TO THE OBLIGATED PARTIES UNDER THE LOAN DOCUMENTS, INCLUDING THIS AGREEMENT, ON AND AFTER THE DATE HEREOF. THE OBLIGATED PARTIES HEREBY REPRESENT AND WARRANT THAT, ON BEHALF OF THEMSELVES AND THEIR SUCCESSORS, ASSIGNS AND LEGAL REPRESENTATIVES, THEY HAVE NOT SOLD, CONVEYED, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE ENCUMBERED ALL OR ANY PART OF THE CLAIMS RELEASED IN THIS SECTION. THE OBLIGATED PARTIES HEREBY ACKNOWLEDGE AND AGREE, ON BEHALF OF THEMSELVES AND THEIR SUCCESSORS, ASSIGNS AND LEGAL REPRESENTATIVES, THAT THE RELEASED PARTIES HAVE AT ALL TIMES ACTED IN GOOD FAITH WITH REGARD TO THE CONSUMMATION AND ADMINISTRATION OF THE LOAN DOCUMENTS. EACH OBLIGATED PARTY ACKNOWLEDGES AND AGREES THAT, AS OF THE DATE HEREOF, IT DOES NOT HAVE ANY RELEASED CLAIM AGAINST THE RELEASED PARTIES, EACH OF WHICH SUCH OBLIGATED PARTY, ON BEHALF OF ITSELF AND ITS SUCCESSORS, ASSIGNS AND LEGAL REPRESENTATIVES, HEREBY EXPRESSLY WAIVES. EACH OBLIGATED PARTY HEREBY CONFIRMS THAT THE FOREGOING WAIVER AND RELEASE IS AN INFORMED WAIVER AND RELEASE AND IS BEING FREELY GIVEN.

(b) EACH OBLIGATED PARTY FURTHER AGREES, ON BEHALF OF ITSELF AND ITS SUCCESSORS, ASSIGNS, AND LEGAL REPRESENTATIVES, NOT TO COMMENCE, INSTITUTE, OR PROSECUTE ANY LAWSUIT, ACTION OR OTHER PROCEEDING, WHETHER JUDICIAL, ADMINISTRATIVE OR OTHERWISE, TO COLLECT OR ENFORCE ANY RELEASED CLAIM. IF ANY OBLIGATED PARTY OR ANY OF ITS SUCCESSORS, ASSIGNS, OR LEGAL REPRESENTATIVES VIOLATES THE FOREGOING COVENANT, THE OBLIGATED PARTIES HEREBY AGREE, ON BEHALF OF THEMSELVES AND THEIR SUCCESSORS AND ASSIGNS, TO JOINTLY AND SEVERALLY PAY, IN ADDITION TO ANY DAMAGES AS ANY RELEASED PARTY MAY SUSTAIN AS A RESULT OF SUCH VIOLATION, ALL ATTORNEYS' FEES AND COSTS INCURRED BY ANY RELEASED PARTY AS A RESULT OF SUCH VIOLATION

AS DETERMINED BY A FINAL, NONAPPEALABLE JUDGMENT OF A COURT OF COMPETENT JURISDICTION.

7. *Entire Agreement, Loan Documents Remain Effective; No Novation; and Modifications.* This Agreement and the Loan Documents are intended by the Agent and the Lenders as a final expression of their agreement and are intended as a complete and exclusive statement of the terms and conditions of that agreement. This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter and constitutes a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. Except as expressly set forth in this Agreement, the Loan Documents and all of the obligations of the Obligated Parties thereunder, the rights and benefits of the Agent and Lenders thereunder, and the Liens created thereby remain in full force and effect. This Agreement is not a novation nor is it to be construed as a release, waiver or modification of any of the terms, conditions, representations, warranties, covenants, rights or remedies set forth in the Loan Documents, except as specifically set forth herein. Without limiting the foregoing, the Obligated Parties agree to comply with all of the terms, conditions, and provisions of the Loan Documents except to the extent such compliance is inconsistent with the express provisions of this Agreement. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement entered into in accordance with Section 12.10 of the Credit Agreement. THIS AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AS TO THE SUBJECT MATTER HEREOF BETWEEN THE PARTIES.

8. *Conditions Precedent.* The effectiveness of this Agreement is subject to the satisfaction (or waiver) of the following conditions precedent:

8.1 the Obligated Parties, the Agent, and all of the Lenders shall have executed and delivered this Agreement on or before the Effective Date;

8.2 the Borrower shall have paid all reasonable and documented out-of-pocket costs and expenses of the Agent invoiced at least one (1) Business Day prior to the Effective Date, including the reasonable and documented out-of-pocket attorney's fees;

8.3 the Borrower shall have paid to the Agent in cash the principal payment on Existing Terms Loans that was due on June 30, 2025 in the amount of \$850,000.00 and the principal payment on Delayed Draw Term Loans that was due on June 30, 2025 in the amount of \$106,250.00; and

8.3 legal matters incident to the execution and delivery of this Agreement shall be satisfactory to the Agent and its counsel.

9. *Representations.* In order to induce the Agent and Lenders to execute and deliver this Agreement, each Obligated Party hereby represents to the Agent and the Lenders that as of the date hereof, after giving effect to this Agreement (a) the representations and warranties set

forth in Article 6 of the Credit Agreement are true and correct in all material respects (or in all respects for such representations and warranties that are by their terms already qualified as to materiality, in each case after giving effect to the materiality qualifier therein) as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date, in which case such representation shall be true and correct in all material respects (or in all respects for such representations and warranties that are by their terms already qualified as to materiality, in each case after giving effect to the materiality qualifier therein) as of such earlier date and (b) no Default or Event of Default has occurred and is continuing under the Credit Agreement or would occur as a result of giving effect to this Agreement.

10. *Miscellaneous.* By its acceptance hereof, each Obligated Party hereby represents as of the date hereof that it has the necessary power and authority to execute, deliver, and perform the undertakings contained herein, and that this Agreement constitutes the valid and binding obligation of such party enforceable against it in accordance with its terms. Any provision of this Agreement held invalid, illegal, or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality, or unenforceability without affecting the validity, legality, and enforceability of the remaining provision hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties hereto hereby acknowledge and agree that this Agreement shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents, and a breach by any Obligated Party of any agreement or covenant in this Agreement shall constitute an immediate Event of Default under the Credit Agreement. This Agreement may be executed in counterparts and by different parties on separate counterpart signature pages, each of which constitutes an original and all of which taken together constitute one and the same instrument. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission of an Adobe portable document format file (also known as a “PDF” file) shall be effective as delivery of a manually executed counterpart hereof. The words “execution,” “signed,” “signature,” and words of like import in this Agreement shall be deemed to include electronic signatures or electronic records, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the Texas Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. This Agreement shall be governed by Texas law and shall be governed and interpreted on the same basis as the Credit Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES TO FOLLOW]

This Waiver and Amendment is entered into as of the date and year first above written.

“Borrower”

BGSF, Inc.

By: /s/ Keith Schroeder

Name: Keith Schroeder

Title: Interim Co-Chief Executive Officer & Chief Financial Officer

“GUARANTORS”

B G STAFF SERVICES INC

BG CALIFORNIA FINANCE & ACCOUNTING STAFFING, INC.

BG CALIFORNIA IT STAFFING, INC.

BG CALIFORNIA MULTIFAMILY STAFFING, INC.

BG FINANCE AND ACCOUNTING, INC.

BG PERSONNEL OF TEXAS, LLC

BG PERSONNEL, LLC

EDGEROCK TECHNOLOGIES HOLDINGS, INC.

EDGEROCK TECHNOLOGIES, LLC

By: /s/ Keith R. Schroeder

Name: Keith R. Schroeder

Title: Co-Interim Executive Officer & Chief Financial Officer

Waiver and Amendment

BGSF, Inc.

BG PERSONNEL, LP

By: BGSF Professional, LLC
Its: General Partner

By: BGSF, Inc.
Its: Sole Member

By: /s/ Keith R. Schroeder
Name: Keith R. Schroeder
Title: Co-Interim Chief Executive Officer & Chief Financial Officer

BGSF PROFESSIONAL, LLC

By: BGSF, Inc.
Its: Sole Member

By: /s/ Keith R. Schroeder
Name: Keith R. Schroeder
Title: Co-Interim Chief Executive Officer & Chief Financial Officer

Waiver and Amendment
BGSF, Inc.

BMO BANK N.A., as Agent and Lender

By: /s/ Arthur Martinez_____

Name: Arthur Martinez_____

Title: Vice President_____

Waiver and Amendment
BGSF, Inc.

“LENDERS”

BANK OF AMERICA, N.A., as a Lender

By: /s/ Thomas Czerwinski

Name: Thomas Czerwinski

Title: Sr. Vice President

Waiver and Amendment
BGSF, Inc.

SOUTHSTATE BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Burton C. French

Name: Burton C. French

Title: SVP

Waiver and Amendment
BGSF, Inc.

TEXAS CAPITAL BANK, as a Lender

By: /s/ Alan Wray_____

Name: Alan Wray_____

Title: Director_____

Waiver and Amendment
BGSF, Inc.

Certification of Chief Executive Officer Pursuant to**Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kelly Brown, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 29, 2025 of BGSF, 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 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.
- 5 The registrant's other certifying officer 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: August 6, 2025

By: /s/ Kelly Brown

Name: Kelly Brown

Title: Interim Co-Chief Executive Officer
(Principal Executive Officer)

**Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Keith Schroeder, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 29, 2025 of BGSF, 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 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.
- 5 The registrant's other certifying officer 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: August 6, 2025

By: /s/ Keith Schroeder
 Name: Keith Schroeder
 Title: Interim Co-Chief Executive Officer, Chief Financial Officer and
 Secretary
 (Principal Executive Officer and Principal Financial Officer)

**Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of BGSF, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 29, 2025 as filed with the Securities and Exchange Commission on the date hereof, we, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

- (1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: August 6, 2025

By: /s/ Kelly Brown
 Name: Kelly Brown
 Title: Interim Co-Chief Executive Officer
 (Principal Executive Officer)

By: /s/ Keith Schroeder
 Name: Keith Schroeder
 Title: Interim Co-Chief Executive Officer, Chief Financial Officer
 and Secretary
 (Principal Executive Officer and Principal Financial
 Officer)

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Secretary of the Company and will be retained by the Secretary of the Company and furnished to the Securities and Exchange Commission or its staff upon request.