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

FORM 10-K

(Mark One)

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

For the fiscal year ended August 31, 2018

OR

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

For the transition period from _____________ to _____________

SEC File No. 024-10557

SHIFTPIXY, INC.

(Exact name of registrant as specified in its charter)

Wyoming	**47-4211438**
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Venture Suite 150, Irvine CA	**92618**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: **(888) 798-9100**

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

Common Stock, par value $0.0001 per share	**The NASDAQ Stock Market LLC**
Title of each class registered	Name of each exchange on which each class is registered

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter ($2.44 on February 28, 2018) was approximately $8,938,000.

The number of outstanding shares of Registrant's Common Stock, $0.0001 par value, was 29,371,327 shares as of November 27, 2018.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Report on Form 10-K, the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission ("SEC"), and public announcements that we have previously made or may subsequently make include, may include, incorporate by reference or may incorporate by reference certain statements that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to enjoy the benefits of that act. Unless the context is otherwise, the forward-looking statements included or incorporated by reference in this Form 10-K and those reports, statements, information and announcements address activities, events or developments that ShiftPixy, Inc. (hereinafter referred to as "we," "us," "our," "our Company" or "ShiftPixy"), expects or anticipates will or may occur in the future. Any statements in this document about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "will continue," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," and similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to us on the dates noted, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results may differ materially from those in such forward-looking statements due to fluctuations in interest rates, inflation, government regulations, economic conditions and competitive product and pricing pressures in the geographic and business areas in which we conduct operations, including our plans, objectives, expectations and intentions and other factors discussed elsewhere in this Report.

Certain risk factors could materially and adversely affect our business, financial conditions and results of operations and cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, and you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. The risks and uncertainties we currently face are not the only ones we face. New factors emerge from time to time, and it is not possible for us to predict which will arise. There may be additional risks not presently known to us or that we currently believe are immaterial to our business. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. *If any such risks occur, our business, operating results, liquidity and financial condition could be materially affected in an adverse manner. Under such circumstances, you may lose all or part of your investment.*

The industry and market data contained in this report are based either on our management's own estimates or, where indicated, independent industry publications, reports by governmental agencies or market research firms or other published independent sources and, in each case, are believed by our management to be reasonable estimates. However, industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares. We have not independently verified market and industry data from third-party sources. In addition, consumption patterns and customer preferences can and do change. As a result, you should be aware that market share, ranking and other similar data set forth herein, and estimates and beliefs based on such data, may not be verifiable or reliable.

PART I

Item 1. Description of Business

Company Information

We were incorporated under the laws of the State of Wyoming on June 3, 2015. We formed Shift Human Capital Management Inc., d/b/a/ ShiftableHR, a wholly-owned subsidiary, in December 2015. Our principal executive office is located at 1 Venture, Suite 150, Irvine, CA 92618, and our telephone number is (888) 798-9100. Our website address is www.shiftpixy.com. We do not incorporate the information on or accessible through our website into this Report, and you should not consider any information on, or that can be accessed through, our website a part of this Report.

Business

The Company is primarily a staffing enterprise, providing employment services solutions for businesses and workers in an environment in which shift or other part-time/temporary positions, commonly called "gigs," are performed.

The trend toward a Gig Economy has begun. A study by Ardent Partners confirms that the trend is significant, noting that nearly of the world's total workforce is now considered 'non-employee,' which includes contingent/contract workers, temporary staff, gig workers, freelancers, professional services, and independent contractors." Ardent Partners Ltd. "The State of Contingent Workforce Management 2016-2017: Adapting to a New World of Work." October 2016. In the Gig Economy, businesses such as those in our current target market in the restaurant and hospitality industries often contract with independent contractor workers to perform less than full-time gig engagements, primarily in the form of shift work.

We provide our disruptive solution in the developing nextGEN economy primarily by absorbing our clients' workers, who we may refer to as "shift workers," "shifters," "gig workers," "worksite employees" and "assigned employees," as ShiftPixy employees and make those employees available to the client to work the same jobs, as employees of ShiftPixy, thereby shouldering a substantial portion of the employment-related compliance responsibilities. This arrangement also benefits the gig workers who have now become ShiftPixy employees. We plan to allow shifters placed with one of ShiftPixy's clients to access other shift work with other ShiftPixy clients. In addition to the benefits of working not as independent contractors but as employees, enjoying the protections of workers' compensation coverage and employment laws as well as the calculation and remittance of applicable employment taxes among other benefits, shifters are also enabled to participate in ShiftPixy's benefit plan offerings, including minimum essential health insurance coverage plans and a 401(k) plan.

The heart of ShiftPixy's employment service solutions will be a mobile platform through which, initially, ShiftPixy employees (and ultimately all shifters) will be enabled to find available shift work at ShiftPixy client locations, solving a problem of finding available shift work for both the shifters looking for additional shift work and business clients looking to fill open shifts.

The mobile app is one of the software components of what we call the mobile platform, and together with the ShiftPixy "Command Hub" and the client portal, is being developed, tested and released in stages.

We have released and are using the onboarding feature of our software, which enables us to capture all application process related data regarding our assigned employees and to introduce employees to and integrate them into the ShiftPixy Ecosystem. The mobile platform features a Pixy chatbot that leverages artificial intelligence to aid in gathering the data from workers via a series of questions. Following completion of the questions, applicable onboarding paperwork is prepopulated with the data and prepared for signature. We use the app to gather even I-9 required documentation.

Our next phase of development, planned to be offered to our clients during the first calendar quarter of 2019, is the implementation of the scheduling component of our software, which is being designed to enable each client worksite to schedule workers and to identify shift gaps that need to be filled. We again plan to leverage artificial intelligence to maintain schedules and fulfillment, using an active methodology to engage and move people to action. We plan to engage certain of our clients to begin using this functionality before the end of the first calendar quarter of 2019.

The next succeeding phase of development, also planned to be completed in the first calendar quarter of 2019, includes the implementation of our shift intermediation functionality, which is designed to enable our shift workers to receive information regarding and to accept available shift work opportunities. We currently plan to have the onboarding, scheduling and shift intermediation functionalities operable and integrated across our platform by the end of the first calendar quarter of 2019; however, the intermediation functionality becomes useful only to the extent that we have meaningful numbers of available workers and client shift opportunities in the same geographic region. We currently reached geographical concentration in Southern California and we anticipate turning on these key features during the first calendar quarter of 2019.

Our goal is to have the mobile platform serve not only to enable our shift workers to secure additional shift work and our job provider clients to fill open shifts but also to attract new clients who see the value associated with being able to fill open shifts with a ready-to-hire workforce. This software is an important component of our overall ecosystem, and we are excited about our continued development.

Our technology and approach to human capital management allows the company a unique window into the daily demands of "Quick Service Restaurants" ("QSR") operators and the ability to extend our technology and engagement to enable this unique self-delivery proposition. ShiftPixy's new driver management layer for operators in the ShiftPixy ecosystem will now allow clients to use their own team members to deliver a brand intended customer experience. ShiftPixy has taken the compliance, management and insurance issues related to the support of a delivery option and created a turnkey self-delivery opportunity. This would allow our clients to enjoy the income growth from delivery and preserve their customer experience, their brand and the customer data. The first phase of this component of our platform is the driver onboarding, which was completed by the end of our third calendar quarter of 2018. Following completion of this phase, we plan to add features that enhance the capability of our mobile application to track and manage the delivery process. The enhanced features will "micro meter" essential commercial insurance coverages required by our operator clients-namely workers' compensation and auto coverages on a delivery-by-delivery basis. We also plan to begin using the "delivery features" of our mobile platform during the first calendar quarter of 2019

The ShiftPixy solution provides compliance-oriented benefits for our business clients. A significant problem for businesses in the Gig Economy involves compliance with employment related regulations imposed by federal, state and local governments, including requirements associated with workers' compensation insurance, and other traditional employment compliance issues, including the employer mandate provisions of the Patient Protection and Affordable Care Act (the "ACA"). The compliance challenges are often complicated by the actions of many employers in reducing workers' hours as a means to avoid characterizing employees as "full-time." Congress is considering amendments to or replacement of the ACA. As of the date of this filing, the ACA has not been formally amended or repealed; however, the Tax Cuts and Jobs Act of 2017 effectively eliminates the individual mandate provisions of the ACA, beginning in 2019. Employers still face regulatory issues and overhead costs for which we believe our services are a cost-effective solution. Also, we believe that a possible benefit to the repeal of the ACA employer mandate provisions may be to reduce our costs associated with the provision of health insurance coverage or payment of applicable penalties and enable us to pass a portion of the savings on to our clients, because we would no longer be subject to the employer mandate costs applicable to the ShiftPixy employees secured from our clients.

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As part of our development strategy, in addition to our efforts to onboard clients as a staffing company, we are also onboarding clients via a professional employer organization ("PEO") solution as well as administrative services only ("ASO") solutions through our wholly-owned subsidiary ShiftableHR. Ultimately, we intend to migrate these clients to the new nextGEN ShiftPixy solution described above.

We are also joining the hot topic dialogue currently going on in the nextGEN Gig Economy about companies such as Uber and others who have been targeted by plaintiff's attorneys and government agencies for allegedly mischaracterizing employees as independent contractors. We believe that our ShiftPixy business model is a perfect solution for these companies, because we acquire employer status with regard to the workers, not classifying them as independent contractors, and accordingly embracing the compliance obligations associated with being an employer.

ShiftPixy's headquarters is currently situated in Irvine, California, from which it can reach the Southern California market, and the company has a modest staff in Phoenix. In 2017, ShiftPixy opened an office in New York City, and the Company recently opened offices in Austin, Texas, Chicago and the Orlando area from which its local sales/services representatives will secure and service clients in those areas, and it plans to open additional physical offices in the following locales: San Francisco and Miami.

Through these office locations, we plan to engage more actively with clients through sales, marketing, employee onboarding, training and payroll processing, in each instance as necessary and appropriate to the applicable market.

These markets collectively account for or allow us to cover approximately 53% of our target market in the restaurant/hospitality sectors. (U.S. Department of Labor. Bureau of Labor Statistics. May 2015. Occupational Employment and Wages.).

We define a client as any business paying us to provide employee related services. We are currently focused on clients in the restaurant and hospitality industries; however, we have clients in a variety of other industries as well. All have written client service agreements. The basic client agreement is substantially similar for all clients, with minor modifications to fit each client's specific situation, and some differences to account for whether the engagement is with ShiftPixy or its wholly owned subsidiary, Shift Human Capital Management Inc.

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We believe ShiftPixy's anticipated business and revenue growth in the nextGEN Gig Economy will result from the following factors:

- **Large Potential Market.** There is a large potential market for ShiftPixy's services. Current statistics show that there are over 13 million employees working in our current target market--the restaurant and hospitality industries. (U.S. Department of Labor. Bureau of Labor Statistics. September 2016. Table B-1: Employees on nonfarm payrolls by industry sector and selected industry detail: Accommodation and Food Services Industry Subsector). Compared to the total workforce in all industries, workers in the restaurant industry have a notably higher percentage of part-time workers. (National Restaurant Association. "News & Research: Restaurant middle class job growth 4x stronger than overall economy." 13 January 2016). Of course, ShiftPixy plans, subject to workers' compensation insurance coverage scope limitations, to expand its service offering into other industries as well, particularly where part-time work is a significant component of the applicable labor force, including the retail and health care, especially home health care, sectors.

- **Rapid Rise of Independent Workers**. The number of independent workers, totaling approximately 40 million in 2016, is expected to increase to 40% of the private, non-farm U.S. workforce by 2021. (MBO Partners. "America's Independents / A Rising Economic Force / 2016 State of Independence in America Report / Sixth Annual." 2016.)

- **Technology Affecting and Attitudes towards Employment Related Engagements**. Gig-economy platforms have changed the way part-time workers can identify and connect to work opportunities, and Millennials and others have embraced such technologies as a means to secure short-term employment related engagements.

- **New ShiftPixy Mobile App is Designed to Provide Additional Benefits to Employers and NextGen Shift Workers.** Millennials represent approximately 40% of the independent workforce who are over the age of 21 and who work 15 hours or more each week. (MBO Partners. "America's Independents / A Rising Economic Force / 2016 State of Independence in America Report / Sixth Annual." 2016.) Mindful that most of its shifters will be Millennials who connect with the outside world primarily through a mobile device, ShiftPixy is poised to significantly expand its business through the ShiftPixy mobile app. The ShiftPixy mobile app is a proprietary application downloaded to mobile devices, allowing ShiftPixy's shifters to access shift work opportunities at all of ShiftPixy's clients, not just their current restaurant or hospitality provider, and with an added feature, anticipated to be available in the first calendar of 2019, also allowing shift employees not working at its clients to access shift work opportunities at all of its clients.

- **Marketing Advantages from Strategic Insurance Provider Relationships.** ShiftPixy receives marketing assistance from insurance brokerage and consulting firms, who introduce ShiftPixy to their insurance clients who are not aware of and who could benefit from ShiftPixy's service offering.

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- **Ultimate Development of a ShiftPixy Ecosystem.** ShiftPixy's ultimate goal is to establish the first Ecosystem for employers with a large number of part-time workers, such as restaurants and hospitality businesses, and the ever-growing number of shift workers in the new Gig Economy. In a Gig Economy, part-time/temporary positions are common, and organizations contract with independent workers for short-term engagements. The goal of the Ecosystem is to allow the job provider to be flexible but compliant and the shift worker to manage and scale opportunity and income.

- **ACA's Current Impact on Existing and Potential New Clients.** ShiftPixy's existing and potential new clients are being significantly impacted by new requirements to provide employees health care coverage under the ACA, the relevant portions of which, with respect to impacting our existing and potential future clients, became effective January 1, 2015, and are likely to be in effect for the near future. As of the date of this filing, the ACA has not been formally amended or repealed; however, the Tax Cuts and Jobs Act of 2017 effectively eliminates the individual mandate provisions of the ACA, beginning in 2019.

- If a potential client in our target market of the restaurant, hospitality and maintenance service business has 50 or more full-time equivalent employees, under the ACA, as currently applicable, it must offer benefits to full-time employees, a very expensive proposition.

- Determining compliance requirements for industries such as restaurant, hospitality and maintenance service business, which employ many part time workers, is very challenging.

- Failure to offer coverage if required under the ACA, as it is currently comprised, can result in significant fines and other penalties.

The Challenges of Staffing: Employers have difficulty filling open positions for shift work, and shifters have difficulty in securing shift work at times and dates they are available for such shift work.

The Challenges of Compliance: Employment law compliance requirements, including those related to the ACA, present a multi-obstacle ridden employment related compliance landscape, including the need to secure applicable workers' compensation insurance coverage, to effect employment related tax withholdings and filings, and to navigate laws related to hiring and release of employees, including discrimination (race, color, national origin, sex, age, religion, disability, pregnancy and sexual orientation), sexual harassment, sick pay and time off, hours of work, minimum wage and overtime, gender pay differentials, immigration, safety, child labor, military leave, garnishment and other wage imposition processing, family and medical leave, COBRA, and unemployment claims.

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A business can secure assistance in mitigating and even eliminating these challenges by contracting with ShiftPixy.

The ShiftPixy Solution: ShiftPixy is developing an Ecosystem comprised of a closed proprietary operating and processing system that helps restaurant or hospitality businesses (and in the future, businesses in additional industries wherein we plan to market our services) as well as shift workers by matching available shifts with available shift workers. The ShiftPixy Ecosystem provides the following benefits:

1. **Compliance:** ShiftPixy assumes a substantial portion of a business's employment regulatory compliance issues by having all of client shifter employees become employees of ShiftPixy. As the employer of the shifters, ShiftPixy can assist its clients with the staffing of their shift employee requirements. As ShiftPixy contracts to acquire employer status in relation to the workers, the employment regulatory compliance reporting, tracking and compliance responsibility becomes that of ShiftPixy and not the ShiftPixy client. Similarly, employee vs. independent contractor classification issues, workers' compensation and other such employee law and regulation compliance issues become the responsibility of ShiftPixy rather than of the ShiftPixy client. Thus, using the ShiftPixy solution, ShiftPixy clients benefit not only from having the time previously spent on these employment compliance issues now available to grow their business, but they also enjoy the confidence of knowing that a staff of shifters, familiar with the client's operations, will work at the client's facility, albeit as employees of ShiftPixy. ShiftPixy clients can now focus their energy on the success of their business with assurance that their employment regulatory compliance issues are being addressed by ShiftPixy. The costs associated with the shifters are consolidated and charged, in effect, in conjunction with the shifters' applicable rates of pay, allowing the clients to fund the employment related costs as the services are used--thereby avoiding various lump sum employment-related cost impositions.

2. **Cost Containment:** By having access to ShiftPixy's entire part-time workforce, a client business is enabled to scale up or down more rapidly, making it easier to contain and manage operational costs. The two largest costs for a restaurant are food and labor. (National Restaurant Association "Restaurant Operations Report 2013-2014.) ShiftPixy charges a fixed percentage on wages that allows the client business to budget and plan more effectively without the full weight associated with the threats of penalties or missteps in dealing with employment law compliance related issues.

3. **Cost Savings:** ShiftPixy is able to use economies of scale in purchasing employer related solutions such as workers' compensation and other benefits and in general can provide a shift worker to a business at a lower cost than the business can otherwise typically staff a particular position.

ShiftPixy and its subsidiary collectively serve, as of August 31, 2018 an aggregate of approximately 193 clients, with an aggregate of approximately 8,540 employees, including 6,370 employees of ShiftPixy and ShiftableHR that we provide to our clients and 2,170 employees of our clients for whom we provide only payroll administration services. None of these clients represents more than 10% of our revenues for fiscal year 2018.

A client is a business paying us to provide employees or employee related services. We are currently focused on clients in the restaurant and hospitality industries; however, we have clients in a variety of other industries as well. All have written client service agreements. The basic client agreement is substantially similar for all clients, with minor modifications to fit each client's specific situation, and some differences to account for whether the engagement is with ShiftPixy or its wholly owned subsidiary, Shift Human Capital Management Inc.

ShiftPixy Human Capital Management Inc., d/b/a ShiftableHR

We formed this subsidiary in response to the need to have workers' compensation policies written in the names of the clients (as may be required by some states) and otherwise in response to client needs for only administrative and processing services rather than the assignment of employees, particularly temporary employees, as offered by ShiftPixy. Under this subsidiary, under circumstances wherein the client remains as the sole employer of the subject employees, we act as a payroll processor, human resources consultant, and administrator of workers' compensation coverages and claims (providing "administrative services only"). For administrative reasons, we believe that providing these services through a separate legal entity seemed advisable and required, and thus we formed the subsidiary to provide these services. Our goal is to migrate these clients to ShiftPixy.

These services are also available to businesses in all industries, not just the restaurant and hospitality industries. We hope that this mechanism may become a way to onboard new clients into the ShiftPixy Ecosystem when eligible clients to whom we are providing these services recognize the value of the services provided by ShiftPixy, the parent. As of August 31, 2018, ShiftableHR had 116 clients with 5,132 worksite employees, including 2,170 employees for whom we provide only payroll administration services, and ShiftPixy had 77 clients with 3,408 worksite employees.

Potential New Marketing Opportunity

We have seen a potential new market based upon the issue of worker misclassification in the Gig Economy. Gig Economy companies such as Uber may typically classify the people working for them as "independent contractors" rather than "employees" for jobs (gigs). The companies can pay much less for services and in regulatory requirements if their workers are classified as independent contractors. Under state and federal employment laws, workers classified as employees are much more expensive for these companies. However, increasing litigation against Uber and others has increased awareness about this issue. ShiftPixy provides a solution by absorbing workers for these types of Gig Economy companies as employees of ShiftPixy, eliminating any risk of litigation, fines and other worker misclassification problems for these types of Gig Economy companies to the extent they become ShiftPixy clients.

Competition

Competitors to our business model include businesses such as ShiftGig, Instawork, Snag, Jobletics and other comparable businesses that seek to arrange short-term work assignments for both employees and independent contractors. Competitors to our Ecosystem, which encompasses on a broad scale, the assignment of a workforce to businesses on a long-term basis, include businesses such as Insperity, TriNet Group, and Wageworks, and the assignment of individual workers to businesses generally on a short-term basis include businesses such as Kelly Services, ManpowerGroup, and Barrett Business Services.

We believe our service offering competes effectively based on our strategy of combining an Ecosystem of employment services with the individualized ability to link trained workers to specific shift work opportunities.

Governmental Regulation

Our business operates in an environment that is affected by numerous federal, state and local laws and regulations relating to labor and employment matters, benefit plans and income and employment taxes. Moreover, because our client engagements involve some form of co-employer relationship with regard to the employees who provide services in employment to our clients, the application of such laws to these non-traditional employer relationships can become complex. Nearly all states have adopted laws or regulations regarding the licensure, registration or certifications of organizations that engage in co-employer relationships. We become subject to such laws and regulations when we enter into co-employer relationships with regard to employees providing services in the jurisdictions where such laws and regulations apply.

The following summarizes what we believe are the most important legal and regulatory aspects of our business:

Federal Regulations

Employer Status

We sponsor certain employee benefit plan offerings as the “employer” of our shift workers under the Internal Revenue Code of 1986 (the “Code”) and ERISA. The multiple definitions of “employer” under both the Code and ERISA are not clear and most are defined in part by complex multi-factor tests under common law. We believe that we qualify as an “employer” of our shift workers under both the Code and ERISA, as well as various state regulations, but this status could be subject to challenge by various regulators. For additional information on employer status and its impact on our business and results of operations, refer to Item 1A of this Form 10-K, under the heading, “If ShiftPixy is not recognized as an employer of worksite employees under federal and state regulations, or we are deemed to be an insurance agent or third-party administrator, we and our clients could be adversely impacted.”

Affordable Care Act and Health Care Reform

The Patient Protection and Affordable Care Act (the “ACA”) was signed into law in March 2010. The ACA implemented substantial health care reforms with staggered effective dates continuing through 2020, and many provisions in the Act require the issuance of additional guidance from applicable federal government agencies and the states. There could be significant changes to the ACA and health care in general, including the potential modification, amendment or repeal of the ACA. For additional information on the ACA and its impact on our business and results of operations, refer to Item 1A of this Form 10-K, under the heading, “Failure to comply with, or changes in, laws and regulations applicable to our business, particularly potential changes to the ACA, could have a materially adverse effect on our marketing plan as well as our reputation, results of operations or financial condition, or have other adverse consequences.” As of the date of this filing, the ACA has not been formally amended or repealed; however, the Tax Cuts and Jobs Act of 2017 effectively eliminates the individual mandate provisions of the ACA, beginning in 2019

Health Insurance Portability and Accountability Act

Maintaining the security of information regarding our employees is important to us as we sponsor employee benefit plans and may have access to personal health information of our employees. The manner in which we manage protected health information (PHI) is subject to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and the Health Information Technology for Economic and Clinical Health Act of 2009 (HITECH Act). HIPAA contains substantial restrictions and health data privacy, security and breach notification requirements with respect to the use and disclosure of PHI. Further, under the HITECH Act there are steep penalties and fines for HIPAA violations. Our health plans are covered entities under HIPAA, and we are therefore required to comply with HIPAA's portability, privacy, and security requirements. For additional information regarding the information we collect, how we maintain the confidentiality of our clients' and employees' confidential information and the potential impact to our business if we fail to protect the confidentiality of such data, refer to Item 1A of this Form 10-K, under the heading, "We host, collect, use, transmit and store personal and business information, and a security or privacy breach may damage or disrupt our businesses, result in the disclosure of confidential information, damage our reputation, increase our costs and cause losses."

Certified Professional Employer Organization (PEO)

With passage of the Small Business Efficiency Act in 2014, the U.S. Congress clarified the employer status of professional employer organizations that voluntarily become certified under this law for federal tax purposes under the Code. The IRS has started accepting applications for certification under the Code, and we are considering applying for certification of our subsidiary, ShiftableHR.

State Regulations

Nearly all states have adopted provisions for licensing, registration, certification or other formal recognition of co-employers. Such laws vary from state to state but generally provide for monitoring or ensuring the fiscal responsibility of the professional employer organization, and in some cases codify and clarify the co-employment relationship for unemployment, workers' compensation and other purposes under state laws. The scope of the laws and regulations of states is such that it encompasses the activities of ShiftPixy, Inc., as well as its subsidiary, ShiftableHR. In addition, many state laws require guarantees by ShiftPixy, Inc. of the activities of its subsidiary, ShiftableHR, and in some states we may seek licensure, registration or certification, as applicable, of ShiftPixy, Inc., with its subsidiary, ShiftableHR, because the financials for both organizations are consolidated. We believe we are in compliance in all material respects with the requirements in the states wherein we are conducting business.

We must also comply with state unemployment tax requirements where our clients are located. State unemployment taxes are based on taxable wages and tax rates assigned by each state. The tax rates vary by state and are determined, in part, based on our prior years' compensation and unemployment claims experience in each state. Certain rates are also determined, in part, by each client's own compensation and unemployment claims experience. In addition, states have the ability under law to increase unemployment tax rates, including retroactively, to cover deficiencies in the unemployment tax funds.

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Intellectual Property

ShiftPixy has registered a trademark in its name, and a copyright in its “Pixy” image. In addition, the company has submitted a patent application in connection with certain features of its mobile application. ShiftPixy has other intellectual property and related rights as well, particularly in connection with our software. We believe that our intellectual property is of considerable importance to our business.

Employees

As of August 31, 2018, we employed 55 people on a full-time basis in our corporate offices, and we served approximately 8,540 active, paid worksite employees.

Available Information

We are a public company and file annual, quarterly and special reports and other information with the SEC. We are not required to, and do not intend to, deliver an annual report to security holders. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. Our filings are also available, at no charge, to the public at http://www.sec.gov.

Information Disclosures

Consistent with the SEC's April 2013 guidance on using social media outlets like Facebook and Twitter to make corporate disclosures and announce key information in compliance with Regulation FD, ShiftPixy is alerting investors and other members of the general public that ShiftPixy will provide updates on operations and progress required to be disclosed under Regulation FD through its social media on Facebook, Twitter and YouTube. Investors, potential investors, shareholders and individuals interested in our Company are encouraged to keep informed by following us on Twitter, YouTube or Facebook.

Facebook: http://www.facebook.com/shiftpixy
Twitter: http://www.twitter.com/shiftpixy
YouTube: http://www.youtube.com/shiftpixy

Significant Developments in 2018

New Sales Offices

ShiftPixy recently opened offices in Austin, Texas, Orlando and Chicago from which its local sales/service representatives will secure and service clients in those areas, and it plans to open additional physical offices in the following locales: San Francisco and Miami.

Software Development

The heart of ShiftPixy's employment service solutions is a technology platform, including a mobile app, through which ShiftPixy employees (and in the future, shift workers not currently in our Ecosystem) will be enabled to find available shift work at ShiftPixy client locations, solving a problem of finding available shift work for both the shifters looking for additional shift work and business clients looking to fill open shifts.

The mobile app is one of the software components of what we call the mobile platform, and together with the ShiftPixy "Command Hub" and the client portal, is being developed, tested and released in stages. We have released and are using the onboarding feature of our software, which enables us to capture all application process related data regarding our assigned employees and to introduce employees to and integrate them into the ShiftPixy

Ecosystem. Our new employees no longer have to fill out the burdensome pile of required new employee paperwork. By leveraging artificial intelligence capabilities, new hires are guided by a conversation with a “Pixy” chatbot that asks the necessary questions and generates the required employment documents in a highly personal and engaging way.

Following completion of the questions, applicable onboarding paperwork is prepopulated with the data and prepared for the employee’s signature to be affixed digitally via the app as well. We use the app to gather even I-9 required documentation.

Our next phase of development, planned to be completed in the beginning of the first calendar quarter of 2019, is the implementation of the scheduling component of our software, which is being designed to enable each client worksite to schedule workers and to identify shift gaps that need to be filled. We again plan to leverage artificial intelligence to maintain schedules and fulfillment, using an active methodology to engage and move people to action. We plan to engage certain of our clients to begin using this functionality before the end of the first calendar quarter of 2019.

The next succeeding phase of development, also planned to be completed in the first calendar quarter of 2019, includes the implementation of our shift intermediation functionality, which is designed to enable our shift workers to receive information regarding and to accept available shift work opportunities. We currently plan to have the onboarding, scheduling and shift intermediation functionalities operable and integrated across our platform during the first calendar quarter of 2019. The intermediation functionality becomes useful only to the extent that we have meaningful numbers of available workers and client shift opportunities in the same geographic region, which we currently have in Southern California. Our goal is to have the mobile platform serve not only to enable our shift workers to secure additional shift work and our job provider clients to fill open shifts but also to attract new clients who see the value associated with being able to fill open shifts with a ready-to-hire workforce. This software is an important component of our overall ecosystem, and we are excited about our continued development.

We also plan to begin using the “delivery features” of our mobile platform during the first calendar quarter of 2019. Our technology and approach to human capital management allows the company a unique window into the daily demands of “Quick Service Restaurants” (“QSR”) operators and the ability to extend our technology and engagement to enable this unique self-delivery proposition. ShiftPixy’s new driver management layer for operators in the ShiftPixy ecosystem will now allow clients to use their own team members to deliver a brand intended customer experience. ShiftPixy has taken the compliance, management and insurance issues related to the support of a delivery option and created a turnkey self-delivery opportunity. This would allow our clients to enjoy the income growth from delivery and preserve their customer experience and their brand. The first phase of this component of our platform is the driver onboarding, which was completed by the end of our third calendar quarter of 2018. Following completion of this phase, we plan to add features that enhance the capability of our mobile application to track and manage the delivery process. The enhanced features will “micro meter” essential commercial insurance coverages required by our operator clients-namely workers’ compensation and auto coverages on a delivery-by-delivery basis. We plan to begin using the “delivery features” of our mobile platform during the first calendar quarter of 2019.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. Some statements in this Report, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled “Cautionary Statement Regarding Forward-Looking Statements.”

Risks Relating to Our Business

We have limited operating history, which makes it difficult for us to evaluate our future business prospects and make decisions based on those estimates of our future performance.

We are an emerging business and are in the process of developing our products and services. We have been in business for 38 months as of August 31, 2018. Although we have now processed gross billings of $222.4 million for the fiscal year ended August 31, 2018, it is still difficult, if not impossible, to forecast our future results based upon our limited but now improving historical operating data. Because of the related uncertainties, we may be hindered in our ability to anticipate and timely adapt to increases or decreases in sales, revenues or expenses. If we make poor budgetary decisions as a result of unreliable data, our gross billings in the future may decline, which may result in a decline in our stock price.

There is uncertainty regarding our ability to implement our business plan and to grow our business to a greater extent than we can with our existing financial resources without additional financing. Except from the proceeds of our initial public offering ("IPO") and our recent private placement of 8% senior secured convertible notes to institutional investors raising $9 million of gross proceeds ($8.4 million net of costs), we have no binding agreements, commitments or understandings to secure additional financing at this time. We have no binding agreements, commitments or understandings to acquire any other businesses or assets. Our long-term future growth and success is dependent upon our ability to generate cash from operating activities. There is no assurance that we will be able to generate sufficient cash from operations, to borrow additional funds or to raise additional equity capital. Our inability to obtain additional cash could have a material adverse effect on our ability to fully implement our business plan as described herein and grow our business to a greater extent than we can with our existing financial resources.

We may be subject to penalties and interest payable on taxes as a result of software or manual error.

Our input of data in the software must be effected properly in order to process the data and payments correctly with regard to clients, employees and applicable tax agencies. If we input incorrect data or input accurate data incorrectly, we could inadvertently overbill or underbill our clients or overpay or underpay applicable taxes, resulting in the loss of net income and/or clients and/or the incurrence of tax penalties and interest. Despite our efforts to reconcile taxes on a monthly basis, we may incur additional taxes, penalties and interest for which we may or may not bill the clients.

Our targeted customer base is diverse, and we face a challenge in adequately meeting each group's needs.

Because we will serve both employers and employees, we must work constantly to understand the needs, standards and requirements of each group and must devote significant resources to developing products and services for their interests. If we do not accurately predict our customers' needs and expectations, we may expend valuable resources in developing products and services that do not achieve broad acceptance across the markets, and we may fail to grow our business.

Our success depends on adoption of our products and services by our various types of customers, and if these potential customers do not accept and acquire our products and services then our revenue will be severely limited.

The major customer groups to whom we believe our products and services will appeal, both employers and employees, particularly related to shift work, may not embrace our products and services. Acceptance of our products and services will depend on several factors, including: cost, ease of use, familiarity of use, convenience, timeliness, strategic partnerships, and reliability. If we fail to adequately meet our customers' needs and expectations, our product offerings may not be competitive and our ability to commence or continue generating revenues could be reduced. We also cannot be sure that our business model will gain wide acceptance among all targeted customer groups. If the market fails to continue to develop, or develops more slowly than we expect, our ability to continue generating revenues could be reduced.

Competing forms of Gig Economy oriented staffing management products and services may be more desirable to consumers or may make our products and services obsolete.

There are currently several different competing Gig Economy oriented staffing management product and service technologies that are being marketed to our potential customers. Further development of any of these technologies may lead to advancements in technology that will make our products and services obsolete. Consumers may prefer alternative technologies and products and services. We cannot guarantee that users of Gig Economy oriented staffing management products and services who will be using our products and services will continue to grow within the industry as a whole. Any developments that contribute to the obsolescence of our products and services may substantially impact our business, reducing our ability to sustain generating revenues.

Damage claims against us as a result of actions of our employees could reduce our sales and revenues.

If any one of our employees is found to cause injury or damage through one or more negligent or wrongful acts, including sexual harassment and other employment related offenses, the Company could suffer financial damages as a result of claims by the injured party. We have not had significant claims for damages or losses from actions of our employee workers to date. The Company carries a staffing liability program commercial insurance policy, but the policy provides coverage only with respect to: 1. "wrongful employment acts" committed against our "employees" pursuant to our agreement with that client; and 2. A "staffing services worker's" acts committed while in the service of our client that result in a "wrongful business environment." The insurer may seek to disclaim liability as not covered or for other reasons or the amount of judgment against us may exceed the policy limits. Any claims for damages against us as a result of actions of our work employees could damage our reputation, increase our expenses and reduce our profitability (or increase net losses) and revenues.

Lapses in our employee screening process may result in potential litigation, which may be costly and/or damage our reputation.

If we experience lapses in our employee screening process, we may face potential litigation from our clients or government regulators, which may be costly and/or damage our reputation.

If we are unable to secure or pay for the insurance coverage required for our business operations, or if we lose any existing coverage, we may not be able to offer some of our services and our revenues could be reduced.

We are required to obtain and maintain various types of insurance coverage for our business, in particular health and workers' compensation insurance related to our employees. Although we have contracts with all types of providers currently necessary for our business, if in the future we are unable to secure the insurance coverage required for our business operations, or if we lose any existing coverage, we may not be able to offer some of our services and our revenues could be reduced. In addition, any increases in the cost of insurance coverage we are required to maintain could reduce profitability (or increase net losses).

The Company assumes the obligation to make wage, tax, and regulatory payments for our shifter employees, and, as a result, is exposed to client credit risks.

Under the Contract Service Agreement ("CSA), we become a co-employer of worksite employees and assume the obligations to pay the salaries, wages and related benefits costs and payroll taxes of such worksite employees. We assume such obligations as an agent, not as a principal of the client. Our obligations include responsibility for:

- payment of the salaries and wages for work performed by worksite employees, regardless of whether the client timely pays us the associated service fee

- withholding and payment of federal and state payroll taxes with respect to wages and salaries reported by Insperity

If a client does not pay us, our ultimate liability for worksite employee payroll and benefits costs could have a material adverse effect on our financial condition or results of operations.

Workers' compensation costs for shifter employees may rise and reduce our margins and require more liquidity.

The Company is responsible for and pays workers' compensation costs for its shift workers. At times, these costs have risen substantially as a result of increased claims and claim trends, general economic conditions, changes in business mix, increases in healthcare costs, and government regulations. Although the Company carries insurance, unexpected changes in claim trends, including the severity and frequency of claims, actuarial estimates, and medical cost inflation could result in costs that are significantly different than initially reported. If future claims-related liabilities increase due to unforeseen circumstances, or if new laws, rules, or regulations are passed, costs could increase significantly. There can be no assurance that the Company will be able to increase the fees charged to clients in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

Failure to comply with, or changes in, laws and regulations applicable to our business, particularly potential changes to the ACA, could have a materially adverse effect on our marketing plan as well as our reputation, results of operations or financial condition, or have other adverse consequences.

Our business is subject to a wide range of complex laws and regulations. For example, many states regulate entities offering the employment related services such as those offered by us directly or through our subsidiary and require licenses as a prerequisite to operation of such enterprises in their respective jurisdictions. There can be no assurance that either ShiftPixy or its subsidiary, ShiftableHR, will be successful in either securing or maintaining a license or licenses in compliance with a particular state's laws and regulations. Further, many states require variously that workers' compensation policies offered by employment related firms such as ours to be managed according to strict rules and/or that unemployment insurance filings be administered according to strict rules.

Failure to comply with such laws and regulations could result in the suspension or revocation of licenses or registrations, the limitation, suspension or termination of services, and the imposition of consent orders or civil and criminal penalties, including fines, that could damage our reputation and have a materially adverse effect on our results of operation or financial condition.

In addition, changes in laws or regulations, or changes in the interpretation of laws or regulations by a regulatory authority, may decrease our revenues and earnings and may require us to change the manner in which we conduct some aspects of our business. For example, a change in regulations either decreasing the amount of taxes to be withheld or allowing less time to remit taxes to government authorities would adversely impact interest income from investing client funds before such funds are remitted to the applicable taxing authorities. Changes in taxation regulations could adversely affect our effective tax rate and our net income. Changes in laws that govern the co-employment arrangement between a professional employer organization and its worksite employees may require us to change the manner in which we conduct some aspects of our business. Healthcare reform under the federal Patient Protection and ACA, as amended, related state laws, and the regulations adopted or to be adopted thereunder, have the potential to impact substantially the way that employers provide health insurance to employees and the health insurance market for the small and mid-sized businesses that constitute our business's clients and prospects. If the ACA is repealed or replaced, the elimination of employer mandates and similar employer requirements currently imposed by the ACA, and other regulatory changes could in the future reduce our revenues. Amendments to money transmitter statutes have required us to obtain licenses in some jurisdictions. The adoption of new money transmitter statutes in other jurisdictions, changes in regulators' interpretation of existing state and federal money transmitter or money services business statutes or regulations, or disagreement by a regulatory authority with our interpretation of such existing statutes or regulations, could require additional registration or licensing, limit certain of our business activities until they are appropriately licensed, and expose us to financial penalties. These occurrences could also require changes to our compliance programs and to the manner in which we conduct some aspects of our money movement business or client funds investment strategy, which could adversely impact interest income from investing client funds before such funds are remitted.

We collect, use, transmit and store with data services vendors personal and business information, and a security or privacy breach may damage or disrupt our businesses, result in the disclosure of confidential information, damage our reputation, increase our costs and cause losses.

In connection with our business, we collect, use, transmit and store with data services vendors large amounts of personal and business information about our clients and shift employees, including payroll information, healthcare information, personal and limited business financial data, social security numbers, bank account numbers, tax information and other sensitive personal and business information. In addition, as we continue to grow the scale of our offering, we will process and store with data services vendors an increasing volume of personally identifiable information of our users. Our data services vendors include PrismHR, Amazon Web Services, Microsoft OneDrive, ShareFile, Dropbox, Smartsheet, MasterTax, Microsoft Outlook, Microsoft Office 365, and RightSignature; we believe these vendors implement industry standard or greater data security measures to protect the data that we transmit through and/or store with them. Despite our efforts to protect customer data, perceptions that the collection, use, and storage of personal information is not satisfactorily protected could inhibit sales of our services, and could limit adoption of our services. In addition, the continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security.

We are focused on ensuring that our operating environments safeguard and protect personal and business information, and we will be required devote significant resources to maintain and regularly update our systems and processes. Despite our efforts to maintain security controls across our business, it is possible our security controls over personal data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of customer data we or our vendors store and manage. In addition, attacks on information technology systems continue to grow in frequency, complexity and sophistication, and the Company may be targeted by unauthorized parties using malicious tactics, code and viruses.

We have third party contractors who monitor our activities in a manner designed to prevent, detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software, or applications we develop or procure from third-parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the confidentiality, integrity or availability of data or our systems. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third-parties with whom we do business, through fraud, trickery, or other methods of deceiving our employees, contractors, and temporary staff. As these threats continue to evolve, we may be required to invest significant additional resources to modify and enhance our information security and controls or to investigate and remediate any security vulnerabilities. In addition, while our operating environment is designed to safeguard and protect personal and business information, we do not have the ability to monitor the implementation of similar safeguards by our clients, vendors or their respective employees, and, in any event, third-parties may be able to circumvent those security measures.

Any cyber-attack, unauthorized intrusion, malicious software infiltration, network disruption, denial of service, corruption of data, or theft of non-public or other sensitive information, similar act by a malevolent party, or inadvertent acts by our own employees, could result in the disclosure or misuse of confidential or proprietary information, harm our reputation, and could have a materially adverse effect on our business operations, or that of our clients, create financial liability, regulatory sanction, or a loss of confidence in our ability to serve clients or cause current or potential clients to choose another service provider, and subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue. Although we believe that through our third-party contractors we maintain a program of information security and controls and any threats that we might have encountered to date have not materially impacted us, the impact of a data security incident could have a materially adverse effect on our business, results of operations and financial condition. We have insurance coverage for risks for exchanging and maintaining data electronically that is designed to address certain aspects of cyber-risks, such insurance coverage may be denied or be insufficient to cover all losses or all types of claims that may arise in the continually evolving area of cyber-risk. In addition, any further security measures we may undertake to address further protections, may cause higher operating expenses.

We are also subject to various federal and state laws, rules and regulations relating to the collection, use, transmission and security of personal and business information. In addition, the possession and use of personal information and data in conducting our business subjects us to laws that may require notification to regulators, clients or employees in the event of a privacy breach and may impose liability on us for privacy deficiencies, including but not limited to liability under laws that protect the privacy of personal information, such as the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and regulatory penalties. These laws continue to develop, the number of jurisdictions adopting such laws continues to increase, and these laws may be inconsistent from jurisdiction to jurisdiction. The future enactment of more restrictive laws, rules or regulations could have a materially adverse impact on us through increased costs or restrictions on our businesses and noncompliance could result in regulatory penalties and significant legal liability. In addition, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase.

Some of the activities in which our shift workers could become involved could include health care information related responsibilities and could thereby invoke the need for compliance with HIPAA as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH. The United States Department of Health and Human Services issued regulations that establish uniform standards governing the conduct of certain electronic health care transactions and protecting the privacy and security of protected health information used or disclosed by health care providers and other covered entities. Three principal regulations with which we are required to comply have been issued in final form under HIPAA: privacy regulations, security regulations, and standards for electronic transactions, which establish standards for common health care transactions. The privacy regulations cover the use and disclosure of protected health information by health care providers. They also set forth certain rights that an individual has with respect to his or her protected health information maintained by a health care provider, including the right to access or amend certain records containing protected health information or to request restrictions on the use or disclosure of protected health information. The security regulations establish requirements for safeguarding the confidentiality, integrity, and availability of protected health information that is electronically transmitted or electronically stored. The HITECH Act, among other things, establishes certain health information security breach notification requirements. A covered entity must notify any individual whose protected health information is breached. The HIPAA privacy and security regulations establish a uniform federal “floor” and do not supersede state laws that are more stringent or provide individuals with greater rights with respect to the privacy or security of, and access to, their records containing protected health information. These laws contain significant fines and other penalties for wrongful use or disclosure of protected health information. Additionally, to the extent that we submit electronic health care claims and payment transactions that do not comply with the electronic data transmission standards established under HIPAA and HITECH, payments to us may be delayed or denied.

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If we are unable to effectively manage growth and maintain low operating costs, our results of operations and financial condition may be adversely affected.

We have experienced rapid growth since our inception, and our plans contemplate significant expansion of our business. If we are unable to manage our growth effectively, including having geographically dispersed offices and employees or to anticipate and manage our future growth accurately, our business may be adversely affected. If we are unable to manage our expansion and growth effectively, we may be unable to keep our operating costs low or effectively meet the requirements of an ever-growing, geographically dispersed client base. Our business relies on data systems, billing systems and financial reporting and control systems, procedures and controls. Our success in managing our expansion and growth in a cost-effective manner will require us to upgrade and improve these systems, procedures and controls. If we are unable to adapt our systems and put adequate controls in place in a timely manner, our business may be adversely affected. In addition, our growth may place significant demands on our management, and our overall operational and financial resources. A failure on our part to meet any of the foregoing challenges inherent in our growth strategy may have an adverse effect on our results of operations and financial condition.

We are an "emerging growth company" under the JOBS Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are and we will remain an "emerging growth company" as defined in the JOBS Act until the earlier of (a) the last day of the fiscal year (i) following the fifth anniversary of the completion of our initial public offering, which was in June 2017, (ii) in which we have total annual gross revenue of at least $1.07 billion, or (iii) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior August 31th, and (b) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. For so long as we remain an "emerging growth company" we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We cannot predict if investors will find our common stock less attractive because we will rely on some or all of these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act") for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We will take advantage of the extended transition period for complying with new or revised accounting standards, which may make it more difficult for investors and securities analysts to evaluate us since our financial statements may not be comparable to companies that comply with public company effective dates and may result in less investor confidence

We face intense competition across all markets for our services, which may lead to lower revenue or operating margins

Our competitors range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower service lines may let them be more effective in deploying technical, marketing, and financial resources. Barriers to entry in many of our businesses are low and many of the areas in which we compete evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services. Our ability to remain competitive depends on our success in making innovative products, devices, and services that appeal to customers.

Companies compete with us based on a growing variety of business models. The competitive pressures described above may cause decreased sales volumes, price reductions, and/or increased operating costs, such as for research and development, marketing, and sales incentives. This may lead to lower revenue, gross margins, and operating income.

We may be vulnerable to security breaches that could disrupt our operations and adversely affect our business.

Despite security measures and business continuity plans, our information technology networks and infrastructure may be vulnerable to damage, disruptions, or shutdowns due to unauthorized access, computer viruses, cyber-attacks, distributed denial of service, and other security breaches. An attack on or security breach of our network could result in interruption or cessation of access and services, our inability to meet our access and service level commitments, and potentially compromise customer data transmitted over our network. We cannot guarantee that our security measures will not be circumvented, resulting in network failures or interruptions that could impact our network availability and have a material adverse effect on our business, financial condition, and results. We may be required to expend significant resources to protect against such threats. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, and we could lose customers. Any such events could result in legal claims or penalties, disruption in operations, misappropriation of sensitive data, damage to our reputation, and/or costly response measures, which could adversely affect our business. Although we maintain insurance coverage that may, subject to policy terms and conditions (including self-insured deductibles, coverage restrictions and monetary coverage caps), cover certain aspects of our cyber risks, such insurance coverage may be unavailable or insufficient to cover our losses.

We have incurred net losses in recent periods and may require additional financing. If financing is not available, we may be required to further downsize or discontinue operations.

As of August 31, 2018, the Company had cash of $1.6 million and a working capital deficiency of $13.2 million. During the year ended August 31, 2018, the Company used approximately $9.5 million of cash in operation, of which $6.6 million was attributed to the mobile development costs and $1.4 million was attributed to the workers' compensation initial deposit. The Company has incurred recurring losses resulted in an accumulated deficit of $26 million as of August 31, 2018. These conditions raise substantial doubt as to the Company's ability to continue as going concern within one year from issuance date of the financial statements, and our independent registered public accounting firm has included an explanatory paragraph regarding going concern qualification in its audit report. However, our management believes that our revenue growth and the financing from potential institutional investors as further described in elsewhere in this annual report should provide sufficient liquidity to meet our obligations as they become due for a reasonable period of time. While we believe that these liquidity plan measures will be adequate to satisfy our liquidity requirements for the twelve months ending November 28, 2019, there is no assurance that the liquidity plan will be successfully implemented. Failure to successfully implement the liquidity plan may have a material adverse effect on our business, results of operations and financial position, and may adversely affect our ability to continue as a going concern. If we do not become consistently profitable, our accumulated deficit will grow larger and our cash balances will decline further, and we will require additional financing to continue operations. Any such financing may not be accessible on acceptable terms, if at all. If we cannot generate sufficient cash or obtain additional financing, we may be required to downsize our business further or discontinue our operations altogether.

We have warrants and convertible debt that may be converted into shares issued in the future, which would dilute your ownership in the Company

On June 4, 2018, the Company issued 8% senior secured convertible note agreements with certain institutional investors in which, at any time while there is an outstanding balance, the notes may be converted, at the option of the holders at a conversion price for the principal and interest set at $2.49, subject to adjustment from down round price protection. However, from and after the maturity date, the conversion price should be the lesser of (a) the initial conversion price of $2.49, subject to adjustment from down round price protection and (b) 15% discount to the lowest volume weighted average price. In conjunction with the above transaction, the Company also granted warrants of up to 1,220,884 shares of common stock, which may be exercised any time after December 4, 2018 (initial exercise date), until December 4, 2023 (termination date). If the price per share of our common stock at the time of exercise of any warrants or conversion of any convertible notes is in excess of the various exercise or conversion prices of such convertible securities, exercise or conversion of such convertible securities would have a dilutive effect on our common stock. Further, any additional financing that we secure may require the granting of rights, preferences or privileges senior to those of our common stock and which result in additional dilution of the existing ownership of our common shareholders.

The agreements governing our notes contain a mandatory default amount when an event of default occurs

The indenture governing our 8% senior secured convertible notes, due September 4, 2019, contains a mandatory default amount when an event of default occurs. The Company executed registration rights agreements with each of its institutional investors. These registration rights agreements require, among other things, that the initial registration statement should be (a) filed within 30 days of June 4, 2018, and (b) declared effective by the SEC within 90 days of June 4, 2018, or 120 days of June 4, 2018, in the case of a "full review" by the SEC. Our registration statement was filed on October 1, 2018, and it was declared effective by the SEC as of October 29, 2018; thus, both the filing and the effectiveness deadlines were missed.

The Convertible note debentures define the mandatory default amount as the sum of (a) the greater of (i) the outstanding principal amount of the note, plus accrued and unpaid interest and make whole, divided by the conversion price on the date the mandatory default amount is either (x) demanded or otherwise due or (y) paid in full, whichever has a lower conversion price, multiplied by the highest weighted average price for the common stock on the trading market during the period beginning on the date of first occurrence of the event of default and ending on the date the mandatory default amount is demanded or otherwise due or paid in full, or (ii) 130% of the outstanding principal amount of the note plus 100% of accrued and unpaid interest and make whole and other costs, expenses and liquidated damages due in respect of the notes. The make whole amount is defined as the initial twelve-month interest amount. Liquidated damages are calculated as the product of 2% by the aggregate subscription amount paid by each holder. If the Company fails to pay any partial liquidated damages in full within seven days after the date payable, the Company will pay interest thereon at a rate of 18% per annum accruing daily.

If any event of default occurs, the outstanding principal amount of the notes, plus accrued interest but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, should become, at the holder's election, immediately due and payable in cash at the mandatory default amount. Commencing five days after the occurrence of any event of default that results in the eventual acceleration of the notes, the interest rate on the notes shall accrue interest at 18% daily.

Notwithstanding the Company's having missed the filing and effectiveness deadlines set forth in the registration rights agreements, management believes that the Company is not accountable for the defaults, because the delays resulting in the defaults were caused by matters outside of the reasonable control of the Company. While it was not impossible to perform the contract in general, it was impossible to perform to the extent necessary to meet the specific deadlines.

As explained in our Annual Report on Form 10-K/A Amendment 1, filed on September 28, 2018, the Company was compelled by unusual circumstances to re-audit its fiscal year ended August 31, 2017, financial statements—an action that caused extensive, unexpected delay. Our former independent registered accounting firm, Squar Milner, noted that the Company restated its fiscal year 2017 interim financial information in its quarterly filings with the SEC, which restatement required Squar Milner, in its opinion, to perform substantive procedures. Squar Milner indicated that the conduct of such procedures was problematic, however, in as much as the performance of such procedures would compromise its independence. Squar Milner noted that on January 24, 2018, the Company hired its Chief Financial Officer who was a Squar Milner consultant and a member of Squar Milner's engagement team for a brief period of time with regard to the audit of ShiftPixy's fiscal year ended August 31, 2016, financial statements. Squar Milner accordingly determined that it was no longer independent to the Company as it related to the fiscal year ended August 31, 2017. Therefore, to overcome Squar Milner's objection, the financial statements for the Company's fiscal year end August 31, 2017, were re-audited by Marcum LLP, and our Form 10-K for that period was amended to reflect the re-audit. Management believes that the re-audit was not required, and the performance of the re-audit caused unnecessary delays such that it was impossible for the Company to perform the actions necessary to meet the filing and effectiveness deadlines set forth in the registration rights agreements. Moreover, we believe that the delays did not otherwise cause any harm to our investors that would necessitate any award of liquidated damages.

Our Ability to Adjust and Collect Service Fees for Increases in Unemployment Tax Rates May be Limited

We record our State Unemployment Tax ("SUI") expense based on taxable wages and tax rates assigned by each state. SUI tax rates vary by state and are determined, in part, based on prior years' compensation experience in each state. Prior to the receipt of final tax rate notices, we estimate our expected SUI tax rate in those states for which tax rate notices have not yet been received for purposes of pricing. In a period of adverse economic conditions state unemployment funds may experience a significant increase in the number of unemployment claims. Accordingly, SUI tax rates would likely increase substantially. Some states have the ability under law to increase SUI tax rates retroactively to cover deficiencies in the unemployment fund.

In addition, FUTA may be retroactively increased in certain states in the event the state fails to timely repay federal unemployment loans. Employers in such states are experiencing higher FUTA tax rates as a result of not repaying their unemployment loans from the federal government in a timely manner. The credit reduction is an additional tax on the FUTA wage base for employers in states that continue to have outstanding federal unemployment insurance loans beginning with the fifth year in which there is a balance due on the loan. States have the option to apply for a waiver before July 1st of the year in which the credit reduction is applicable.

Generally, our contractual agreements allow us to incorporate such statutory tax increases into our service fees upon the effective date of the rate change. However, our ability to fully adjust service fees in our billing systems and collect such increases over the remaining term of the clients' contracts could be limited, resulting in a potential tax increase not being fully recovered. As a result, such increases could have a material adverse effect on our financial condition or results of operations.

Technology Oriented Risks

If we are unable to protect our proprietary and technology rights our operations will be adversely affected.

Our success will depend in part on our ability to protect our proprietary rights and technologies, including those related to our products and services. Protecting our intellectual property rights and combating unlicensed copying and use of our software and other intellectual property is difficult. Except as otherwise noted herein, we have not applied for any formal patent, trademark or similar protection. Our failure to adequately protect our proprietary rights may adversely affect our operations. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our services or to obtain and use trade secrets or other information that we regard as proprietary. Based on the nature of our business, we may or may not be able to adequately protect our rights through patent, copyright and trademark laws. Our means of protecting our proprietary rights in the United States or abroad may not be adequate, and competitors may independently develop similar technologies. In addition, litigation may be necessary in the future to:

- Enforce intellectual property rights;
- Protect our trade secrets;
- Determine the validity and scope of the rights of others; or
- Defend against claims of infringement or invalidity.

Any such litigation could result in substantial costs if we are held to have willfully infringed or to expend significant resources to develop non-infringing technology and would divert the attention of management from the implementation of our business strategy. Furthermore, the outcome of litigation is inherently difficult to predict and we may not prevail in any litigation in which we become involved.

Software products we use in our business may contain defects which will make it more difficult for us to establish and maintain customers.

We are currently using PrismHR software for our payroll processing. We also use MasterTax to process our tax reports and filings. We also use a host of other software products in the course of conducting our business. Of course, the mobile app component of our mobile platform, along with the client portal and the ShiftPixy Command Hub, constitute our proprietary software and contain components that are licensed from third parties and that are public domain software. Our payroll processing software and other software products we use in our business may contain undetected design faults and software errors, or “bugs” that are discovered only after they has been installed and used by a greater number of customers. Any such defect or error in new or existing software or applications could cause delays in delivering our technology or require design modifications. These could adversely affect our competitive position and cause us to lose potential customers or opportunities. Since our technologies are intended to be utilized to supply human resources related services, the effect of any such bugs or delays will likely have a detrimental impact on us. In addition, given that our specialized human resources software and services has yet to gain widespread acceptance in the market, any delays or other problems caused by software bugs would likely have a more detrimental impact on our business than if we were a more established company.

If a contract relating to our mission critical software that we use in our business is terminated or not renewed, our business could be seriously disrupted and our revenues significantly reduced.

If a contract relating to our mission-critical software services, such as that applicable to payroll and payroll tax processing, is terminated or non-renewed, and we do not have an effective replacement software, our business and revenues would suffer. Although there are other software vendors we can use, it may take time to negotiate an agreement and make operational this replacement software. Accordingly, if the software agreements that we use in our business are terminated or not renewed, our business could be seriously disrupted and our revenues significantly reduced until we locate and make operational replacement software.

Our systems may be subject to disruptions that could have a materially adverse effect on our business and reputation.

Our business is and will continue to be highly dependent on our ability to process, on a daily basis, a large number of complicated transactions. We rely heavily on our payroll, financial, accounting, and other data processing systems. We may not be successful in preventing the loss of client data, service interruptions or disruptions to our operations from system failures. If any of these systems fails to operate properly or becomes disabled even for a brief period of time, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention, or damage to our reputation, any of which could have a materially adverse effect on our results of operation or financial condition.

Because we store data in the cloud with providers such as Microsoft and Amazon, any disruptions in our ability to access this data or any breach of security concerning this data in the cloud could have a materially adverse effect on our business and reputation.

Our business is and will continue to be highly dependent on data storage in the cloud with providers such as Microsoft and Amazon. These cloud storage systems may fail to operate properly or become disabled even for a brief period of time. There could also be security breaches of our data stored in the cloud. If there is loss of client data, service interruptions or disruptions to our operations related to our cloud data storage, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention, or damage to our reputation, any of which could have a materially adverse effect on our results of operation or financial condition.

We make significant investments in our software that may not achieve our expectations.

Developing new technologies is complex. It can require long development and testing periods. Significant delays in new releases or significant problems in creating new products or services could adversely affect our revenue.

Third parties may claim we infringe their intellectual property rights.

From time to time, others claim we infringe their intellectual property rights. The number of these claims may grow because of constant technological change in the markets in which we compete, the extensive patent coverage of existing technologies and the rapid rate of issuance of new patents. To resolve these claims, we may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products or services, or pay damages to satisfy indemnification commitments with our customers. These outcomes may cause operating margins to decline. Besides money damages, in some jurisdictions plaintiffs can seek injunctive relief that may limit or prevent importing, marketing, and selling our products or services that have infringing technologies.

We may not be able to protect our source code from copying if there is an unauthorized disclosure of source code.

Source code, the detailed program commands for our operating systems and other software programs, is critical to our business. We take significant measures to protect the secrecy of large portions of our source code. If a significant portion of our source code leaks, we might lose future trade secret protection for that source code. It may become easier for third parties to compete with our products by copying functionality, which could adversely affect our revenue and operating margins. Unauthorized disclosure of source code also could increase the security risks described in the next paragraph.

We may have outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure.

Our increasing user traffic, growth in services, and the complexity of our services demand more computing power. We spend substantial amounts to build, purchase, or lease datacenters and equipment and to upgrade our technology and network infrastructure to handle more data. These demands continue to increase as we grow our workforce. Maintaining, securing, and expanding this infrastructure is expensive and complex. It requires that we maintain an Internet connectivity infrastructure that is robust and reliable within competitive and regulatory constraints that continue to evolve. Inefficiencies or operational failures, including temporary or permanent loss of customer data or insufficient Internet connectivity, could diminish the quality of our products, services, and user experience resulting in contractual liability, claims by users and other third parties, regulatory actions, damage to our reputation, and loss of current and potential users, subscribers, and advertisers, each of which may harm our operating results and financial condition.

Our business depends on our ability to attract and retain talented employees.

Our business is based on successfully attracting and retaining talented employees. The market for highly skilled workers and leaders in our industry is extremely competitive. If we are less successful in our recruiting efforts, or if we cannot retain key employees, our ability to develop and deliver services successfully may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. How employment-related laws are interpreted and applied to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs.

We have claims and lawsuits against us that may result in adverse outcomes

We are subject to a variety of claims and lawsuits. These claims may arise from a wide variety of business practices, significant business transactions, operational claims, and employment practices. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our consolidated financial statements could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

Our software may experience quality or supply problems.

Our software may experience quality or reliability problems. The highly-sophisticated software we have been developing may contain bugs and other defects that interfere with their intended operation. Any defects we do not detect and fix in pre-release testing could cause reduced sales and revenue, damage to our reputation, repair or remediation costs, delays in the release of new products or versions, or legal liability. Although our license agreements typically contain provisions that eliminate or limit our exposure to liability, there is no assurance these provisions will withstand legal challenge.

The Company intends to use open source blockchain technology in its technology platform. This technology has been scrutinized by regulatory agencies and therefore we may be impacted by unfavorable regulatory action in one or more jurisdictions.

The Company intends to use open source blockchain technology as a secure repository for "device reputation" information acquired by its technology platform. Blockchain technologies have been the subject of scrutiny by various regulatory bodies around the world. The Company could be impacted by one or more regulatory inquiries or actions, including but not limited to restrictions on the use of blockchain technology, which could impede or limit the use of this technology within our product offerings.

We intend to use and leverage open source technology in our technology platform which may create risks of security weaknesses.

Some parts of our technology may be based on open-source technology, including the blockchain technology that we intend to use in our technology platform. There is a risk that the development team, or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructure elements of our technology solutions interfering with the use of such technology or causing loss to the Company.

The use of new and untested technologies, including blockchain technology, may result in risks that we may not be able to currently anticipate.

Blockchain technology is a relatively new and untested technology. In addition to the risks set forth here, there are risks with the use of this technology that the Company cannot anticipate. Risks may further materialize as unanticipated combinations or variations from the risks set forth here.

Risks Related to Management and Personnel

We depend heavily on Scott W. Absher, our Chief Executive Officer and a director. The loss of his services could harm our business.

Our future business and results of operations depend in significant part upon the continued contributions Scott W. Absher, our Chief Executive Officer and a director. If we lose his services or if he fails to perform in his current position, or if we are not able to attract and retain skilled employees in addition to Mr. Absher, this could adversely affect the development of our business plan and harm our business.

Mr. Absher has limited experience managing a public company, which may inhibit our ability to implement successfully our business plan.

Mr. Scott W. Absher, CEO and Director and the beneficial owner of approximately 43.5% of our stock as of August 31, 2018, has limited experience managing a public company, which is required to establish and maintain disclosure controls and procedures and internal control over financial reporting. We are endeavoring to comply with all of the various rules and regulations, which are required for a public company that is reporting company with the Securities and Exchange Commission. However, if we cannot operate successfully as a public company, your investment may be materially adversely affected.

Industry Risks

Providing specialized Gig Economy oriented staffing management products and services is an emerging yet competitive business, and many of our competitors have greater resources that may enable them to compete more effectively.

We will compete in the same markets with many companies that offer not only staffing management products and services focused on the Gig Economy but also more traditional staffing management products and services. There are limited barriers to entry. Price competition in the industry, particularly from larger, more traditional industry model competitors, is intense, and pricing pressures from competitors and clients are increasing. New competitors entering our markets may further increase pricing pressures.

Clients may competitively bid new contracts; a trend is expected to continue for the foreseeable future. Some of our competitors have greater resources than we do, which may enable them to compete more effectively in this market. Our competitors may devote their resources to developing and marketing products and services that will directly compete with our product lines, and new, more efficient competitors may enter the market. If we are unable to successfully compete with existing companies and new entrants to the market this will have a negative impact on our business and financial condition.

We operate in an immature and rapidly evolving industry and have a relatively new business model, which makes it difficult to evaluate our business and prospects.

The industry in which we operate is characterized by rapidly changing regulatory requirements, evolving industry standards and shifting user and client demands. Our business model is also evolving and is different from models used by other companies in our industry. As a result of these factors, the success and future revenue and income potential of our business is uncertain. Any evaluation of our business and our prospects must be considered in light of these risks and uncertainties, some of which relate to our ability to:

- Expand employer and employee client relationships;
- Increase the number of our employer clients and grow a shifter employee base;
- Develop relationships with third-party vendors such as insurance companies;
- Expand operations and implement and improve our operational, financial and management controls;
- Raise capital at attractive costs, or at all;
- Attract and retain qualified management, employees and independent service providers;
- Successfully introduce new processes, technologies products and services and upgrade our existing processes, technologies, products and services;
- Protect our proprietary processes and technologies and our intellectual property rights; and
- Respond to government regulations relating to the Internet, personal data protection, email, software technologies, cyber security and other regulated aspects of our business.

If we are unable to successfully address the challenges posed by operating in an immature and rapidly evolving industry and having a relatively new business model, our business could suffer.

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If ShiftPixy is not recognized as an employer of worksite employees under federal and state regulations, or we are deemed to be an insurance agent or third-party administrator, we and our clients could be adversely impacted.

While in our professional employer organization client engagements through ShiftableHR, we typically arrange for clients to act as sponsor of employee benefit plans, ShiftPixy sponsors the benefit plans applicable to its employees. In order for ShiftPixy to sponsor employee benefit plan offerings for our worksite employees, we must qualify as an employer of our worksite employees for certain purposes under the Code and ERISA. In addition, our status as an employer is important for purposes of ERISA's preemption of certain state laws. The definition of employer under various laws is not uniform, and under both the Code and ERISA, the term is defined in part by complex multi-factor tests.

Generally, these tests are designed to evaluate whether an individual is an independent contractor or employee and they provide substantial weight to whether a purported employer has the right to direct and control the details of an individual's work. Some factors that the IRS has considered important in the past have included the employer's degree of behavioral control (the extent of instructions, training and the nature of the work), the financial control and the economic aspects of the relationship, and the intent of the parties, as evidenced by the specific benefit, contract, termination and other similar arrangements between the parties and the on-going versus project-oriented nature of the work to be performed. However, a definitive judicial interpretation of "employer" in the context of joint employer relationships such as those in which ShiftPixy engages has not been established. For ERISA purposes, for example, courts have held that test factors relating to ability to control and supervise an individual are less important, while the U.S. Department of Labor has issued guidance that certain entities in the HR outsourcing industry do not qualify as common law employers for ERISA purposes. Moreover, when ShiftPixy's app is fully functional, the scope of ShiftPixy's employer status will increase, changing the legal analysis. Although we believe that ShiftPixy qualifies as an employer of its worksite employees under ERISA, and the U.S. Department of Labor has not provided guidance otherwise, we are not able to predict the outcome of any future regulatory challenge.

If we are not recognized as an employer under the Code or ERISA, we may be required to change the method by which we report and remit payroll taxes to the tax authorities and the method by which we provide, or discontinue providing, certain employee benefits to our worksite employees, which could have a material adverse effect on our business and results of operations.

We must also qualify as an employer of our worksite employees under state regulations, which govern licensing, certification and registration requirements for PEOs. Nearly all states have enacted laws and regulations in this regard. While we believe that we qualify as an employer of our worksite employees under these state regulations, these requirements vary from state to state and change frequently and if we are not able to satisfy existing or future licensing requirements or other applicable regulations of any states, we may be prohibited from doing business in that state.

Failure to secure any necessary registrations or licensure could affect our ability to operate certain segments of our business in certain jurisdictions.

Some states require licensure or registration of businesses offering PEO services. One of the service offerings that we provide is PEO services. If we need and are unable to secure registration or licensure of such service offering in a particular state, our ability to grow that segment of our business in such state would be impaired and could affect our ability to increase our revenues and meet certain customer requirements in such states.

Economic, Catastrophic and Geopolitical Risks

Catastrophic events or geopolitical conditions may disrupt our business.

Monetary and fiscal policies and political and economic conditions may substantially change. When there is a slowdown in the economy, employment levels may decrease with a corresponding impact on our businesses. Clients may react to worsening conditions by reducing their spending on payroll and other outsourcing services or renegotiating their contracts with us.

Worsening economic conditions, including inflation, recession, or other changes in economic conditions, may cause businesses to rely less on vendors in our business, which could adversely affect our revenue. If demand for our services declines, or business spending for such services declines, our revenue will be adversely affected.

Challenging economic conditions also may impair the ability of our customers to pay for products and services they have purchased. As a result, allowances for doubtful accounts and write-offs of accounts receivable may increase.

We are dependent upon various large banks to execute Automated Clearing House and wire transfers as part of our client payroll and tax services. A systemic shutdown of the banking industry would impede our ability to process funds on behalf of our payroll and tax services clients and could have an adverse impact on our financial results and liquidity.

A disruption or failure of our systems or operations because of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other essential business operations are in the Irvine, California, area, which is a seismically active region. A catastrophic event that results in the destruction or disruption of any of our critical business or IT systems could harm our ability to conduct normal business operations.

Abrupt political change and terrorist activity may pose threats to our business and increase our operating costs. These conditions also may add uncertainty to the timing and budget for technology investment decisions by our customers and may cause supply chain disruptions for hardware manufacturers. Geopolitical change may result in changing regulatory requirements that could impact our operating strategies, hiring, and profitability.

Market Risks

Our Common Stock is thinly traded, which can cause volatility in its price.

Our Common Stock is listed for trading on the Nasdaq Stock Market, LLC, and is thinly traded. Thinly traded stock can be more susceptible to market volatility. This market volatility could significantly affect the market price of our common stock without regard to our operating performance. Securities markets worldwide experience significant price and volume fluctuations. In addition, the price of our common stock could be subject to wide fluctuations in response to the following factors, among others:

- a deviation in our results from the expectations of public market analysts and investors;
- statements by research analysts about our common stock, our company or our industry;
- changes in market valuations of companies in industries to which our company is compared and market evaluations of our industries in which our company is deemed to be operating generally;
- actions taken by our competitors;
- sales or other issuances of common stock by us, our senior officers, directors or other affiliates; or
- other general economic, political or market conditions, many of which are beyond our control.

The market price of our Common Stock will also be impacted by our quarterly operating results which can fluctuate from quarter to quarter.

Uncertainties in the interpretation and application of the 2017 Tax Cuts and Jobs Act could materially affect our tax obligations and effective tax rate.

The 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted on December 22, 2017, and significantly affected U.S. tax law by changing how the U.S. imposes income tax on U.S. and multinational corporations. The U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law which could impact our tax obligations in the period issued.

The Tax Act requires complex computations not previously required under U.S. tax law. As such, the application of accounting guidance for such items is currently uncertain. Further, compliance with the Tax Act and the accounting for such provisions could require accumulation of information not previously required or regularly produced. Additional regulatory guidance as issued by the applicable taxing authorities, could materially affect our tax obligations and effective tax rate

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease space for our principal offices at 1 Venture, Suite 150, Irvine, CA 92618. Our landlord is Olen Commercial Realty Corporation. Our lease is for a five-year term and for 8,500 square feet. This lease began on April 15, 2016 and will expire on June 14, 2021. In July 2017, we entered into a second lease for 2,713 square feet of expansion space in the same building. The landlord and lease term are the same for both leases.

Sales Office

As of August 31, 2018, the Company has four sales offices located in New York, Chicago, Orlando and Austin.

In July 2017. we also entered into a month to month office lease in New York City for monthly rent of approximately $5,000, securing space for a small client acquisition and support staff.

We also entered into month to month offices lease in Chicago, Illinois in June 2018, Orlando, Florida and Austin, Texas in March 2018 for aggregate monthly rent of approximately $10,000 for client acquisition and support staff.

We consider that these spaces and arrangements are sufficient for our current needs, although as we expand existing operations or open other offices in other cities, we will need to secure leases in those cities as well.

Item 3. Legal Proceedings

In the normal course of business, ShiftPixy, Inc., is subject to various claims and litigation. While the outcome of any litigation is inherently unpredictable, ShiftPixy, Inc., believes that it has valid defenses with respect to the legal matters pending against it and that the ultimate resolution of these matters will not have a materially adverse impact on its financial condition, results of operations, or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Trading History

Our common stock was listed for trading on The NASDAQ Stock Market LLC on June 28, 2017, under the symbol "PIXY."

The table below sets forth the high and low closing sales prices of our common stock on The NASDAQ Stock Market LLC for the period indicated.

	High	Low
2018		
First Quarter	$ 4.27	$ 2.29
Second Quarter	4.17	2.00
Third Quarter	4.62	2.30
Fourth Quarter	4.62	2.49
2017		
June 29, 2017 to August 31, 2017	$ 11.64	$ 3.56

Number of Equity Security Holders

As of August 31, 2018, the Company had 25 holders of record of our common stock. This does not include beneficial owners holding common stock in street name. As such, the number of beneficial holders of our shares could be substantially larger than the number of shareholders of record.

Dividends

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of the Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that the Board of Directors considers relevant.

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Wyoming Statutes, however, prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

- we would not be able to pay our debts as they become due in the usual course of business; or
- our total assets would be less than the sum of our total liabilities plus (unless the articles of incorporation permit otherwise) the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

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Sale of Unregistered Securities

Unregistered Sales of Securities

During the year ended August 31, 2018, the Company entered into 8% senior secured convertible notes with certain institutional investors in the principal amounts of $10,000,000. The notes are senior and secured by all the assets of the Company. Sales of all of these securities were made pursuant to Rule 506 (c) of Regulation D promulgated by the SEC under the Act.

During the year ended August 31, 2018, the Company granted warrants to purchase 1,220,883 shares of common stock related to the convertible notes to institutional investors and investment bank, at an exercise price of $2.49, subject to adjustment, and expiration date of 5 years.

Exercise of Warrants

During the fiscal year ended August 31, 2018, certain shareholders who had acquired securities under our past 506(b) offerings, exercised warrants to acquire 37,500 shares of our common stock at an exercise price of $2.00 per share. Such shares are subject to applicable restrictions on disposition pursuant to Rule 144.

Stock Option / Stock Issuance Plan

In March 2017, the Company adopted the 2017 Stock Option / Stock Issuance Plan (the “Plan”). The Plan provides incentives to eligible employees, officers, directors and consultants in the form of incentive stock options, non-qualified stock options and stock. The Company has reserved a total of 10,000,000 shares of common stock for issuance under the Plan. Of these shares, as of August 31, 2018, approximately 1,868,745 options and 177,224 shares have been designated by the Board of Directors for issuance and approximately 520,000 of the options have been forfeited and returned to the option pool under the Plan as a consequence of employment terminations. Unless the Plan Administrator otherwise provides, each option is immediately exercisable, but the shares subject to such option will vest over a period of time as follows: 25% vest after a 12-month service period following the award, and the balance vest in equal monthly installments over the next 36 months of service. Accordingly, no persons awarded options has vested ownership of shares underlying the options for at least 60 days from the date of this Report. The issuance of shares under the Plan vest according to terms established for such issuance by the Plan Administrator.

Dividends

We have never declared or paid any cash dividends on our common stock. We do not anticipate paying any cash dividends to stockholders of our common stock in the foreseeable future. In addition, any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deem relevant.

Item 6. Selected Consolidated Financial Data

As a smaller reporting company, we have elected not to provide the information required by this item.

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Item 7. Management's Discussion and Analysis or Plan of Operation.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and other financial information included in this Form 10-K.

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national, and local general economic and market conditions; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; change in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; the risk of foreign currency exchange rate; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

The independent registered public accounting firm's report on the Company's financial statements as of August 31, 2018, and for the year in the period then ended, includes a "going concern" explanatory paragraph that describes substantial doubt about the Company's ability to continue as a going concern

Overview

The Company is a leading provider of employment law compliance solutions for employers and workers in an environment in which shift or other part-time/temporary positions, commonly called "gigs," are performed. In what is now being called the Gig Economy, businesses such as those in our current target market in the restaurant and hospitality industries contract with independent workers for less than full-time engagements primarily in the form of shift work. The trend toward a Gig Economy has begun, and we are endeavoring to participate through an employment related service offering. A study by Ardent Partners confirms that the Gig Economy trend is significant, noting that "[n]early 38% of the world's total workforce is now considered 'non-employee,' which includes contingent/contract workers, temporary staff, gig workers, freelancers, professional services, and independent contractors." Ardent Partners Ltd. "The State of Contingent Workforce Management 2016-2017: Adapting to a New World of Work." October 2016.

A significant problem for employers in the Gig Economy involves compliance with employment related regulations imposed by federal, state and local governments, including requirements associated with workers' compensation insurance, and other traditional employment compliance issues, including the employer mandate provisions of the Patient Protection and Affordable Care Act. The compliance challenges are often complicated by the actions of many employers in reducing workers' hours as a means to avoid characterizing employees as "full-time." Congress is considering amendments to or replacement of the ACA. As of the date of this filing, the ACA has not been formally amended or repealed. Employers still face regulatory issues and overhead costs, including those associated with the employer mandate provisions of the ACA for which we believe our services are a cost-effective solution.

For Gig/Shift Workers, whom we also call "shifters," the significant problem is difficulty in finding other jobs/gigs to replace hours lost when their employers reduce their hours and make them less than full-time employees or otherwise to fill workweek employment voids.

We believe ShiftPixy has the ideal solution for both of these groups and each of their problems via a service offering that entails two principal elements (that we refer to collectively as our "Ecosystem") as follows:

- ShiftPixy Employer Solution: ShiftPixy absorbs the employer's shifters as ShiftPixy Employees and makes those employees available to the former employer to work the same jobs, as employees of ShiftPixy, shouldering a substantial portion of the employment-related compliance responsibilities. In addition, when the ShiftPixy mobile app is released, businesses will be able to access via that technology additional qualified workers, who are already part of the ShiftPixy Ecosystem, to fill workforce voids on short notice, having assurance that such employees have work experience, will be paid, will be covered by applicable workers' compensation coverage, will have applicable employment related taxes calculated and processed.

- ShiftPixy Shifter Solution: Shifters placed with one of ShiftPixy's clients can now access other shift work with other ShiftPixy clients, ultimately through the new ShiftPixy mobile app, a prototype of which was released in September 2016. When released to the general public, anticipated to be in the first calendar quarter of 2019, the ShiftPixy mobile app will enable not only ShiftPixy shift employees but also ultimately shift employees outside the ShiftPixy Ecosystem, many of them Millennials who connect to the outside world solely through mobile devices, to access available shift jobs at all of ShiftPixy's participating clients. In addition to the benefits of working not as independent contractors but as employees, enjoying the protections of workers' compensation coverage and employment laws, as well as the calculation and remittance of applicable employment taxes, among other benefits, shifters are also enabled to participate in ShiftPixy's benefit plan offerings, including minimum essential health insurance coverage plans and a 401(k) plan.

ShiftPixy's headquarters is currently situated in Irvine, California, from which it can reach the Southern California market, and the company has a modest staff in Phoenix. ShiftPixy opened office in New York City in the later part of our fiscal year 2017. During the fiscal year ended August 31, 2018, ShiftPixy opened offices in Austin, Texas, Orlando area, Florida, and Chicago, from which its local sales/service representatives will secure and service clients in those areas, and it plans to open additional physical offices in the following locales: San Francisco and Miami.

Through these office locations, we plan to engage more actively with clients through sales, marketing, employee onboarding, training and payroll processing, in each instance as necessary and appropriate to the applicable market.

These markets collectively account for or allow us to cover approximately 53% of our target market in the restaurant/hospitality sectors. (U.S. Department of Labor. Bureau of Labor Statistics. May 2015. Occupational Employment and Wages.)

ShiftPixy and its subsidiary collectively serve, as of August 31, 2018, an aggregate of 193 clients with an aggregate of approximately 8,540 employees, including 6,370 employees of ShiftPixy and ShiftableHR that we provide to our clients and 2,170 employees of our clients for whom we provide only payroll administration services. No one client represented more than 10% of our revenues for fiscal year 2018.

ShiftPixy’s anticipated business and revenue growth will result from the following factors:

- Large Potential Market.
- The burdens placed on employers with over 50 full-time employees under the ACA.
- Marketing Advantages from Strategic Insurance Provider Relationships.
- New ShiftPixy Mobile App that is designed to provide Additional Benefits to Employers and Shift Workers.
- Ultimate Development of a ShiftPixy Ecosystem.
- Mitigation of Employment Law Compliance Risks.

The Problem: Employment law compliance requirements present a multi-obstacle ridden employment related compliance landscape for our target market of businesses that rely significantly on part-time and temporary workers. Challenges facing such businesses include the need to secure applicable workers’ compensation insurance coverage, to effect employment related tax withholdings and filings, and to navigate laws related to hiring and release of employees, including discrimination (race, color, national origin, sex, age, religion, disability, pregnancy and sexual orientation), sexual harassment, sick pay and time off, hours of work, minimum wage and overtime, gender pay differentials, immigration, safety, child labor, military leave, garnishment and other wage imposition processing, family and medical leave, COBRA, and unemployment claims. ACA compliance currently adds another significant burden to businesses with more than 50 full-time workers, as they try to manage the additional burdens associated with mandated health insurance benefits.

A business can secure assistance in mitigating and even eliminating these challenges by retaining ShiftPixy.

The ShiftPixy Solution: ShiftPixy is developing an Ecosystem comprised of a closed proprietary operating and processing system that helps restaurant or hospitality businesses (and in the future, businesses in additional industries wherein we plan to market our services) as well as shift workers by matching available shifts with available shift workers. The ShiftPixy Ecosystem provides the following benefits:

- Compliance
- Cost Containment
- Cost Savings

Shift Human Capital Management Inc.: We formed Shift Human Capital Management Inc., a wholly-owned subsidiary, in December 2015. We formed this subsidiary in response to the need to have workers' compensation policies written in the names of the clients (as may be required by some states) and otherwise in response to client needs for only administrative and processing services rather than the full-service, staffing program offered by ShiftPixy. As of August 31, 2018, ShiftableHR had 116 clients with 5,131 worksite employees, including 2,170 employees for whom we provide only payroll administration services.

Significant Developments in 2018

New Sales Offices

ShiftPixy recently opened offices in Austin, Texas, Orlando and Chicago area from which its local sales/service representatives will secure and service clients in those areas, and it plans to open additional physical offices in the following locales: San Francisco and Miami.

Software Development

The heart of ShiftPixy's employment service solutions is a technology platform, including a mobile app, through which ShiftPixy employees (and in the future, shift workers not currently in our Ecosystem) will be enabled to find available shift work at ShiftPixy client locations, solving a problem of finding available shift work for both the shifters looking for additional shift work and business clients looking to fill open shifts.

The mobile app is one of the software components of what we call the mobile platform, and together with the ShiftPixy "Command Hub" and the client portal, is being developed, tested and released in stages. We have released and are using the onboarding feature of our software, which enables us to capture all application process related data regarding our assigned employees and to introduce employees to and integrate them into the ShiftPixy Ecosystem.

Our new employees no longer have to fill out the burdensome pile of required new employee paperwork. By leveraging artificial intelligence capabilities, new hires are guided by a conversation with a "Pixy" chatbot that asks the necessary questions and generates the required employment documents in a highly personal and engaging way. Following completion of the questions, applicable onboarding paperwork is prepopulated with the data and prepared for the employee's signature to be affixed digitally via the app as well. We use the app to gather even I-9 required documentation.

Our next phase of development, which will be completed in the first calendar quarter of 2019, is the implementation of the scheduling component of our software, which was designed to enable each client worksite to schedule workers and to identify shift gaps that need to be filled. We leverage artificial intelligence to maintain schedules and fulfillment, using an active methodology to engage and move people to action.

The next succeeding phase of development, planned to be completed in the first calendar quarter of 2019, includes the implementation of our shift intermediation functionality, which is designed to enable our shift workers to receive information regarding and to accept available shift work opportunities. We currently plan to have the onboarding, scheduling and shift intermediation functionalities operable and integrated across our platform during the first calendar quarter of 2019; however, the intermediation functionality becomes useful only to the extent that we have meaningful numbers of available workers and client shift opportunities in the same geographic region, which we currently have in our Southern California market. Our goal is to have the mobile platform serve not only to enable our shift workers to secure additional shift work and our job provider clients to fill open shifts but also to attract new clients who see the value associated with being able to fill open shifts with a ready-to-hire workforce. This software is an important component of our overall ecosystem, and we are excited about our continued development.

We also plan to begin using the “delivery features” of our mobile platform during the first calendar quarter of 2019. Our technology and approach to human capital management allows the company a unique window into the daily demands of “Quick Service Restaurants” (“QSR”) operators and the ability to extend our technology and engagement to enable this unique self-delivery proposition. ShiftPixy’s new driver management layer for operators in the ShiftPixy ecosystem will now allow clients to use their own team members to deliver a brand intended customer experience. ShiftPixy has taken the compliance, management and insurance issues related to the support of a delivery option and created a turnkey self-delivery opportunity. This would allow our clients to enjoy the income growth from delivery, preserve their customer experience and their brand as well as their customer data. The first phase of this component of our platform is the driver onboarding, which was completed by the third calendar quarter of 2018. Following completion of this phase, we plan to add features that enhance the capability of our mobile application to track and manage the delivery process. The enhanced features will “micro meter” essential commercial insurance coverages required by our operator clients-namely workers’ compensation and auto coverages on a delivery-by-delivery basis.

Another key element of our software development involves using ShiftPixy’s blockchain ledger to process and record our critical P2P (“Peer-to-Peer”) connections. While not necessarily a new development, we note that we use blockchain technology in an effort to keep our data secure. Any data considered to be a human capital validation point or part of the hiring and onboarding process is being utilized and recorded in ShiftPixy’s blockchain ledger. The employee I-9 verification process, for example—one of the most stringent, rigorous, and penalty-laden compliance procedures is positively impacted by blockchain utilization of biometric authentication and automatic verification of I-9 data, removing human error in the process of screening for fraudulent information. Verification of that data on the blockchain allows both employers and auditing agencies to confidently validate additional criteria such as employment dates, and a candidate’s background (i.e. education, references, certifications, etc.), and share the verification status directly on multiple distributed sources within the blockchain, further underscoring the trust and accuracy of a candidate’s information and corporate compliance.

Future implementation of blockchain technology within ShiftPixy’s technological ecosystem is anticipated to include the extended applications for payroll and real-time payments, and utilizing smart contracts for employment contracts, which facilitate the performance of credible, trackable, and irreversible transactions without third parties. For purposes of clarification, we note that ShiftPixy has never, does not now and will never use its blockchain technology in any form of cryptocurrency or cryptocurrency related application.

Performance Highlights

FYE 2018 vs. FYE 2017

- Served approximately 193 clients and co-employed average 8,540 worksite employees, a 68.3% increase in average worksite employees compared to the same period in 2017, and

- Processed approximately $222.4 million in gross billings (a non-GAAP measurement), an increase of 76% over the same period in 2017.

Our financial performance for the fiscal year ended August 31, 2018, compared to the fiscal year ended August 31, 2017, included:

Revenues increased 72.7% to $35 million due to increased number of worksite employee the Company is currently servicing.

Cost of Revenue increased 78% to $29.5 million due to increased number of worksite employees, incremental workers compensation from engaging with two clients in the janitorial space, increase in our state unemployment tax rate from prior year and increased in accrued workers' compensation costs based on estimated projected losses.

Operating expenses increased 83.9% to $20.6 million primarily attributable to an increase in corporate payroll related cost, paid commissions, professional fees and other general and administrative expenses resulting from the growth of our business and from being a listed Company. A significant part of the increase in operating expense relates to the accrual of penalties and liquidated damages associated with technical defaults under the registration rights agreements relating to our 8% senior secured convertible notes.

Interest expense increased by 100% to $1.5 million resulting from the interest paid on the convertible notes, the amortization of the corresponding debt discount and debt issuance costs related to our recent financing and the accrual of a guaranteed twelve-month of interest clause related to the terms of our convertible notes following an event of default.

Net Loss increased to $16.6 million or $0.58 per diluted share in FYE 2018, from $7.5 million or $0.28 per diluted share in FYE 2017.

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Results of Operations

Year Ended August 31, 2018 Compared to Year Ended August 31, 2017

The following table summarizes our consolidated results of operations:

	For the Years Ended	
	August 31, 2018	August 31, 2017
Revenues (gross billings of $222.4 million and $126.4 million less worksite employee payroll cost of $187.5 million and $106.1 million, respectively)	$ 34,958,748	$ 20,244,419
Cost of revenue	29,458,395	16,552,197

Gross profit	5,500,353	3,692,222
Operating expenses:		
Salaries, wages and payroll taxes	5,382,720	4,268,851
Stock-based compensation - general and administrative	200,332	43,415
Commissions	1,593,692	845,920
Professional fees	2,240,690	1,369,242
Software development	3,827,618	2,683,334
Depreciation and amortization	274,321	65,369
General and administrative and registration rights penalties	7,052,622	1,908,081
Total operating expenses	20,571,995	11,184,212
Operating Loss	(15,071,642)	(7,491,990)
Other Expense		
Interest expense	(1,504,837)	-
Net Loss	$ (16,576,479)	$ (7,491,990)
Net loss per common share		
Basic and diluted	$ (0.58)	$ (0.28)
Weighted average number of common shares		
Basic and diluted	28,810,103	26,778,658

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Results of Operations

Revenue. Gross billings are a non-GAAP measurement and are the metric in which we currently earn our revenue. Gross billings for the fiscal year ended August 31, 2018, were earned from billings to clients to whom we provide staff or workforce management support (PEO and ASO).

Gross billings for the year ended August 31, 2018, versus the year ended August 2017 totaled $222.4 million compared to $126.4 million. As a result, gross billings increased by $96 million or 76%.

Our revenue excludes the payroll cost component of gross billings. With respect to employer payroll taxes, employee benefit programs, workers' compensation insurance, we believe that we are the primary obligor, have latitude in establishing price, selecting suppliers, and determining the service specifications and, as such, the billings for those components are included as revenue. Revenues are recognized ratably over the payroll period as worksite employees perform their service at the client worksite.

Revenue for the year ended August 31, 2018, versus the year ended August 31, 2017, totaled $35.0 million compared to $20.2 million. As a result, net revenue increased by $14.8 million or 72.7%.

Approximately $12.3 million is attributed to the additional worksite employees the Company is servicing, which increased by 2,610 to an average of 6,900 for the fiscal year ended August 31, 2018, compared to an average of 4,290 for the fiscal year ended August 31, 2017.

Approximately $2.5million is attributed to the addition of new client operators for the fiscal year ended August 31, 2018, with an average gross wages per employee greater than our historical average.

Cost of Revenue. Our cost of revenue includes the costs of employer side taxes and workers' compensation insurance coverage. Cost of revenues for the year ended August 31, 2018, versus the year ended August 31, 2017, totalled $29.5 million compared to $16.6 million. As a result, cost of revenues increased by $12.9 million or 78%.

Approximately $10 million is attributed to the additional worksite employees the Company is servicing, which increased by 2,610 from an average of 4,290 for the fiscal year ended August 31, 2017, to an average of 6,900 employees for the fiscal year ended August 31, 2018.

Approximately $1.2 million of the increase is attributed to an increase in the Company's state unemployment tax rate and the Federal Unemployment Tax credit reduction for the state of California.

Approximately $0.8 million of the increase is attributed to the increase in workers' compensation expense, resulting from engaging with two clients in the janitorial business, serving approximately 200 worksite employees, for which the cost of workers' compensation insurance is triple the average cost of coverage for employees in the traditional vertical in which we otherwise operate. The Company incurred $2.1 million of workers' compensation insurance expense for these two clients in the fiscal year ended August 31, 2018, compared to $1.3 million in the fiscal year ended August 31, 2017.

Approximately $0.9 million of the increase is attributed to the estimated workers' compensation costs based on incurred losses and estimate of future cost trends.

Gross Profit. Gross profit for the year ended August 31, 2018, versus the year ended August 31, 2017 totaled $5.5 million compared to $3.7 million, an increase $1.8 million or 49%. Gross profit as a percentage of revenue decreased from 18.2% for the year ended August 31, 2017, to 15.7% for the year ended August 31, 2018 or a net decrease of 2.5% year over year. Such decrease is directly related to an increase in the Company's unemployment tax rate, an increase in the federal unemployment tax credit reduction for the State of California and approximately $1.2 million in workers' compensation claim losses projection based on incurred losses and estimate of future cost trends.

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Operating Expenses

The following table presents certain information related to our operating expenses

	Year ended August 31,		
	2018	2017	% Change
	(in thousands)	(in thousands)	
Salaries, wages and payroll taxes	$ 5,382	$ 4,269	26.1%
Stock-based compensation	200	44	361.4%
Commissions	1,594	846	88.4%
Professional fees	2,241	1,369	63.6%
General and administrative and registration rights penalties	7,053	1,908	269.6%
Software development	3,828	2,683	42.6%
Depreciation and amortization	274	65	319.6%
Total operating expenses	$ 20,572	$ 11,184	83.9%

Operating expenses were $20.6 million in 2018, a 83.9 % increase over 2017. The components of operating expenses changed as follows:

Salaries, wages and payroll taxes, for the fiscal year ended August 31, 2018, increased by $1.1 million to $5.4 million compared to $4.3 million for the fiscal year ended August 31, 2017.

Approximately $0.8 million of the increase is attributed to the increase in our corporate payroll employee from an average of 37 corporate employees for the fiscal year ended August 31, 2017, to 44 employees for the fiscal year August 31, 2018.

Approximately $0.3 million of the increase is attributed to the increase in benefits provided to our corporate employees and our Shift Human Capital Management PEO worksite employees as well as an increase in benefits' rates.

Stock-Based compensation increased by $0.16 million or 361.4% to $0.2 million for the fiscal year ended August 31, 2018. This increase was primarily due additional 493,745 stock option awards granted to our corporate employee under our Stock Option and Stock Issuance Plan established in March 2017. The increase is also attributed to the increase of our corporate employee from 40 as of August 31, 2017, to 55 as of August 31, 2018.

Commission increased by $0.7 million or 88.4% to $1.6 million, from $0.9 million in the fiscal year ended August 31, 2017. Commissions are primarily associated with compensation to our sales force for sales as well as to our property and casualty agents. Commission expenses approximates 0.7% of our gross billings for the year ended August 31, 2018, and 2017, respectively.

Professional fees for the year ended August 31, 2018, increased by $0.8 million or 63.6% to $2.2 million, from $1.4 million for the year ended August 31, 2017.

Approximately $0.3 million is attributable to the increase in consulting fees paid to our majority shareholder & sales manager;

Approximately $0.3 million is attributable to additional audit fees resulting from the re-audit of our Annual Report on Form 10-K/A for the fiscal year ended August 31, 2017 and the corresponding consent fees charged from our previous independent registered auditor, fees incurred for the filing of our registration statement on Form S-3 following our recent financing.

Approximately $0.2 million is attributable to the additional fees incurred for shares issued for service to our independent directors. Since September 2017, the Company compensates our independent directors at an average monthly amount of $20k.

Depreciation & Amortization increased by $0.2 million or 319.6% from our previous fiscal year. The Company capitalized $2.8 million of software development costs related to the application development stage during the year ended August 31, 2018 as opposed to $0 million during the year ended August 31, 2017.

General and Administrative and registration rights penalties expenses for the year ended August 31, 2018, increased by $5.1 million or 269.6% to $7.1 million, from $2.0 million for the year ended August 31, 2017.

Approximately $3.5 million relates to the accrual of penalties and liquidated damages associated with technical defaults under the registration rights agreements relating to our 8% senior secured convertible notes, assuming that such expenses are payable. The events of default occurred as a consequence of the Company's having missed the registration statement filing and effectiveness deadlines set forth in the registration rights agreements. Notwithstanding the Company's having missed the registration statement filing and effectiveness deadlines set forth in the registration rights agreement, management believes that the Company is not accountable for the defaults, because the delays resulting in the defaults were caused by matters outside of the reasonable control of the Company. While it was not impossible to perform the contract in general, it was impossible to perform to the extend necessary to meet the specific deadlines.

Approximately $0.2 million is attributable to increased rent expense following our geographical expansion.

Approximately $0.7 million is attributable to additional investor's relations and marketing expenses, resulting from being a listed company as well as management's decision to build awareness around our business proposition and develop business opportunities.

Approximately $0.7 million is attributable to paid and accrued penalties resulting from late remittances of payroll tax liabilities and settlement of various claims.

Interest Expense was $1.5 million in 2018 compared to $0 million in 2017 or a net increase of $1.5 million or 100%.

Approximately $0.6 million relates to the accrual of the guaranteed twelve month of interests as part of the mandatory default clause of the debentures that was triggered following the event of default on our recent financing (See risk Factors)

Approximately $0.7 million relates to the amortization of the debt discount and debt issuance costs related to the secured convertible notes.

Approximately $0.2 million is related to the coupon payments on the outstanding principal amount of the convertible notes. Please read note 7 to the consolidated financial statements for additional information.

Net loss. As a result of the explanations described above, the net loss for the fiscal year ended August 31, 2018, was $16.6 million, compared to a net loss of $7.5 million in the prior year representing an increase of $9.1 million or 121%.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

As of August 31, 2018, the Company had cash and cash equivalents of $1.6 million and a working capital deficiency of $13.2 million. During the year ended August 31, 2018, the Company used approximately $9.5 million of cash in its operation, of which $6.6 million was attributed to the mobile development costs and $1.4 million was attributed to the workers' compensation deposit. The Company has incurred recurring losses resulted in an accumulated deficit of $26 million as of August 31, 2018. These conditions raise substantial doubt as to our ability to continue as going concern within one year from issuance date of the financial statements.

The ability of the Company to continue as a going concern is dependent upon generating profitable operations in the future and obtaining additional funds by way of public or private offering to meet the Company's obligations and repay its liabilities when they become due.

Historically, the Company's principal source of financing has come through the sale of its common stock and issuance of convertible notes. The Company successfully completed an Initial Public Offering (IPO) on NASDAQ on June 29, 2017, raising a total of $12 million ($10.9 million net of costs). In June 2018, the Company completed a private placement of 8% senior secured convertible notes to institutional investors raising $9 million of gross proceeds

($8.4 million net of costs).

Exclusive of the developments costs and the initial deposits made to our workers' compensation program, the Company is currently using $0.4 million each quarter from its operations or a little over $0.1 million per month. The Company has already realized a significant reduction to its workers compensation expense resulting from changing certain providers and achieving some economies of scale. The Company continues to experience significant growth in the number of worksite employees, which would generate additional administrative fees that would offset the current level of operating cash burn. Our business proposition has generated significant interest among temporary staffing companies, and the Company has already added several firms with an average employee count between 200/300 worksite employees.

The key features of the Company's mobile application have been fully developed, one of the key features has been released and two other key features are now ready to be released at minimal additional costs. The deployment of these features expected in the first calendar quarter of 2019, would further accelerate growth as the Company's clients would be able to remediate their turnover issues. The Company also developed an additional driver management layer to its mobile platform and plan to begin using this "delivery feature" of its mobile platform during the first calendar quarter of 2019.

The Company's plans and expectations for the next 12 months include raising capital to help fund expansion of its operations, including the development and support of its IT and HR platform. The Company engaged an investment banking firm to assist the Company in (i) preparing information materials, (ii) advising the Company concerning the structure, price and conditions and (iii) organizing the marketing efforts with potential investors in connection with a financing transaction.

The Company believes that its current cash position, along with its revenue growth and the financing from potential institutional investors will be sufficient to fund its operations for at least a year from the date these financials are available. If these sources do not provide the capital necessary to fund the Company's operations during the next twelve months from the date of this report, the Company may need to curtail certain aspects of its operations or expansion activities, consider the sale of its assets, or consider other means of financing. The Company can give no assurance that it will be successful in implementing its business plan and obtaining financing on terms advantageous to the Company or that any such additional financing would be available to the Company. These consolidated financial statements do not include any adjustments from this uncertainty.

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Cash Flows

The following table sets forth a summary of changes in cash flows for the twelve months ended August 31, 2018 and 2017:

	Twelve Months Ended August 31, 2018	Twelve Months Ended August 31, 2017
Net cash used in operating activities	$ (9,538,265)	$ (7,576,927)
Net cash used in investing activities	(3,018,580)	(4,661)
Net cash provided by financing activities	8,309,923	12,609,761
Change in cash	$ (4,246,922)	$ 5,028,173

During the year ended August 31, 2018, the Company used approximately $9.5 million of cash in its operations, of which $6.6 million was attributed to the mobile application development costs and $1.4 million was attributed to the workers compensation deposit. Exclusive of the development costs and workers compensation deposit, the Company is currently using approximately $1.5 million each year from its operation or approximately $0.4 million per quarter. The increase in cash used in operating activities was due primarily from the additional corporate employee and the corresponding salaries and employer taxes, additional professional fees related to our audit and re-audit, consulting fees paid to our founder and majority shareholder as well as additional legal fees resulting from being a listed company.

The increase in cash used in investing activities was primarily due to the capitalization of the mobile application development costs. The Company incurred $6.6 million of software development costs, of which $2.8 million was capitalized pursuant to applicable accounting guidance.

The increase in cash from financing activities was primarily due to the proceeds from the $9 million proceeds ($8.4 million net of closing costs) from the issuance of convertible notes in June 2018.

Non-GAAP Financial Measures

In addition to financial measures presented in accordance with GAAP, we monitor other non-GAAP measures that we use to manage our business, make planning decisions and allocate resources. These key financial measures provide an additional view of our operational performance over the long term and provide useful information that we use to maintain and grow our business. The presentation of these non-GAAP financial measures is used to enhance the understanding of certain aspects of our financial performance. It is not meant to be considered in isolation, superior to, or as a substitute for the directly comparable financial measures presented in accordance with GAAP.

Reconciliation of GAAP to Non-GAAP Measure

	For the year Ended August 31,	
	2018	**2017**
Gross Billings	$222,413,495	$126,391,207
Less: Adjustment to gross billings	187,454,747	106,146,788
Revenues	$ 34,958,748	$ 20,244,419

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management, in consultation with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, in consultation with legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Relaxed Ongoing Reporting Requirements

We are a public reporting company under the Exchange Act. We are required to publicly report on an ongoing basis as an "emerging growth company" (as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act) under the reporting rules set forth under the Exchange Act. For so long as we remain an "emerging growth company", we may take advantage of certain exemptions from various reporting requirements that are applicable to other Exchange Act reporting companies that are not "emerging growth companies", including but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- taking advantage of extensions of time to comply with certain new or revised financial accounting standards;
- being permitted to comply with reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- being exempt from the requirement to hold a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We expect to take advantage of these reporting exemptions until we are no longer an emerging growth company. We would remain an "emerging growth company" for up to five years, although if the market value of our Common Stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time, we would cease to be an "emerging growth company" as of the following December 31.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required.

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Item 8. Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Periods Ended August 31, 2018 and 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
ShiftPixy, Inc.
Irvine, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ShiftPixy, Inc. (the “Company”) as of August 31, 2018 and 2017, the related consolidated statements of operations, stockholders’ (deficit) equity and cash flows for each of the two years in the period ended August 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended August 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph - Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 3, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2017.

New York, NY
November 28, 2018

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ShiftPixy Inc.
Consolidated Balance Sheets

		August 31, 2018		August 31, 2017
ASSETS				
Current assets				
Cash	$	1,649,783	$	5,896,705
Restricted cash – workers' compensation		305,218		-
Accounts receivable		110,931		428,790
Unbilled accounts receivable		6,192,631		-
Deposit-workers' compensation		1,366,879		2,335,000
Prepaid expenses		563,002		352,188
Other current assets		258,901		15,916
Total current assets		10,447,345		9,028,599
Fixed assets, net		3,032,325		288,065
Deposits- workers' compensation		2,201,556		-
Deposits and other assets		120,606		126,480
Total assets	$	15,801,832	$	9,443,144
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY				
Current liabilities				
Accounts payable	$	1,246,461	$	1,160,474
Payroll related liabilities		9,476,641		2,388,454
Convertible Note, Net		7,156,515		-
Accrued workers' compensation costs		305,217		-
Other current liabilities		5,455,921		278,982
Total current liabilities		23,640,755		3,827,910
Noncurrent liabilities				
Accrued workers' compensation costs		900,978		-
Total liabilities		24,541,733		3,827,910
Commitments and contingencies (Note 12)				
Stockholders' (deficit) equity				
Preferred stock, 50,000,000 authorized shares; $0.0001 par value; no shares issued and outstanding		-		-
Common stock, 750,000,000 authorized shares; $0.0001 par value; 28,851,787 and 28,762,424 shares issued and outstanding as of August 31, 2018 and 2017, respectively		2,886		2,877
Additional paid-in capital		17,233,919		15,012,584
Accumulated deficit		(25,976,706)		(9,400,227)
Total stockholders' (deficit) equity		(8,739,901)		5,615,234
Total liabilities and stockholders' (deficit) equity	$	15,801,832	$	9,443,144

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

ShiftPixy Inc.
Consolidated Statements of Operations

	For the Years Ended August 31, 2018	For the Years Ended August 31, 2017
Revenues (gross billings of $222.4 million and $126.4 million less worksite employee payroll cost of $187.5 million and $106.1 million, respectively)	$ 34,958,748	$ 20,244,419
Cost of revenue	29,458,395	16,552,197
Gross profit	5,500,353	3,692,222
Operating expenses:		
Salaries, wages and payroll taxes	5,382,720	4,268,851
Stock-based compensation - general and administrative	200,332	43,415
Commissions	1,593,692	845,920
Professional fees	2,240,690	1,369,242
Software development	3,827,618	2,683,334
Depreciation and amortization	274,321	65,369
Registration rights penalties	3,500,000	-
General and administrative	3,552,622	1,908,081
Total operating expenses	20,571,995	11,184,212
Operating Loss	(15,071,642)	(7,491,990)
Other Expense		
Interest expense	(1,504,837)	-
Net Loss	$ (16,576,479)	$ (7,491,990)
Net loss per common share		
Basic and diluted	$ (0.58)	$ (0.28)
Weighted average number of common shares		
Basic and diluted	28,810,103	26,778,658

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

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ShiftPixy Inc.
Consolidated Statements of Stockholders' (Deficit) Equity

	Common Stock Issued		Additional Paid-In	Accumulated	Total Stockholders' (Deficit)
	Shares	Amount	Capital	Deficit	Equity
Balance, September 1, 2016	26,213,800	$ 2,622	$ 2,030,018	$ (1,908,237)	$ 124,403
Common stock issued for cash, net of offering costs	2,000,000	200	10,887,061	-	10,887,261
Common stock and warrants issued for cash	394,375	39	1,577,461	-	1,577,500
Stock-based compensation expense	-	-	43,415	-	43,415
Warrants exercised for cash	67,500	7	144,993	-	145,000
Common stock issued for services rendered	86,749	9	329,636	-	329,645
Net Loss	-	-	-	(7,491,990)	(7,491,990)
Balance, August 31, 2017	28,762,424	$ 2,877	$ 15,012,584	$ (9,400,227)	$ 5,615,234
Warrants exercised for cash	37,500	4	74,996	-	75,000
Warrants issued with convertible debt	-	-	859,155	-	859,155
Intrinsic value due to beneficial conversion feature	-	-	924,000	-	924,000
Stock-based compensation expense	-	-	200,332	-	200,332
Common stock issued for services rendered	51,863	5	162,852	-	162,857
Net Loss	-	-	-	(16,576,479)	(16,576,479)
Balance, August 31, 2018	28,851,787	$ 2,886	$ 17,233,919	$ (25,976,706)	$ (8,739,901)

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

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ShiftPixy Inc.
Consolidated Statements of Cash Flows

	For the Years Ended August 31, 2018	For the Years Ended August 31, 2017
OPERATING ACTIVITIES		
Net loss	$ (16,576,479)	$ (7,491,990)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	274,321	65,369
Amortization debt discount, debt issuance cost	704,746	-
Stock issued for services	162,857	329,645
Stock based compensation	200,332	43,415
Registration rights penalties	3,500,000	-
Changes in operating assets and liabilities		
Restricted cash- workers' compensation	(305,218)	-
Accounts receivable	317,859	(372,352)
Unbilled accounts receivable	(6,192,631)	-
Prepaid expenses	(210,814)	(2,344,192)
Other current assets	(242,985)	57,566
Deposits – workers' compensation	(1,233,435)	-
Deposits and other assets	5,874	(21,867)
Accounts payable	85,987	334,027
Payroll related liabilities	7,088,187	1,665,739
Accrued workers' compensation costs	1,206,195	-
Other current liabilities	1,676,939	157,713
Net cash used in operating activities	(9,538,265)	(7,576,927)
INVESTING ACTIVITIES		
Purchase of fixed assets	(3,018,580)	(4,661)
Net cash used in investing activities	(3,018,580)	(4,661)
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	-	12,000,000
Issuance costs related to common stock issuance	-	(1,112,739)
Proceeds from issuance of common stock and warrants	-	1,577,500
Proceeds from issuance of convertible notes	9,000,000	-
Issuance costs related to convertible notes	(765,077)	-
Proceeds from exercise of warrants	75,000	145,000
Net cash provided by financing activities	8,309,923	12,609,761
Net (decrease) increase in cash and cash equivalents	(4,246,922)	5,028,173
Cash - beginning of year	5,896,705	868,532
Cash - end of year	$ 1,649,783	$ 5,896,705
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for:		
Interest	$ 133,333	$ -
Income taxes	$ –	$ –
Non-cash investing and financing activities:		
Debt discount due to the intrinsic value of beneficial conversion feature	$ 924,000	-
Debt discount due to warrants included with convertible notes	$ 859,155	$ -

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

ShiftPixy. Inc.
Notes to Consolidated Financial Statements

Note 1: Nature of Operations

ShiftPixy, Inc. (the "Company") was incorporated on June 3, 2015. The Company is a specialized staffing service provider that provides solutions for large contingent part-time workforce demands, primarily in the restaurant, hospitality and maintenance service trades. The Company's initial focus is on the restaurant industry in Southern California.

Shift Human Capital Management Inc. ("SHCM"), a wholly-owned subsidiary of ShiftPixy, Inc., functions substantially as a professional employer organization ("PEO"), assuming significant attributes of employer status in relation to the subject employees and provides workers' compensation coverage written in the names of the clients (as may be required by some states). SHCM also functions as an-administrative services only ("ASO") provider, in response to client needs for only administrative and processing services, performing functions in the nature of a payroll processor, human resources consultant, administrator of workers' compensation coverages and claims, under circumstances wherein the client remains as the sole employer of the subject employees. These services are also available to businesses in all industries, not limited to the restaurant and hospitality industries. The Company hopes that this mechanism may become a way to onboard new clients into the ShiftPixy Ecosystem when eligible clients to whom we are providing these services recognize the value of the services provided by the parent Company.

Note 2: Summary of significant accounting policies

Basis of Presentation

The consolidated financial statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules of the Securities and Exchange Commission ("SEC").

Principles of Consolidation

The Company and its wholly-owned subsidiary have been consolidated in the accompanying consolidated financial statements. All intercompany balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include:

- Liability for legal contingencies;
- Useful lives of property and equipment;
- Assumptions made in valuing equity instruments;
- Deferred income taxes and related valuation allowance;
- Projected development of workers' compensation claims.

Revenue Recognition

The Company provides an array of human resources and business solutions designed to help improve business performance.

The Company's revenues are primarily attributable to fees for providing staffing solutions and PEO/HCM ("Professional Employer Organization"/ "Human Capital Management") services. The Company recognizes revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) the services have been rendered to the customer; (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

We account for our PEO revenues in accordance with Accounting Standards Codification ("ASC") 605-45,*Revenue Recognition, Principal Agent Considerations*. Our PEO solutions revenue is primarily derived from the Company's gross billings, which are based on (i) the payroll cost of the Company's worksite employees and (ii) a mark-up computed as a percentage of payroll costs.

The gross billings are invoiced concurrently with each periodic payroll of the Company's worksite employees. Revenues, which exclude the payroll cost component of gross billings and therefore consist solely of markup are recognized ratably over the payroll period as worksite employees perform their service at the client worksite.

Revenues that have been recognized but not invoiced are included in unbilled accounts receivable on our consolidated balance sheets.

Consistent with our revenue recognition policy, our direct costs do not include the payroll cost of our worksite employees. Our cost of revenue associated with our revenue generating activities are primarily comprised of all other costs related to our worksite employees, such as the employer portion of payroll-related taxes, employee benefit plan premiums and workers' compensation insurance costs.

Segment Reporting

We operate one reportable segment under ASC 280, *Segment Reporting*. The Chief operating decision maker regularly reviews the financial information of the Company at a consolidated level in deciding how to allocate resources and in assessing performances.

Cash and cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased as cash equivalents. At August 31, 2018 and 2017, the Company did not have any cash equivalents.

Concentration of Credit Risk

The Company maintains cash with a commercial bank, which is insured by the Federal Insurance Corporation ("FDIC"). At various times, we have deposits in this financial institution in excess of the amount insured by the FDIC. The Company has not experienced any losses related to these balances and believes its credit risk to be minimal.

No one individual client represents more than 10% of our annualized revenues for either fiscal years 2018 or 2017. However, four clients represent 86% of total accounts receivable at August 31, 2018, compared to four clients representing approximately 58% of our total accounts receivable at August 31, 2017.

Fixed Assets

Fixed assets are recorded at cost, less accumulated depreciation and amortization. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When fixed assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Leasehold improvements are being amortized over the shorter of the useful life or the initial lease term.

Fixed assets are recorded at cost and are depreciated over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives of property and equipment for purposes of computing depreciation are as follows:

Equipment:	5 years
Furnitures & Fixtures:	5 - 7 years

The amortization of these assets is included in depreciation expense on the consolidated statements of operations.

Computer Software Development

Software development costs relate primarily to software coding, systems interfaces and testing of our proprietary professional employer information systems and are accounted for in accordance with Accounting Standards Codification ("ASC") 350-40, Internal Use Software. Capitalized software development costs are amortized using the straight-line method over the estimated useful life of the software, generally five years.

Internal software development costs are capitalized from the time the internal use software is considered probable of completion until the software is ready for use. Business analysis, system evaluation and software maintenance costs are expensed as incurred. The capitalized computer software development costs are reported under the section fixed assets, net in the consolidated balance sheets.

Impairment and Disposal of Long-Lived Assets

We periodically evaluate our long-lived assets for impairment in accordance with ASC 360-10,*Property, Plant, and Equipment*. ASC 360-10 requires that an impairment loss be recognized for assets to be disposed of or held-for-use when the carrying amount of an asset is deemed to not be recoverable. If events or circumstances were to indicate that any of our long-lived assets might be impaired, we would assess recoverability based on the estimated undiscounted future cash flows to be generated from the applicable asset. In addition, we may record an impairment loss to the extent that the carrying value of the asset exceeded the fair value of the asset. Fair value is generally determined using an estimate of discounted future net cash flows from operating activities or upon disposal of the asset.

Workers' compensation

Up to July 2018, a portion of the Company's workers' compensation risk was covered by a retrospective rated policy, which calculates the final policy premium based on the Company's loss experience during the term of the policy and the stipulated formula set forth in the policy. The Company funds the policy premium based on standard premium rates on a monthly basis and based on the gross payroll applicable to workers covered by the policy. During the policy term and thereafter, periodic adjustments may involve either a return of previously paid premiums or a payment of additional premiums by the Company or a combination of both. If the Company's losses under that policy exceed the expected losses under that policy, then the Company could receive a demand for additional premium payments. During the year ended August 31, 2017, the Company funded an initial deposit of $2.3 million, which was included in Deposits – worker' compensation ("deposits") on the consolidated balance sheet. During the year ended August 31, 2018, the Company funded two months worth of policy premiums against this initial deposit for approximately $0.8 million. Monies funded into the program for incurred claims expected to be paid within one year are recorded as restricted cash- workers' compensation ("restricted cash"), a short-term asset, while the remainder of claims are included in deposits, a long-term asset in our consolidated balance sheets. As of August 31, 2018, the Company had restricted cash of $0.1 million and deposits of $1.4 million, both short term assets, for this retrospective rated policy

The Company utilizes a third-party to estimate its loss development rate, which is primarily based upon the nature of worksite employees' job responsibilities, the location of worksite employees, the historical frequency and severity of workers' compensation claims, and an estimate of future cost trends. Each reporting period, changes in the assumptions resulting from changes in actual claims experience and other trends are incorporated into our workers' compensation claims cost estimates. For the year ended August 31, 2018 and 2017 the Company accrued $0.6 million and $0 million, respectively, of estimated losses, which are recorded under Accrued workers' compensation cost in our consolidated balance sheets. For the year ended August 31, 2018, the Company classified $0.1 million in short term accrued workers' compensation and $0.5 million in long term accrued workers' compensation in our consolidated balance sheets.

Starting in July 2018, the Company's workers' compensation program for our worksite employees has been provided through an arrangement with United Wisconsin Insurance Company ("UWIC") and administered by Sunz. Under this program, the Company has financial responsibility for the first $0.5 million layer of claims per occurrence. The Company provides and maintains a loss fund that will be used to pay claims and claim related expenses. The workers' compensation insurance carrier established monthly funding requirements comprised of premium costs and funds to be set aside for payment of future claims ("Claim loss funds"). The level of claim loss funds is primarily based upon anticipated worksite employee payroll levels and expected worker's compensation loss rates, as determined by the insurance carrier. Monies funded into the program for incurred claims expected to be paid within one year are recorded as restricted cash- workers' compensation ("restricted cash"), a short-term asset, while the remainder of claim funds are included in deposits- workers' compensation ("deposits"), a long-term asset in our consolidated balance sheets.

During the year ended August 31, 2018, the Company funded an additional initial deposit for $1.4 million as well as an aggregate of $0.9 million in loss fund reserve. As of August 31, 2018, we had restricted cash- workers' compensation of $0.2 million classified as a short-term asset and workers' compensation - deposits of $2.2 million, classified as a long-term asset. Our estimate of incurred claim costs expected to be paid within one year is included in short-term liabilities, while our estimate of incurred claim costs expected to be paid beyond one year is included in long-term liabilities on our consolidated balance sheets. As of August 31, 2018, we had short term accrued workers' compensation costs of $0.2 million and long term accrued workers' compensation costs of $0.5 million.

Because the Company bears the financial responsibility for claims up to the level noted above, such claims, which are the primary component of our workers' compensation costs, are recorded in the period incurred. Workers' compensation insurance includes ongoing health care and indemnity coverage whereby claims are paid over numerous years following the date of injury. Accordingly, the accrual of related incurred costs in each reporting period includes estimates, which takes into account the ongoing development of claims and therefore requires a significant level of judgment. In estimating ultimate loss rates, the Company utilizes historical loss experience, exposure data, and actuarial judgment, together with a range of inputs which are primarily based upon the worksite employee's job responsibilities, their location, the historical frequency and severity of workers' compensation claims, and an estimate of future cost trends. For each reporting period, changes in the actuarial assumptions resulting from changes in actual claims experience and other trends are incorporated into our workers' compensation claims cost estimates. The estimated incurred claims are based upon: (i) the level of claims processed during each quarter; (ii) estimated completion rates based upon recent claim development patterns under the plan; and (iii) the number of participants in the plan.

Convertible debt

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion features.

Fair Value Measurements

The fair value accounting guidance defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The definition is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset. This guidance also establishes a fair value hierarchy to prioritize inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company did not fair value any of its operating assets or liabilities as of August 31, 2018, or 2017. The carrying value of accounts receivable, accounts payables, convertible notes, and other financial instruments approximates the fair value due to their short-term maturities.

Income Taxes

The Company accounts for income taxes pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Income Taxes." Under FASB ASC 740 deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The provision for income taxes represents the tax expense for the period, if any, and the change during the period in deferred tax assets and liabilities. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

FASB ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. Under FASB ASC 740, the impact of an uncertain tax position on the income tax return may only be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority.

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Advertising Costs

The Company expenses advertising costs when incurred. Advertising costs incurred amounted to approximately $0.5 million and $0.3 million for the years ended August 31, 2018, and 2017, respectively.

Stock-Based Compensation

At August 31, 2018, the Company has one stock-based compensation plan under which the Company may issue awards. The Company accounts for this plan under the recognition and measurement principles of ASC 718, Compensation- Stock Compensation, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of operations on their fair values.

The grant date fair value is determined using the Black-Scholes-Merton ("Black-Scholes") pricing model. For all employee stock options, the Company recognizes expense over the requisite service period on an accelerated basis over the employee's requisite service period (generally the vesting period of the equity grant).

The Company's option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility and expected term. The expected volatility is based on the historical volatility of the Company since our Initial Public Offering. Any changes in these highly subjective assumptions significantly impact stock-based compensation expense.

Following the adoption of Accounting Standards Update ASU 2016-09, the Company elected to account for forfeitures as they occur, as such, compensation cost previously recognized for an award that is forfeited because of a failure to satisfy a service condition is reversed in the period of the forfeiture.

Earnings (Loss) Per Share

The Company utilizes FASB ASC 260, "Earnings per Share." Basic loss per share is computed by dividing loss attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include additional common share equivalents available upon exercise of stock options and warrants using the treasury stock method. Dilutive common share equivalents include the dilutive effect of in-the-money share equivalents, which are calculated based on the average share price for each period using the treasury stock method, excluding any common share equivalents if their effect would be anti-dilutive.

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Securities that are excluded from the calculation of weighted average dilutive common shares, because their inclusion would have been antidilutive are:

	For the year ended August 31, 2018	For the year ended August 31, 2017
Senior Secured Convertible Notes (Note 7)	4,016,064	-
Options	1,348,745	790,000
Warrants	3,778,796	2,595,413
Total potentially dilutive shares	9,143,605	3,385,413

Reclassifications

Certain reclassifications have been made to prior year's data to confirm to the current year's presentation. Such reclassifications had no impact on the Company's financial condition, operating results, cash flows or stockholder's equity.

Significant Recent Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The standard provides enhancements to the quality and consistency of how revenue is reported by companies, while also improving comparability in the financial statements of companies reporting using International Financial Reporting Standards or U.S. GAAP. The new standard also will require enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. This accounting standard becomes effective for the Company for reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after August 31, 2019. Early adoption is permitted for annual reporting periods (including interim periods) beginning after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The purpose of this standard is to clarify the implementation of guidance on principal versus agent considerations related to ASU 2014-09. The standard has the same effective date as ASU 2014-09 described above.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which provides clarity related to ASU 2014-09 regarding identifying performance obligations and licensing implementation. The standard has the same effective date as ASU 2014-09 described above.

In May 2016, the FASB issued ASU 2016-12: Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides narrow scope improvements and practical expedients related to ASU 2014-09. The purpose of this standard is to clarify certain narrow aspects of ASU 2014-09, such as assessing the collectability criterion, presentation of sales taxes, and other similar taxes collected from customers, noncash considerations, contract modifications at transition, completed contracts are transition, and technical correction. The standard has the same effective date as ASU 2014-09 described above.

In December 2016, the FASB issued ASU 2016-20: Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. The amendments in this standard affect narrow aspects of guidance issued in ASU 2014-09. The standard has the same effective date as ASU 2014-09 described above.

In February 2016, the FASB issued new accounting guidance on leases ASU 2016-02, Leases. The new standard requires that a lessee recognize assets and liabilities on the balance sheet for leases with terms longer than 12 months. The recognition, measurement and presentation of lease expenses and cash flows by a lessee will depend on its classification as a finance or operating lease. The guidance also includes new disclosure requirements providing information on the amounts recorded in the financial statements. The ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact that this standard will have on its consolidated financial statement.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception, (ASU 2017-11). Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 but the Company elected to early adopt for its fiscal year ended August 31, 2018. ASC 815-40 required that a freestanding equity-linked financial instrument to be indexed to the issuer's own stock to be classified as equity. An equity-linked embedded feature that meets the definition of a derivative may avoid bifurcation and derivative accounting if it is indexed to the issuer's own stock. Today, a freestanding financial instrument or embedded feature isn't considered indexed to the issuer's own stock if it has a down round provision. Consequently, the freestanding financial instrument is classified as a liability, and if it meets the definition of a derivative, it must be measured at fair value with changes in fair value recorded through earnings. Under this guidance, entities will no longer consider a down round feature when determining whether a freestanding financial instrument (i.e. a warrant) or an embedded feature (i.e. a conversion option) that contains a down round feature is considered indexed to the entity's own stock under ASC 815-40.

Under ASC 815-40-35, the Company has adopted a sequencing policy. In the event that reclassification of contracts from equity to assets or liabilities is necessary pursuant to ASC 815 due to the Company's inability to demonstrate it has sufficient authorized shares as a result of certain securities with a potentially indeterminable number of shares, shares will be allocated on the basis of the earliest issuance date of potentially dilutive instruments, with the earliest grants receiving the first allocation of shares. Pursuant to ASC 815, issuance of securities to the Company's employees or directors are not subject to the sequencing policy.

In June 2018, the FASB issued ASU 2018-07, which simplifies the accounting for nonemployee share-based payment transactions. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The standard will be effective for the Company in the first quarter of fiscal year 2020, although early adoption is permitted (but no sooner than the adoption of Topic 606). The Company does not expect that the adoption of this ASU will have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820). The ASU eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. The ASU adds new disclosure requirements for Level 3 measurements. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for any eliminated or modified disclosures. The Company is evaluating the effect of adopting this new accounting guidance to determine the impact it may have on the Company's financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted cash (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown in the statement of cash flow. This guidance is effective for fiscal year beginning after December 15, 2018 and early adoption is permitted. The Company does not expect the adoption of ASU 2016-18 to have a material impact on the Company's financial statements.

Note 3: Going Concern

As of August 31, 2018, the Company had cash of $1.6 million and a working capital deficiency of $13.2 million. During the year ended August 31, 2018, the Company used approximately $9.5 million of cash in its operation, of which $6.6 million was attributed to the mobile development costs and $1.4 million was attributed to the workers' compensation deposit. The Company has incurred recurring losses resulted in an accumulated deficit of $26.0 million as of August 31, 2018. These conditions raise substantial doubt as to our ability to continue as going concern within one year from issuance date of the financial statements.

The ability of the Company to continue as a going concern is dependent upon generating profitable operations in the future and obtaining additional funds by way of public or private offering to meet the Company's obligations and repay its liabilities when they become due.

Historically, the Company's principal source of financing has come through the sale of its common stock and issuance of convertible notes. The Company successfully completed an Initial Public Offering (IPO) on NASDAQ on June 29, 2017, raising a total of $12 million ($10.9 million net of costs). In June 2018, the Company completed a private placement of 8% senior secured convertible notes to institutional investors raising $9 million of gross proceeds ($8.4 million net of costs)

Exclusive of the developments costs and the initial deposits made to our workers' compensation program, the Company is currently using $0.4 million each quarter from its operations a little over $0.1 million per month. The Company has already realized a significant reduction to its workers compensation expense resulting from changing certain providers and achieving some economies of scale. The Company continues to experience significant growth in the number of worksite employees, which would generate additional administrative fees that would offset the current level of operating cash burn.

The key features of the Company's mobile application have been fully developed, one of the key features has been released and two other key features are now ready to be released. The deployment of these features expected in the first calendar quarter of 2019, would further accelerate growth as the Company's clients would be able to remediate their turnover issues. The Company also developed an additional driver management layer to its mobile platform and plan to begin using this "delivery feature" of its mobile platform during the first calendar quarter of 2019.

The Company's plans and expectations for the next 12 months include raising capital to help fund expansion of its operations, including the development and support of its IT and HR platform. The Company engaged an investment banking firm to assist the Company in (i) preparing information materials, (ii) advising the Company concerning the structure, price and conditions and (iii) organizing the marketing efforts with potential investors in connection with a financing transaction.

The Company believe that its current cash position, along with its revenue growth and the financing from potential institutional investors will be sufficient to fund its operations for at least a year from the date these financials are available. If these sources do not provide the capital necessary to fund the Company's operations during the next twelve months from the date of this report, the Company may need to curtail certain aspects of its operations or expansion activities, consider the sale of its assets, or consider other means of financing. The Company can give no assurance that it will be successful in implementing its business plan and obtaining financing on terms advantageous to the Company or that any such additional financing would be available to the Company. These consolidated financial statements do not include any adjustments from this uncertainty.

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Note 4: Accounts Receivable

Accounts receivables, which represent outstanding gross billings to clients, are reported net of allowance for doubtful accounts. We establish an allowance for doubtful accounts based on management's assessment of the collectability of specific accounts and by making a general provision, based on its past experiences, for other potentially uncollectible amounts. The provision for doubtful accounts during the fiscal years ending August 31, 2018 and 2017 was not material.

The Company makes an accrual at the end of each accounting period for our obligations associated with the earned but unpaid wages of our worksite employees and for the accrued gross billings associated with such wages. These accruals are included in unbilled accounts receivable. We generally require clients to pay invoices for services fees no later than 1 day prior to the applicable payroll date. As such we generally do not require collateral.

Unbilled accounts receivable consisted of the following:

	August 31, 2018	August 31, 2017
	(in thousands)	
Accrued worksite employee payroll cost	$ 6,192	$ -
Unbilled accounts receivable	$ 6,192	$ -

Note 5: Fixed Assets

Fixed assets consisted of the following at August 31, 2018 and 2017:

	August 31, 2018	August 31, 2017
Equipment	$ 227,687	$ 83,885
Furniture & fixtures	328,807	268,385
Software development costs	2,797,383	-
Leasehold improvements	41,360	24,386
	3,395,237	376,656
Accumulated depreciation & amortization	(362,912)	(88,591)
Fixed assets, net	$ 3,032,325	$ 288,065

Depreciation and amortization for the years ended August 31, 2018 and 2017, were $274,321 and $65,369, respectively.

Note 6: Software Development Costs

Certain development costs of our software solution are capitalized in accordance with ASC Topic 350-40, Internal Use Software, which outlines the stages of computer software development and specifies when capitalization of costs is required. Projects that are determined to be in the development stage are capitalized and amortized over their useful lives of five years. Projects that are determined to be within the preliminary stage are expensed as incurred. Software development costs are reported under fixed assets, net in the consolidated balance sheet as of August 31, 2018.

Information related to capitalized software costs is as follows:

	August 31, 2018	August 31, 2017
Software costs capitalized	$ 2,797,383	$ -
Software costs amortized	189,640	-
Software costs, Net	$ 2,607,743	$ -

Amortization expense in fiscal 2018, and 2017 was $0.2 million and $0. The weighted average remaining life of amortizable intangible assets was 4.72 years as August 31, 2018. Amortization expense for all other intangibles is expected to approximate the following for each of the next five fiscal years and thereafter:

	Amount (in thousands)
2019	$ 559
2020	559
2021	559
2022	559
2023	370
2024 and beyond	-

Note 7: Senior Secured Convertible Note Payable

On June 4, 2018, the Company issued convertible notes in the principal amount of $10 million for a purchase price of $9 million to institutional investors, bearing interest at a rate of 8%, with maturity date of September 4, 2019, for cash proceeds of $8.4 million for mobile application development and support, IT and HR platform development and support and working capital. The Company incurred approximately $0.6 million of debt issuance costs that are incremental costs directly related to the issuance of the senior secured convertible notes payable.

Concurrently with the sale of the notes, the Company also granted warrants to purchase 1,004,016 shares of common stock to its institutional investors and also granted warrants to purchase 216,867 shares of common stock to its investment banker as placement fees, at an exercise price of $2.49, subject to down round price protection adjustment, as defined in the agreements.

The terms of convertible notes are summarized as follows:

- Term: September 4, 2019;
- Coupon: 8%;
- Convertible at the option of the holder at any time; and
- Conversion price is initially set at $2.49 but subject to down round price protection. After the maturity, the conversion price will be set subsequently at the lesser of the then conversion price and 85% of the volume weighted average price for the trading date immediately prior to the application conversion date;
- Monthly amortization of principal either in cash at a 10% premium or in stock, subject to equity conditions, or at 15% discount to the lowest volume weighted average price, at the option of the Company.

The Company had the following principal balances under its convertible notes outstanding as of August 31, 2018 and 2017:

	August 31, 2018	August 31, 2017
8% Senior Secured Convertible notes, Principal (in default)	$ 10,000,000	$ -
Less debt discount and debt issuance cost	(2,843,485)	-
	7,156,515	-
Less current portion of convertible notes payable	(7,156,515)	-
Long-term convertible notes payable	$ -	$ -

The Company recognized amortization expense related to the debt discount and debt issuance costs of $704,746 and $0 for the year ended August 31, 2018 and 2017, respectively, which is included in interest expense in the statements of operations.

For the year ended August 31, 2018 and 2017, the interest expense on convertible notes was $191,111 and $0, respectively. As of August 31, 2018, and 2017, the accrued interest payable was $57,778 and $0, respectively.

Debt issuance costs

The Company paid approximately $0.8 million of incremental issuance costs directly attributable to the issuance of the senior secured convertible notes. These costs were recorded as a discount to the convertible notes and they are amortized straight line over the term to interest expense, which approximates the effective interest method.

The table below presents the changes of the debt issuance costs during the years ended August 31, 2018 and 2017:

	August 31, 2018	August 31, 2017
Debt issuance costs, August 31, 2017	$ -	$ -
Additions	765,077	-
Amortization	(147,915)	-
Debt issuance costs, August 31, 2018	$ 617,162	$ -

Debt Discount

During the year ended August 31, 2018, the Company recorded an aggregate debt discount of $2.8 million. The debt discount includes an initial $1 million resulting from the original issuance discount on the convertible notes and an initial $0.9 million resulting from the fair value of the warrants and $0.9 million resulting from the beneficial conversion feature on the non-detachable conversion option. The Company evaluated the warrants and determined that there was no embedded conversion feature as the warrants contained a set exercise price with an adjustment only based upon customary items including stock dividends and splits, subsequent rights offering and pro rata distributions. The Company reviewed the guidance under ASC 470 Debt and allocated the proceeds from the sale of a debt instrument with stock purchase warrants based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at time of issuance. As a result, the Company allocated $0.9 million to the warrants and was recorded as a debt discount with an offset to additional paid in capital in the accompanying financial statements.

The Company determined the fair value of the warrants using the Black-Scholes model and the variables used for the Black-Scholes model are as listed below:

- Volatility: 29.17%
- Risk free rate of return: 2.78%
- Expected term: 5 years

The debt discount is amortized straight-line over the stated life of the obligation, which approximates the effective interest method.

As the Company allocated the proceeds based on the relative fair value, this reduced the proceeds allocated to the debt host instrument and as such, the effective conversion rate was lower than the stated conversion rate at commitment date, which triggered the recognition of a beneficial conversion option of approximately $0.9 million.

As of August 31, 2018, the remaining unamortized balance was $2.2 million.

The table below presents the changes of the debt discount during the years ended August 31, 2018 and 2017:

	August 31, 2018	August 31, 2017
Debt discount, August 31, 2017	$ -	$ -
Additions	2,783,154	-
Amortization	(556,831)	-
Debt discount, August 31, 2018	$ 2,226,323	$ -

Event of default

The Company executed registration rights agreements with each of its institutional investors. These registration rights agreements require, among other things, that the initial registration statement should be (a) filed within 30 days of June 4, 2018, and (b) declared effective within 90 days of June 4, 2018. Our registration statement was filed on October 1, 2018 and it was declared effective by the SEC on October 29, 2018; thus, both the filing and effectiveness deadlines were missed.

The Company recorded in its consolidated financial statements the mandatory default amount as stipulated in the convertible note agreements. As of August 31, 2018, the Company recorded approximately $3.9 million, which is reported under other current liabilities in its consolidated statement of operations.

Note 8: Stockholders' Equity

Preferred Stock

In September 2016, the Company issued options to purchase preferred stock at $0.0001 per share to our shareholders of record as of September 28, 2016. The number of options is equal to the lesser of (a) the number of shares of common stock held by such Shareholder on September 28, 2016, or (b) the number of shares of common stock held by such Shareholder on date of the Shareholder's exercise of the aforesaid Option. Preferred Stockholders can elect a majority of the directors on the Board of Directors of the Corporation and does not include any rights to dividends, conversion to shares of Common Stock, or preference upon liquidation of the Corporation. The Option is exercisable only upon the acquisition of a 20% or greater voting interest in the Corporation by a party other than the founding shareholders, or prior to any proposed merger, consolidation (in which the Corporation's Common Stock is changed or exchanged) or sale of at least 50% of the Corporation's assets or earning power (other than a reincorporation). The right to exercise the Option terminates on December 31, 2023.

Common Stock

During the years ended August 31, 2018 and 2017, the Company has issued shares of common stock as follows:

During the year ended August 31, 2018, the Company issued 37,500 shares of common stock following the exercise of warrants with an exercise price of $2.00 for $75,000.

During the fiscal year ended August 31, 2017, the Company issued 67,500 shares of common stock following the exercise of warrants, of which 57,500 with an exercise price of $2.00 and 10,000 with an exercise price of $3.00 for $145,000.

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On September 28, 2017, the Company issued to two independent directors each 26,316 shares of common stock through the ShiftPixy, Inc., 2017 Stock Option/Stock Issuance Plan ("the Plan"), of which 50% vested on the date marking their six-month anniversary and the remaining 50% of the shares will vest ratably over the remaining service period through November 28, 2018. For the year ended August 31, 2018, the Company recognized $75,000 of compensation expense in its shareholders' equity for the 50% that have fully vested on the six-month anniversary and $61,850 of compensation expense for the balance.

On August 7, 2018, the Board of Directors awarded 24,592 shares of common stock having a value of $75,000 to Kenneth W. Weaver, of which 50% fully vested upon issuance considering Mr. Weaver completed services under his director agreement through May 31, 2018, and the remaining 50% will vest ratably over the remaining service period through November 30, 2018. For the year ended August 31, 2018, the Company recognized $37,503 of compensation expense in its shareholders' equity for the 50% that have fully vested and have accrued $18,751 of compensation expense for the balance.

On March 16, 2017, the Company granted 50,000 common shares through the Plan to Kenneth W. Weaver, of which 25,000 common shares fully vested on December 5, 2017, as a consequence of Mr. Weaver continued service through that date. During the years ended August 31, 2018 and 2017, the Company recognized 13,251 and 36,749, respectively shares of common stock for services for total compensation expense of $50,354 and $139,646, respectively, recognized in its statement of operation.

During the year ended August 31, 2017, the Company sold 2,000,000 shares of common stock for $10,887,261 in cash, net of offering costs paid of $1,112,739.

During the year ended August 31, 2017, the Company sold 394,375 shares of common stock for $1,577,500 in cash. The Company also issued 635,313 warrants in connection with these stock sales during the year ended August 31, 2017. The warrants have exercise prices ranging from $4 to $6.90 per warrant.

During the year ended August 31, 2017, the Company issued 86,749 shares of common stock for services. The Company expensed the fair value of the common stock issued of $329,645.

Warrants

The following tables summarize our warrants outstanding as of August 31, 2018 and 2017:

	Number of shares	Weighted average remaining life (years)	Weighted average exercise price
Warrants outstanding, August 31, 2016	2,027,600	2.5	$ 2.50
Issued	635,313	1.5	$ 4.46
(Exercised)	(67,500)	-	2.00
(Cancelled)	-	-	-
(Expired)	-	-	-
Warrants outstanding, August 31, 2017	2,595,413	1.5	$ 2.99
Issued	1,220,883	5.3	$ 2.49
(Exercised)	(37,500)	1.2	2.00
(Cancelled)	-	-	-
(Expired)	-	-	-
Warrants outstanding, August 31, 2018	3,778,796	2.13	$ 2.84

The following table summarizes information about warrants outstanding as of August 31, 2018:

Exercise price		Warrants Outstanding	Weighted average life of outstanding warrants in years
$	2.00	918,800	0.5
$	2.49	1,220,883	5.3
$	3.00	1,003,800	0.5
$	4.00	535,313	0.5
$	6.90	100,000	3.8
		3,778,796	2.4

The total aggregated intrinsic value of warrants as of August 31, 2018, and 2017 is $2,610,235, and $3,190,895, respectively.

During the year ended August 31, 2018, the Company issued warrants to purchase 1,220,883 shares of common stock to investors in connection with the senior secured convertible notes, with exercise price of $2.49 per warrant with expiration date of 5 years. The Company valued the issued warrants using the Black-Scholes option-pricing model with the following assumptions: dividend yield of zero, years to maturity of 5 years, risk free rates of 2.78 percent, and annualized volatility of 29.17%.

During the year ended August 31, 2017, the Company issued warrants to purchase 635,313 shares of common stock to investors in connection with the sales of common stock, with exercise prices ranging from $4.0 to $6.90 per warrant with expiration dates ranging from 6 months to 3.8 years.

Note 9: Stock based compensation

In March 2017, the Company adopted the 2017 Stock Option / Stock Issuance Plan (the "Plan"). The Plan provides incentives to eligible employees, officers, directors and consultants in the form of incentive stock options, non-qualified stock options and stock. The Company has reserved a total of 10,000,000 shares of common stock for issuance under the Plan. Of these shares, as of August 31, 2018, approximately 1,868,745 options and 177,224 shares have been designated by the Board of Directors for issuance and approximately 520,000 of the options have been forfeited and returned to the option pool under the Plan as a consequence of employment terminations. Unless the Plan Administrator otherwise provides, each option is immediately exercisable, but the shares subject to such option will vest over a period of time as follows: 25% vest after a 12-month service period following the award, and the balance vest in equal monthly installments over the next 36 months of service. As of the date of this filing, 296,250 options have vested. The issuance of shares under the Plan vest according to terms established for such issuance by the Plan Administrator.

The Company granted options to purchase an aggregate total of 948,745 and 920,000 shares of Common Stock during the year ended August 31, 2018, and 2017, respectively. Stock compensation expense was $200,332 and $43,415, respectively for the year ended August 31, 2018, and 2017.

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A summary of option activity as of August 31, 2018 and 2017 is presented below:

	Number Outstanding	Weighted-Average Exercise Price Per Share
Outstanding at September 1, 2016	-	$ -
Granted	920,000	4.60
Exercised	–	–
Canceled/forfeited/expired	(130,000)	4.45
Outstanding at August 31, 2017	790,000	4.62
Granted	948,745	2.64
Exercised	–	–
Canceled/forfeited/expired	(390,000)	3.87
Outstanding at August 31, 2018	1,348,745	3.45
Options vested and exercisable at August 31, 2018	180,521	$ 4.56

At August 31, 2018 and 2017, the total compensation cost related to unvested share-based awards not yet recognized is $1.0 million and $1.1 million, respectively, which is expected to be recognized over approximately 3.15 and 3.6 years on a weighted-average basis, respectively. The weighted average estimated fair value per share of the stock options at grant date was $2.70 and $4.44 per share, respectively for the years ended August 31, 2018 and 2017.

The total intrinsic value of options as of August 31, 2018, and 2017, is $575,395 and $77,550, respectively.

Such fair values were estimated using the Black-Scholes stock option pricing model and the following weighted average assumptions.

	2018	2017
Expected life	4.0 years	4.0 years
Estimated volatility	27.45% - 48.59%	37.03% - 44.74%
Risk-free interest rate	2.01% - 2.83%	1.86% - 2.80%
Dividends	-	-

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Note 10: Related Parties

Scott Absher, Chief Executive Officer and a Director, transitioned to being the Company's employee on April 1, 2016. During the year ended August 31, 2018, and 2017, the Company recorded $750,000 and $500,000, respectively as compensation for his role as CEO in accordance with his employment agreement. On March 15, 2017, Scott Absher was granted 50,000 options to purchase common stock, as part of the 2017 Plan, exercisable on March 15, 2017, with expiration date of March 14, 2027, at an exercise price of $4.00.

J. Stephan Holmes is an advisor to and a significant shareholder of the Company. The Company incurred $700,000 and $360,000 in such professional fees to J. Stephen Holmes for management consulting services for the year ended August 31, 2018, and 2017, respectively. On March 15, 2017, Stephan Holmes was granted 50,000 options to purchase common stock, as part of the 2017 Plan, exercisable on March 15, 2017, with expiration date of March 14, 2027, at an exercise price of $4.00.

On February 1, 2018, Patrice H. Launay, Chief Financial Officer, was granted 50,000 options to purchase common stock, as part of the 2017 Plan, at an exercise price of $2.95 and exercisable in February 2018, with expiration date in January 2028. On May 10, 2018, he was also granted an additional 6,250 options to purchase common stock exercisable at an exercise price of $2.50 exercisable in May 2018 with expiration date in May 2028. During the year ended August 31, 2018 and 2017, the Company recorded $180,000 and $0, respectively as compensation for his role as Chief Financial Officer in accordance with his employment agreement dated January 24, 2018.

On May 15, 2017, Mark Absher, Director and In-House Counsel and brother of Scott Absher, was granted 50,000 options to purchase common stock, as part of the 2017 Plan, exercisable on March 15, 2017 with expiration date of March 14, 2027, at an exercise price of $4.00. On May 10, 2018, Mark Absher was also granted an additional 50,000 options to purchase common stock at an exercise price of $2.50 and exercisable in May 2018 with expiration date in May 2028. During the year ended August 31, 2018 and 2017, the Company recorded $300,000 and $200,000, respectively as compensation for his role as Registered In-House Counsel in accordance with his employment agreement.

On September 28, 2017, Sean Higgins, one of the Company's independent directors, was awarded 26,316 shares for services at an assumed fair value of $2.85. For the year ended August 31, 2018, the Company recognized $37,500 of compensation expense in its shareholders' equity for the potion that fully vested at year end and have accrued $30,925 of compensation expense for the balance. The Company also recorded $79,000 as compensation for his role as independent director for the year ended August 31, 2018.

On September 28, 2017, Whitney White, one of the Company's independent directors, was awarded 26,316 shares for services at an assumed fair value of $2.85. For the year ended August 31, 2018, the Company recognized $37,500 of compensation expense in its shareholders' equity for the potion that fully vested at year end and have accrued $30,925 of compensation expense for the balance. The Company also recorded $85,000 as compensation for his role as independent director for the year ended August 31, 2018

On August 7, 2018, the Board of Directors awarded 24,592 shares of common stock having a value of $75,000 to Kenneth W. Weaver, of which 50% fully vested upon issuance considering Mr. Weaver completed services under his director agreement through May 31, 2018, and the remaining 50% will vest ratably over the remaining service period through November 30, 2018. For the year ended August 31, 2018, the Company recognized $37,503 of compensation expense in its shareholders' equity for the 50% that have fully vested and have accrued $18,751 of compensation expense for the balance

Note 11: Income Taxes

Current income taxes are based upon the year's income taxable for federal and state tax reporting purposes. Deferred income taxes (benefits) are provided for certain income and expenses, which are recognized in different periods for tax and financial reporting purposes.

Deferred tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income. The Company's deferred income taxes arise from the temporary differences between financial statement and income tax recognition of net operating losses. These loss carryovers would be limited under the Internal Revenue Code should a significant change in ownership occur within a three-year period.

As of August 31, 2018, and 2017, the Company had cumulative net operating loss carryforwards of approximately $26,673,000 and $9,936,000 respectively, which begin to expire in 2029. The deferred tax assets primarily comprise net operating loss carryforwards and other net temporary deductible differences such as stock-based compensation, deferred rent, depreciation and workers' compensation accrual. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, the projected future taxable income and tax planning strategies in making this assessment. Based on management's analysis, they concluded that it was more likely than not that the deferred tax asset would not be realized. Therefore, the Company established a full valuation allowance against the deferred tax assets. The change in the valuation allowance in 2018 and 2017 was approximately $3,443,000 and $3,213,000, respectively.

Significant components of the net deferred tax assets as reflected on the Consolidated Balance Sheets are as follows:

	August 31, 2018	August 31, 2017
	(in thousands)	
Deferred tax liabilities:		
Depreciation	$ (21,000)	$ -
Software development costs	(835,000)	-
Total deferred tax liabilities	(856,000)	-
Deferred tax assets:		
Net operating loss carryforward	8,010,000	4,026,000
Workers' compensation accruals	360,000	-
Stock-based compensation	172,000	160,000
Deferred rent	16,000	23,000
Total deferred tax assets	8,558,000	4,209,000
Valuation allowance	(7,702,000)	(4,209,000)
Total net deferred tax assets	856,000	-
Net deferred tax assets	$ -	$ -

The reconciliation of the statutory federal rate to the Company's effective income tax rate is as follows:

	August 31, 2018	August 31, 2017
Benefit computed at statutory federal rate	$ 4,145,000	$ 2,535,000
Non-deductible penalties and other permanent differences	$ (177,000)	$ (85,000)
State taxes (8.84%)	$ 1,466,000	$ 659,000
Redetermination of prior year taxes	$ -	$ 104,000
Enactment of the 2017 Tax Reform Act	$ (1,941,000)	
Change in valuation allowance	$ (3,493,000)	$ (3,213,000)
Net income tax provision	$ -	$ -

In December 2017, the Tax Cuts and Jobs Act was enacted, which reduces the U.S. statutory corporate tax rate from a maximum rate of 35% to 21% for the tax years beginning after December 31, 2017. For a corporation whose fiscal year begins before December 31, 2017 and ends after December 31, 2017, the IRS has issued guidance, in notice 2018-38, regarding the calculation of a blended current year tax rate. The Company followed this guidance in the calculation of the current year tax benefit for the fiscal year ended August 31, 2018. The Calculation resulted in a 25% effective tax rate for fiscal year 2018. The Tax Cuts and Jobs Act resulted in the re-measurement of the federal portion of the Company's deferred tax assets and valuation allowance as of August 31, 2018 from 35% to the new 21% tax rate. As a result, the reduction of the corporate tax rate resulted in a write-down of the gross deferred tax assets of approximately $1,277,000 and a corresponding write-down of the valuation allowance.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of August 31, 2018, and 2017, the Company had no accrued interest and penalties related to uncertain tax positions.

The Company's net operating losses ("NOL") may be limited by the provisions of IRC Section 382, for which the Company has not performed an analysis of the potential limitations. These limitations will be imposed when the Company attains taxable income against which the NOL' will be utilized. As explained above, the Company has determined that it is more likely than not that the Company's deferred tax assets related to NOL Carryforwards will be utilized.

The Company is subject to taxation in the U.S. Our tax years for 2015 and forward are subject to examination by tax authorities. The Company is not currently under examination by any tax authority.

Management has evaluated tax positions in accordance with FASB ASC 740, and has not identified any tax positions, other than those discussed above, that require disclosure.

Note 12: Commitments and Contingencies

Operating Lease

Effective April 15, 2016, the Company entered into a non-cancelable five-year operating lease for its Irvine facility. On July 25, 2017, the Company entered into a non-cancelable operating lease for expansion space at its Irvine offices, with a termination date that coincides with the termination date of the prior lease. The leases for certain facilities contain escalation clauses relating to increases in real property taxes as well as certain maintenance costs.

Future minimum lease payments under non-cancelable operating leases at August 31, 2018, are as follows:

Years ended August 31,	
2019	$ 337,000
2020	348,000
2021	275,000
2022	-
2023	-
Total minimum payments	$ 960,000

Non-contributory 401(k) Plan

The Company has a non-contributory 401(k) Plan (the "401(k) Plan"). The 401(k) Plan covers all non-union employee who are at least 21 years of age with no minimum service requirements. There were no employer contributions to the Plan for the years ended August 31, 2018, and 2017.

Litigation

During the ordinary course of business, the Company is subject to various claims and litigation. We are not aware of any threatened litigation or action that could affect our operations. Furthermore, as of the date of this Annual Report, our management is not aware of any proceedings to which any of our directors, officers, or affiliates, or any associate of any such director, officer, affiliate, or security holder is a party adverse to our Company or has a material interest adverse to us.

Lyons Capital, LLC, Litigation

On June 21, 2018, ShiftPixy was served with a summons and complaint in connection with a claim by Lyons Capital, LLC, arising out of a contract wherein ShiftPixy, Inc., agreed to pay Lyons Capital, LLC, a total of 210,000 shares of the company's common stock in exchange for introductions to brokers, research coverage, funds, investment banking firms, and market makers as well as board representation and business opportunities and for promotion of the company at Lyons Capital, LLC's annual conference. This lawsuit is in the initial stages; the financial impact to the Company, if any, cannot be estimated. No liability has been recorded for this matter at this time.

Maribel Ramirez Litigation

On May 1, 2018, claimant, Maribel Ramirez, filed a class action lawsuit, naming our subsidiary, Shift Human Capital Management Inc., and its client as defendants, claiming that she was forced to work hours for which she was not paid and denied lunch breaks, and rest periods, etc., to which she was entitled, and also claiming in separate government complaints that she was discriminated against and wrongfully terminated. This lawsuit is in the initial stages; the financial impact to the Company, if any, cannot be estimated. No liability has been recorded for this matter at this time. In the event of an unfavorable outcome the Company's client is obligated contractually obligated to indemnify the Company for misreported hours and portions of the claim would be covered under the Company's employment practices liability insurance.

Note 13: Subsequent Events

The Company issued 267,500 shares of common stock following the exercise of warrants with an exercise price of $2.00 and $3.00 and received gross proceeds of $660,000.

On September 28, 2017, the Company issued to its two independent directors each 26,316 shares of common stock through the ShiftPixy, Inc., 2017 Stock Option/Stock Issuance plan, of which 50% vested on September 28, 2018, marking the first anniversary of service.

The Company granted 235,000 incentive stock options to employees with a grant-date average fair value of $3.13, which vest over a service period of 48 months. The stock options were valued using the Black-Scholes option-pricing model.

The Company issued 225,724 shares of common stock following the conversion notices received from our institutional investors related to the senior secured convertible notes.

Management has evaluated subsequent events pursuant to the issuance of the consolidated financial statements and has determined that other than listed above, no other subsequent events exist through the date of this filing.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer (Principal Financial Officer), to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report, as defined in Rule 13(a) -15(e) and Rule 15(d) – 15(e) under the Exchange Act.

Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of the end of period covered in this report, our disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting related to our lack of adequate finance and accounting personnel.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13(a)-15(e) and Rule 15(d) -15 (e) of the Exchange Act. Our internal control system was designed 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. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of August 31, 2018, based on the framework in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Furthermore, due to our financial situation, we will be implementing further internal controls throughout our fiscal year ending 2019 as we become operative so as to fully comply with the standards set by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on its evaluation as of August 31, 2018, our management concluded that our internal controls over financial reporting were not effective as of August 31, 2018.

A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses relate to the following:

Lack of Adequate Finance and Accounting Personnel –

Our current accounting staff is relatively small, and we do not have the required infrastructure to adequately prepare financial statements in accordance with U.S. GAAP as well as meeting the higher demands of being a U.S. public company. We also lack adequate written policies and procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements. The lack of adequate personnel also creates inadequate segregation of duties, which makes the reporting process susceptible to management override. Since its last fiscal year, the Company has committed to a plan to develop its accounting and finance staff to meet the needs of its growing business, including but not limited to the hiring of a new Chief Financial Officer and Accounting Manager, the development of entity level controls and mitigating activity level controls to reduce the risk of management override resulting from inadequate segregation of duties. The Company is in the process of finalizing written policies and procedures to formalize the requirements of GAAP and SEC disclosure requirements.

The Company will continue its assessment on a quarterly basis. The Company plans to hire personnel and external resources to mitigate these material weaknesses.

Once the remediation plan for each material weakness is fully implemented, the identified material weaknesses in internal control over financial reporting will be considered fully addressed when the relevant internal controls have been in operation for a sufficient period of time for our management to conclude that the material weaknesses have been fully remediated and our internal control over financial reporting is effective. The Company will work to design, implement and rigorously test these new controls in order to make these final determinations.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. The Company's registered public accounting firm was not required to issue an attestation on its internal controls over financial reporting pursuant to temporary rules of the Securities and Exchange Commission. The Company will continue to evaluate the effectiveness of internal controls and procedures on an on-going basis.

Changes in Internal Control Over Financial Reporting

Other than the changes to our internal controls over financial reporting discussed above, there were no changes that have occurred during the year ended August 31, 2018, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act

Our directors are elected at our annual meeting of the shareholders. In addition, directors may be elected to fill vacancies and newly created directorships by the Board of Directors. Each director holds the office until the next annual meeting of shareholders and until his or her successor shall have been elected and qualified; provided, however, that directors can be elected for a term not to exceed five (5) years.

The board of directors elects our executive officers annually, at a meeting following the annual meeting of the shareholders. The Board of Directors can also elect persons fill any executive officer vacancies. Each officer holds such office until his successor is elected and qualified, or until his or her death, earlier resignation or removal.

The table below sets forth our directors and executive officers of as of the date of this Annual Report.

Name	Position	Age	Term of Office
Scott W. Absher	Director, President, Chief Executive Officer	58	Inception to Present (1)
Kenneth W. Weaver	Independent Director	62	December 5, 2016, to Present (2)
Patrice H. Launay	Chief Financial Officer	43	January 24, 2018 to present
Sean Higgins	Independent Director	53	September 28, 2017 to present (3)
Whitney White	Independent Director	41	September 28, 2017 to present (3)
Mark Absher	Registered In-House Counsel, Director and Secretary	56	September 28, 2017 to present

(1) This person serves in this position until the person resigns or is removed or replaced by a duly authorized action of the Board of Directors or the shareholders. This person has been in the indicated position with the Company since the Company's inception in June 2015, or since the date indicated, if not since inception.

(2) Mr. Weaver is an independent director of the Company. On November 30, 2016, we signed a Director Agreement with Mr. Weaver. The Agreement provides that the obligations of the parties did not become effective until the contingencies of SEC Qualification of the Regulation A Offering Statement and Nasdaq Certification of listing the common stock of the Company on The NASDAQ Capital Market were fully met, which occurred on December 5, 2016.

(3) Mr. Higgins is an independent director of the Company. On September 28, 2017, we signed a Director Agreement with Mr. Higgins. On April 13, 2018, the shareholders approved the election of Mr. Higgins until the next annual meeting of shareholders.

(4) Mr. White is an independent director of the Company. On September 28, 2017, we signed a Director Agreement with Mr. White. On April 13, 2018, the shareholders approved the election of Mr. White until the next annual meeting of shareholders.

Scott W. Absher joined ShiftPixy as CEO/Director upon formation in June 2015. Since February 2010 he has also been President of Struxurety, a business insurance advisory company. As a member of the board, Mr. Absher contributes significant industry-specific experience and expertise on our insurance products and services. He contributes his knowledge of the company and a deep understanding of all aspects of our business, products and markets, as well substantial experience developing corporate strategy, assessing emerging industry trends, and business operations.

Kenneth W. Weaver became ShiftPixy's first independent director on December 5, 2016. Mr. Weaver currently serves as the chairman and only director of the Audit Committee, Compensation Committee and Nominations Committee. Since April 2012 to date, Mr. Weaver has been the sole proprietor of Ken Weaver Consulting, providing operations consulting for TVV Capital, a Nashville Private Equity firm. Before his service with TVV, Mr. Weaver spent over 30 years with Bridgestone Corporation, having served in various responsible leadership roles, including as President, Bridgestone North American Tire Commercial Sales, Chief Financial Officer, Bridgestone Americas and Chairman, CEO and President, Firestone Diversified Products. Mr. Weaver earned both his bachelor's degree in business and his Master of Business Administration degree from Pennsylvania State University. Mr. Weaver's substantial financial background qualifies him as an audit committee financial expert under applicable rules.

Whitney White was elected to serve as an Independent Director of the Company on September 28, 2017. From April 2017 to date, Mr. White has been Chief Operating Officer & Chief Technology Officer of Prime Trust, LLC, a Nevada chartered trust company. Before his service with Prime Trust, Mr. White spent 17 years with W.R. Hambrecht + Co., LLC., an investment banking, advisory and brokerage firm that was the Underwriter of the Company's recently completed Regulation A offering, having served in various executive roles, including Chief Technology Officer and more recently as Managing Director, Equity Capital Markets. Mr. White earned a bachelor's degree in computer science & psychology from Hamilton College, a Master of Business Administration degree in finance and accounting from Columbia University's Graduate School of Business, and a Master of Business Administration degree in technology and entrepreneurship from the University of California Berkeley's Hass School of Business. Mr. White holds a Series 79 license as an Investment Banking Representative, a Series 24 license as a General Securities Principal, and a Series 7 license as a General Securities Representative. As a member of the board, Mr. White contributes the benefits of decades of leadership and management experience building and advising early stage, technology-driven companies. Based on his investment banking experience, Mr. White brings to the board the benefits of corporate finance and governance expertise. As an experienced senior technologist, Mr. White brings to ShiftPixy years of experience applying technology to enhance traditional business processes. Mr. White will serve as chairman of the Compensation Committee and the Nominations Committee, and he will also serve on the Audit Committee.

Sean Higgins was elected to serve as an Independent Director of the Company on September 28, 2017. Since December 2002, Mr. Higgins has served as co-founder and Vice President of Professional Services of Herjavec Group, an information security solutions firm headquartered in Toronto, Ontario. Mr. Higgins earned a bachelor's degree in computer science from Purdue University and a Master of Science degree in electrical engineering and applied physics from Case Western Reserve University. As a member of the board, Mr. Higgins contributes his significant industry, technical, and entrepreneurial experience. Mr. Higgins will serve on the Audit Committee, the Compensation Committee and the Nominations Committee.

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Mark Absher was elected to serve as an Independent Director of the Company on September 28, 2017 in addition to continuing as the Company's Registered In-House Counsel, a position he has held since June 2016. Before his service with ShiftPixy, Mr. Absher served for 11 years as Associate General Counsel of LifeWay, a Nashville based publisher and retail organization. Mr. Absher earned a bachelor's degree in English education from Bob Jones University and a Juris Doctor degree from The John Marshall Law School in Chicago. Mr. Absher holds licenses to practice law in Illinois and Tennessee and is registered in California to provide legal services as in-house counsel to ShiftPixy, Inc. As a member of the board, Mr. Absher contributes significant industry-specific experience and expertise with regard to the Company's service offering, having served as legal counsel or advisor to three companies in the employment services industry. In addition, Mr. Absher contributes his knowledge of the Company's business, service offerings and markets, as well his substantial experience assisting with the development of corporate strategy and business operations. Mr. Absher is the brother of ShiftPixy's CEO, Scott W. Absher.

Patrice Launay was appointed to serve Chief Financial Officer on January 24, 2018. Before his service with ShiftPixy, Mr Launay served as an audit manager for various large regional and multinational accounting firms. Mr Launay began his career at PricewaterhouseCoopers (PwC) where he spent six years in Paris and Los Angeles. Mr Launay then spent two years at Groupe Roullier as Corporate Controller, and the following two years as an audit Manager for the City Auditor Office of the City of Long Beach, California, where he led several audits to help prevent and deter fraud within the city's programs. From 2011 to 2016 Mr. Launay worked for BDO USA and was involved in the audits of several listed and non-listed companies in the US and Australia. Immediately before joining ShiftPixy, he served as a financial and accounting manager for RxSight, Inc., providing month end close assistance, designing and implementing effective controls, and drafting accounting procedures. Mr. Launay holds a master's degree from the Business School of Tours (ESCEM) France with a major in Finance and Accounting, is a Certified Public Accountant (Active) and a Certified Fraud Examiner (Inactive) and holds a Series 65 securities license.

Family Relationships

Scott Absher and Mark Absher are brothers. There are no other family relationships between any of our officers and directors.

Legal Proceedings

No officer, director, or persons nominated for such positions, promoter or significant employee has been involved in the last ten years in any of the following:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time,

- Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses),

- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities,

- Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

- Having any government agency, administrative agency, or administrative court impose an administrative finding, order, decree, or sanction against them as a result of their involvement in any type of business, securities, or banking activity.

- Being the subject of a pending administrative proceeding related to their involvement in any type of business, securities, or banking activity.

- Having any administrative proceeding threatened against them related to their involvement in any type of business, securities, or banking activity.

Administrative Order and Settlement with State Securities Commissions

On June 25, 2013, the Alabama Securities Commission issued a Cease and Desist Order (the "Order") against Scott W. Absher and other named persons and entities, requiring that they cease and desist from further offers or sales of any security in the State of Alabama. The Order asserts, regarding Mr. Absher, that he was the president of a Company that issued unregistered securities to certain Alabama residents, that he was the owner of a company that was seeking investments, and that in March 2011 he spoke to an Alabama resident who was an investor in one of the named entities. The Order thereupon concludes that Mr. Absher and others caused the offer or sale of unregistered securities through unregistered agents. While Mr. Absher disputes many of the factual statements and specifically that he was an owner or officer of any of the entities involved in the sale of the unregistered securities to Alabama residents or that he authorized any person to solicit investments for his company, in the interest of allowing the matter to become resolved, he did not provide a response.

Legal Matters related to Co-Founder, Major Shareholder and Independent Contractor

J. Stephen Holmes is a co-founder and currently an independent contractor and major shareholder. As a condition of certifying ShiftPixy's Common Stock for a NASDAQ listing, Mr. Holmes and ShiftPixy mutually agreed to the disclosure by ShiftPixy of his prior conviction for acts related to making false statements in relation to two quarterly IRS Form 941 Employer Federal Quarterly tax returns, one in 1996 and the second 1997, for a company for which he was at the time an officer. The former company and ShiftPixy are not affiliated or related in any way. As an independent contractor with ShiftPixy, Mr. Holmes is focusing upon building a sales network and providing consulting in relation to workers' compensation programs as well as Affordable Care Act health insurance programs, and as such is not involved in any part of the accounting or tax paying and IRS return filing areas of ShiftPixy's operations.

Board Composition

At August 31, 2018, our board of directors consisted of five members. Each director of the Company serves until the next annual meeting of stockholders and until his successor is elected and duly qualified, or until his earlier death, resignation or removal. Our board is authorized to appoint persons to the offices of Chairman of the Board of Directors, President, Chief Executive Officer, one or more vice presidents, a Treasurer or Chief Financial Officer and a Secretary and such other offices as may be determined by the board.

We have no formal policy regarding board diversity. In selecting board candidates, we seek individuals who will further the interests of our stockholders through an established record of professional accomplishment, the ability to contribute positively to our collaborative culture, knowledge of our business and understanding of our prospective markets.

Director Independence

Rule 5605 of the NASDAQ Listing Rules requires a majority of a listed company's board of directors to be comprised of independent directors within one year of listing. In addition, the NASDAQ Listing Rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent and that audit committee members also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act.

In selecting our independent directors, our board considered the relationships that each such person has with our Company and all the other facts and circumstances our board deemed relevant in determining independence, including the beneficial ownership of our capital stock by each such person. Using this definition of independence, we have determined that three directors, Ken Weaver, Whitney White and Sean Higgins, are independent directors. Scott Absher and Mark Absher are not independent as they are an officer and employee, respectively, of the Company.

As of August 31, 2018, our board of directors consists of Scott Absher, Mark Absher, Ken Weaver (independent), Whitney White (independent) and Sean Higgins (independent).

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Board Committees

Our board of directors has established three standing committees, namely, audit, compensation and nominating-each of which operates under a charter that has been approved by our board. As of the date of this report, we have three independent directors who serve on each of the three committees, and one member of each of the committees serves as chairman of such committee.

Audit Committee

As of the date of this report, three independent directors serve on the audit committee. Our first member, Kenneth Weaver, qualifies as an audit committee financial expert within the meaning of SEC regulations and the NASDAQ Listing Rules. In making a determination on which member will qualify as a financial expert, our board expects to consider the formal education and nature and scope of such members' previous experience.

Our audit committee assists our board of directors in its oversight of our accounting and financial reporting process and the audits of our consolidated financial statements. Our audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;
- overseeing the work of our registered public accounting firm, including through the receipt and consideration of reports from such firm;
- reviewing and discussing with management and the registered public accounting firm our annual and quarterly consolidated financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- overseeing our internal accounting function;
- discussing our risk management policies;
- establishing policies regarding hiring employees from our registered public accounting firm and procedures for the receipt and retention of accounting-related complaints and concerns;
- meeting independently with our internal accounting staff, registered public accounting firm and management;

- reviewing and approving or ratifying related party transactions; and
- preparing the audit committee reports required by SEC rules.

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Compensation Committee

As of the date of this report, three independent directors serve on the Compensation Committee. Our compensation committee assists our board of directors in the discharge of its responsibilities relating to the compensation of our executive officers. The compensation committee's responsibilities include:

- reviewing and approving corporate goals and objectives with respect to Chief Executive Officer compensation;
- making recommendations to our board with respect to the compensation of our Chief Executive Officer and our other executive officers;
- overseeing evaluations of our senior executives;
- reviewing and assessing the independence of compensation advisers;
- overseeing and administering our equity incentive plans;
- reviewing and making recommendations to our board with respect to director compensation;
- reviewing and discussing with management our "Compensation Discussion and Analysis" disclosure; and
- preparing the compensation committee reports required by SEC rules.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee, at any time, have been one of our officers or employees. None of our executive officers currently serves, or in the past year has served, as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers on our Board of Directors or Compensation Committee.

For fiscal year ended August 31, 2018, there were five directors, Mr. Scott Absher, Mr. Mark Absher, Mr. Kenneth Weaver, Mr. Whitney White and Mr. Sean Higgins. For fiscal year ended August 31, 2017, there were two directors, Mr. Scott Absher and Mr. Ken Weaver. On December 5, 2016, Mr. Weaver joined the board, and he has from that date to August 31, 2018, served as the Chairman of the Audit Committee.

On September 28, 2017, two additional independent directors were added to the Board of Directors, Whitney White and Sean Higgins. Mr. White served as the Chairman of the Compensation and Nomination Committee. The audit committee and the Compensation and Nominations Committee are made up three independent directors as of August 31, 2018.

One additional non-independent director, Mark Absher, was also added to the Board of Directors.

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Nominating Committee

As of the date of this report, three independent directors serve on the Nominating Committee. The nominating committee's responsibilities include:

- identifying individuals qualified to become board members;
- recommending to our board the persons to be nominated for election as directors and to be appointed to each committee of our board of directors;
- reviewing and making recommendations to the board with respect to management succession planning;
- overseeing periodic evaluations of board members.

Board Leadership Structure and Risk Oversight

The board of directors oversees our business and considers the risks associated with our business strategy and decisions. The board currently implements its risk oversight function as a whole. Each of the board committees also provides risk oversight in respect of its areas of concentration and reports material risks to the board for further consideration.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. The code of conduct is posted on our website, and we will post all disclosures that are required by law or NASDAQ rules in regard to any amendments to, or waivers from, any provision of the code.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of beneficial ownership and changes in beneficial ownership of the Company's securities with the SEC on Forms 3 (Initial Statement of Beneficial Ownership), 4 (Statement of Changes of Beneficial Ownership of Securities) and 5 (Annual Statement of Beneficial Ownership of Securities). Directors, executive officers and beneficial owners of more than 10% of the Company's Common Stock are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms that they file. Our directors and executive officers have filed such reports as required.

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Item 11. Executive Compensation

Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to our named executive officers, which consists of our Principal Executive Officer and our Principal Financial Officer for the years ended August 31, 2018 and August 31, 2017:

Name	Title	Year	Salary	Bonus	Stock awards	Option awards	Non-equity incentive plan compensation	All other compensation	Total compensation
Scott W. Absher	CEO	2018	$ 750,000(1)	-	-	-	-	-	$ 750,000
	CEO	2017	$ 640,625(1)	-	-	57,000(2,6)	-	-	697,625
Patrice H. Launay	CFO	2018	$ 180,000(3)	-	-	50,875(4,6)	-	-	$ 230,875
	CFO	2017	$ -	-	-	-			$ -
Stephen P. DeSantis	CFO	2018	$ 62,826(5)	-	-	-	-	-	$ 62,826
	CFO	2017	$ 100,000(5)	-	-	57,000(2,6)			$ 157,000

(1) Mr. Absher's salary was increased to $750,000 per year, beginning in December of 2016 and continuing through August 31, 2018.

(2) Awarded as an employee under the ShiftPixy, Inc. 2017 Stock Option / Stock Issuance Plan (the "Plan"). The options were issued at an exercise price of $4.00 per share, estimated to have been the fair market value price per share at the time of the award.

(3) Awarded a salary of $240,000 per year, initiated in January 24, 2018, and continuing through August 31, 2018

(4) Awarded as an employee under the ShiftPixy, Inc. 2017 Stock Option / Stock Issuance Plan. 50,000 options were issued at an exercise price of $2.95 and 6,250 were issued at an exercise price of $2.50 per share, estimated to have been the fair market value price per share at the time of the award.

(5) Reflects a salary of $200,000 per year, initiated in March of 2017. Mr. DeSantis' salary was increased to $250,000 effective September 1, 2017. On September 29, 2017, Mr. Stephen DeSantis tendered his resignation as Chief Financial Officer of ShiftPixy, Inc., which took effect on October 20, 2017.

(6) The amount shown for option awards represent the grant date fair value of such awards granted to the Named Executive Officers as computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, Compensation-Stock Compensation. For each award, the grant date fair value is calculated using the closing price of our common stock on the grant date. This amount does not correspond to the actual value that may be realized by the Named Executive Officers upon vesting or exercise of such award. For information on the assumptions used to calculate the value of the awards, refer to Note 6 to the Consolidated Financial Statements.

Agreements Regarding Change in Control and Termination of Employment

None

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Outstanding Equity Awards at Fiscal Year End

The following table summarizes the outstanding equity awards held by each named executive officer as of August 31, 2018. This table includes unexercised and unvested options and equity awards

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END AUGUST 31, 2018

	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expir-ation Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have not Vested ($)
Scott Absher, CEO	50,000	-	-	$ 4.0	3/15/2027	-	-	-	-
Patrice Launay, CFO	56,250	-	-	$ 2.50-$2.95	2/1/2028 to 5/10/28	-	-	-	-

Director Compensation

The following table summarizes the compensation paid to our directors for the fiscal year ended August 31, 2018:

Name[1] (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)	Option Awards ($)[2] (d)	All Other Compensation ($) (e)	Total ($) (f)
Kenneth W. Weaver	$ 93,000	$ 75,000(3)	$ --	$ --	$ 168,000
Whitney J. White	$ 85,000	$ 75,000(4)	$ --	$ --	$ 160,000
Sean C. Higgins	$ 79,000	$ 75,000(5)	$ --	$ --	$ 154,000

(1) Directors, Scott W. Absher, our CEO, and Mark A. Absher, our secretary, are not included in this table, because they receive no separate compensation as directors of the Company.

(2) The following are the aggregate number of option awards outstanding held by each of the directors as of August 31, 2018: Mr. Scott Absher – 50,000; Mr. Weaver – 0; Mr. White – 0; Mr. Higgins – 0; Mr. Mark Absher – 100,000. The awards to Mr. Scott Absher and to Mr. Mark Absher were received in connection with their status as employees of the Company.

(3) Reflects the award, pursuant to the terms of his Director Agreement, of 24,951 shares on August 9, 2018, through the ShiftPixy, Inc., 2017 Stock Option/Stock Issuance Plan (the "Plan") at an assumed fair value at the time of issuance of $3.05 per share. One half (or 12,296) of the shares in connection with such issuance were deemed to have been purchased and immediately vested on May 31, 2018, as a consequence of Mr. Weaver's continued service as director through that date. The remaining 12,295 shares were deemed to have been purchased and immediately vested on November 30, 2018, as a consequence of Mr. Weaver' continued service as director through that date. The number excludes any shares awards from the prior year that may have vested, in part, during the fiscal year ended August 31, 2018.

(4) Reflects the award, pursuant to the terms of Mr. White's Director Agreement, of 26,316 shares on September 28, 2017, through the Plan, at an assumed fair value at the time of issuance of $2.85 per share. One half of the shares in connection with such issuance were deemed to have vested on March 28, 2018, as a consequence of Mr. White's continued service as director through that date. The balance of the shares were deemed to have vested on September 28, 2018, as a consequence of Mr. White's continued service as director through that date.

(5) Reflects the award, pursuant to the terms of Mr. Higgins's Director Agreement, of 26,316 shares on September 28, 2017, through the Plan, at an assumed market value at the time of issuance of $2.85 per share. One half of the shares in connection with such issuance were deemed to have vested on March 28, 2018, as a consequence of Mr. Higgins's continued service as director through that date. The balance of the shares were deemed to have vested on September 28, 2018, as a consequence of Mr. Higgins's continued service as director through that date.

The compensation of the Directors and Executive Officers is subject to future adjustments, as determined by the Compensation Committee pursuant to the terms of its charter.

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

The following table sets forth certain information known to us regarding beneficial ownership of our capital stock as of August 31, 2018, for (i) all executive officers and directors as a group and (ii) each person, or group of affiliated persons, known by us to be the beneficial owner of more than ten percent (10%) of our capital stock. The percentage of beneficial ownership in the table below is based on 28,851,787 shares of common stock deemed to be outstanding as of August 31, 2018. In addition, shares of common stock that may be acquired by the stockholder within 60 days of August 31, 2018, pursuant to the exercise of stock options are deemed to be outstanding for the purpose of computing the percentage ownership of such shareholder but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Common Stock

Name of Beneficial Owner [1]	Number of Shares Beneficially Owned	Number of Shares Acquirable	Percent [2]
Scott W. Absher	12,550,000	0	43.5%
Stephen Holmes	12,550,000	0	43.5%
Patrice H. Launay	56,250	0	0.2%
Kenneth W. Weaver	62,296	0	0.32%
Whitney J. White	26,316	0	0.1%
Sean C. Higgins	26,316	0	0.1%
Mark Absher			0.7%
All Executive Officers and Directors as a Group [6 persons]	12,921,178	0	44.6%

[1] The business address for all the persons named in the table is 1 Venture, Suite 150, Irvine, CA 92618.

[2] Assumes 28,851,787 shares issued and outstanding, excluding unvested shares of our Common Stock issued and issuable upon exercise of stock options awarded to employees pursuant to the ShiftPixy, Inc. 2017 Stock Option / Stock Issuance Plan.

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

On March 15, 2017, Mark Absher, Director and In-House Counsel and relative of Scott Absher, was granted 50,000 options to common stock exercisable on March 15, 2017 with expiration date of March 14, 2027, at an exercise price of $4.00. On May 10, 2018, Mark Absher was also granted an additional 50,000 options to common stock at an exercise price of $2.50 and exercisable in May 2018 with expiration date in May 2028.

On February 1, 2018, Patrice H. Launay, Chief Financial Officer, was granted 50,000 options to common stock at an exercise price of $2.95 and exercisable in February 2018 with expiration date in January 2028. On May 10, 2018, Patrice H. Launay was also granted an additional 6,250 options to common stock exercisable at an exercise price of $2.50 exercisable in May 2018 with expiration date in May 2028.

On September 28, 2017, Whitney White and Sean Higgins, two of the Company's independent directors, were awarded 26,316 shares each for services at a fair value of $2.85.

On August 9, 2018, Ken Weaver, our Chairman of the Audit Committee and independent director, was granted 12,296 shares at a fair value at the time of issuance of $3.05 per shares. The shares in connection with such issuance were deemed to have been purchased and immediately vested on August 9, 2018, as a consequence of Mr. Weaver's continued service as director through that date. An additional 12,296 shares were also committed on August 9, 2018, to issue through the Plan to Mr. Weaver, at a fair value of $3.05 per share, and deemed to have been purchased and immediately vested on November 30, 2018, as a consequence of Mr. Weaver's continued service as director through that date

Director Independence

Our board of directors has determined that we do have one board member that qualifies as "independent" as the term is used in Item 7(d)(3)(iv)(B) of Schedule 14A under the Securities Exchange Act of 1934, as amended, and as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

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Item 14. Principal Accountant Fees and Services

Marcum LLP was our independent registered public accounting firm for the fiscal years ended August 31, 2018, and 2017 (re-audited)

Squar Milner LLP was our independent registered public accounting firm for the fiscal year ended August 31, 2016 and 2017.

The following table shows the fees paid or reasonably expected to be incurred by us for the audit and other services provided by our auditor for fiscal years ended August 31, 2018 and 2017.

	2018	2017
Audit Fees (Marcum LLP)	$ 246,145	$ 82,500
Audit Fees (Squar Milner LLP)	-	195,480
Audit-Related Fees (Squar Milner LLP)	98,490	27,320
Tax Fees	500	-
All Other Fees	-	-
Total	$ 345,135	$ 305,300

As defined by the SEC, (i) “audit fees” are fees for professional services rendered by our principal accountant for the audit of our annual financial statements and review of financial statements included in our Form 10-K, or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years; (ii) "audit-related fees" are fees for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "audit fees;" (iii) "tax fees" are fees for professional services rendered by our principal accountant for tax compliance, tax advice, and tax planning; and (iv) "all other fees" are fees for products and services provided by our principal accountant, other than the services reported under "audit fees," "audit-related fees," and "tax fees."

Under applicable SEC rules, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditors in order to ensure that they do not impair the auditors' independence. The SEC's rules specify the types of non-audit services that an independent auditor may not provide to its audit client and establish the Audit Committee's responsibility for administration of the engagement of the independent auditors. Accordingly, our Audit Committee will pre-approve the audit and non-audit services performed by the independent auditors.

Consistent with the SEC's rules, the Audit Committee Charter requires that the Audit Committee review and pre-approve all audit services and permitted non-audit services provided by the independent auditors to us or any of our subsidiaries. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee and if it does, the decisions of that member must be presented to the full Audit Committee at its next scheduled meeting.

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Item 15. Exhibits

Exhibit No.	Document Description
3.1	Articles of Incorporation *(incorporated by reference from Exhibit 2.1 to our Offering Circular filed with the SEC on Form 1-A on May 31, 2016)*
3.2	Amendment to Articles of Incorporation *(incorporated by reference from Exhibit 2.6 to our Form 1-A/A filed with the SEC on October 18, 2016)*
3.3	Bylaws of ShiftPixy, Inc., as amended through February 16, 2018 *(incorporated by reference from Exhibit 3.2 to our 8-K, filed with the SEC on February 22, 2018)*
3.4	Articles of Incorporation – Shift Human Capital Management Inc. *(incorporated by reference from Exhibit 2.4 to our Form 1-A/A, filed with the SEC on August 16, 2016)*

3.5	Bylaws – Shift Human Capital Management Inc. *(incorporated by reference from Exhibit 2.5 to our Form 1-A/A, filed with the SEC on August 16, 2016)*
4.1	Amended Principal Shareholder Option (*incorporated by reference as Exhibit 3.5 to our 1-A/A, filed with the SEC on October 18, 2016*)
10.1	Stock Option and Share Issuance Plan (*incorporated by reference as Exhibit 3.8 to our 1-A POS, filed with the SEC on April 4, 2017*)
10.2	Form of Secured Convertible Note (*incorporated by reference from Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on June 8, 2018*)
10.3	Form of Security Agreement (*incorporated by reference from Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on June 8, 2018*)
10.4	Form of Warrant (*incorporated by reference from Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on June 8, 2018*)
10.5	Form of Securities Purchase Agreement (*incorporated by reference from Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on June 8, 2018*)
10.6	Form of Registration Rights Agreement (*incorporated by reference from Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on June 8, 2018*)
10.7	Amendment to Kenneth Weaver Agreement (*incorporated by reference from Exhibit 10.7 to our Annual Report on form 10-K/A, Amendment No. 2, filed with the SEC on October 18, 2018*)
21.1	List of Subsidiaries of ShiftPixy, Inc.

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23	Consent of Marcum LLP, independent registered accounting firm as to fiscal year ended August 31, 2018*
31.1	CERTIFICATION of CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
31.2	CERTIFICATION of CFO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
32.1 **	CERTIFICATION of CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEYACT OF 2002
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Exhibit 101	Interactive data files formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to the Consolidated Financial Statements.***
101.INS	XBRL Instance Document***
101.SCH	XBRL Taxonomy Extension Schema Document***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document***

* Filed herewith

* This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 of the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

ShiftPixy, Inc.,
a Wyoming corporation

Title	Name	Date	Signature

Principal Executive Officer	Scott W. Absher	November 29, 2018	*/s/ Scott W. Absher*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

SIGNATURE	**NAME**	**TITLE**	**DATE**
/s/ Scott W. Absher	Scott W. Absher	Principal Executive Officer and Director	November 29, 2018
/s/ Patrice H. Launay	Patrice H. Launay	Principal Financial Officer	November 29, 2018
/s/ Kenneth W. Weaver	Kenneth W. Weaver	Independent Director	November 29, 2018
/s/ Mark A. Absher	Mark A. Absher	Director	November 29, 2018

The above signatures constitute the signatures of the majority of our Board of Directors

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* Filed herewith

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 of the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

EXHIBIT 21.1

SUBSIDIARIES

Shift Human Capital Management Inc., a Wyoming corporation

EXHIBIT 23

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of ShiftPixy, Inc. on Form S-3 File No. 333-227642 of our report which includes an explanatory paragraph as to the Company's ability to continue as a going concern dated November 28, 2018, with respect to our audits of the consolidated financial statements of ShiftPixy, Inc. as of August 31, 2018 and 2017 and for the years ended August 31, 2018 and 2017, which report is included in this Annual Report on Form 10-K of ShiftPixy, Inc. for the year ended August 31, 2018.

/s/ Marcum llp

Marcum llp
New York, NY
November 28, 2018

EXHIBIT 31.1

CERTIFICATION

I, Scott W. Absher, certify that:

1. I have reviewed this report on Form 10-K of ShiftPixy, 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 year (the registrant's fourth fiscal year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 function):

   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.

ShiftPixy, Inc.

Dated: November 29, 2018

By: */s/ Scott W. Absher*
Scott W. Absher
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Patrice H. Launay, certify that:

1. I have reviewed this report on Form 10-K of ShiftPixy, 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 year (the registrant's fourth fiscal year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 function):

   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.

Dated: November 29, 2018

By: */s/ Patrice H. Launay*
Patrice H. Launay
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that the amended Annual Report on Form 10-K for the period ended August 31, 2018 of ShiftPixy, Inc. (the "Company") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

ShiftPixy, Inc.

Dated: November 29, 2018

By: */s/ Scott W. Absher*
Scott W. Absher
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ShiftPixy, Inc. and will be retained by ShiftPixy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that the amended Annual Report on Form 10-K for the period ended August 31, 2018 of ShiftPixy, Inc. (the "Company") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 29, 2018

By: */s/ Patrice H. Launay*
Patrice H. Launay
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ShiftPixy, Inc. and will be retained by ShiftPixy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request