

GENERAL EMPLOYMENT ENTERPRISES INC
Form PRE 14C
October 21, 2014

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

SCHEDULE 14C
Information Statement Pursuant to Section 14(c) of the
Securities Exchange Act of 1934

Check the appropriate box:

- Preliminary Information Statement
 - Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
 - Definitive Information Statement
- GENERAL EMPLOYMENT ENTERPRISES, INC.**

(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

GENERAL EMPLOYMENT ENTERPRISES, INC.

184 Shuman Blvd., Suite 420

Naperville, Illinois 60563

October , 2014

NOTICE OF ACTION TAKEN

PURSUANT TO A WRITTEN CONSENT OF SHAREHOLDERS

To our Shareholders:

General Employment Enterprises, Inc. (the Company) hereby gives notice to the holders of its common stock (Common Stock), that certain holders of greater than one half (1/2) of the voting power of its outstanding Common Stock are taking certain action by written consent to approve of the issuance of greater than 20 percent of the Company s outstanding Common Stock for the acquisition of Pivot Companies, LLC, et al, as set forth in Appendix A hereto.

The Company s Common Stock is listed and traded on the NYSE MKT under the symbol JOB. Under the NYSE MKT rules, the holders of a majority of the outstanding shares of the Common Stock must approve the issuance of the Common Stock because we will have issued securities equal to or in excess of 20 percent of the number of shares of Common Stock outstanding before such issuance. Section 7.10 of the Illinois Business Corporation Act (IBCA) and our organizational documents permit any action that may be taken at a meeting of the shareholders to be taken by written consent by the holders of the number of shares of voting stock required to approve the action at a meeting. Accordingly, the holders of a majority of the outstanding shares of the Common Stock have approved the issuance of the Common Stock for the acquisition of Pivot Companies, LLC, subject to the terms and conditions set forth more fully in this Information Statement. All necessary corporate approvals in connection with the matters referred to in this Information Statement have been obtained, subject to such notice requirement. This Information Statement is being furnished to all shareholders of the Company pursuant to Section 14(c) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, solely for the purpose of informing shareholders of these corporate actions before they take effect. In accordance with Rule 14c-2 under the Exchange Act, the shareholder consent is expected to become effective twenty (20) calendar days following the mailing of this information statement.

We are mailing this Information Statement to our holders of record as of the close of business on , 2014. This Information Statement is being provided to you for your information to comply with the requirements of the Securities Exchange Act of 1934, as amended. You are urged to read this Information Statement carefully in its entirety. However, no action is required on your part in connection with this document. No shareholder meeting will be held in connection with this Information Statement. **We are not asking you for a proxy and you are requested not to send us a proxy.**

We thank you for your continued support.

By order of the Board of Directors

Dennis Baker

Chairperson of the Board of Directors

GENERAL EMPLOYMENT ENTERPRISE, INC.

184 Shuman Blvd., Suite 420

Naperville, Illinois 60563

INFORMATION STATEMENT

We are required to deliver this Information Statement to holders of our Common Stock in order to inform them that certain holders of greater than one-half (1/2) of the voting power of our outstanding Common Stock, without holding a meeting of shareholders at which shareholders would be entitled to vote, have taken certain actions that would normally require such a meeting. , 2014 has been fixed as the record date for the determination of shareholders who are entitled to receive this Information Statement.

THIS INFORMATION STATEMENT IS FIRST BEING SENT OR GIVEN TO THE HOLDERS OF OUR COMMON STOCK ON OR ABOUT NOVEMBER , 2014.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

ISSUANCE OF UP TO 5,100,000 SHARES OF COMMON STOCK

On September 9, 2014, the Company entered into a Membership Interest Purchase Agreement (the Agreement) with Pivot Companies, LLC, et al (Pivot), d/b/a Pivot Employment Platforms, a company built to support entrepreneurs with their non-core functions. Pursuant to the terms of the Agreement the Company will acquire 100% of the membership interests of Pivot, for a total purchase price, based on the current market price of the Company s Common Stock, of approximately \$2.5 million. Upon the closing of the transaction, in exchange for 100 percent of the membership interest of Pivot, the Company will make a \$125,000 cash payment, issue 3,000,000 shares of Company Common Stock and issue warrants to purchase up to 3,000,000 shares of Company Common Stock at an exercise price of \$0.20 per share, to the members of Pivot. On the six month anniversary of the closing, the Company will make a second \$125,000 cash payment to the members of Pivot. Additional earn out payments of cash and Common Stock will be made on the first and second year anniversaries of the closing if Pivot achieves certain financial thresholds.

Pivot has made certain additional customary covenants, including, among others, to conduct its business in the ordinary course between the execution of the Agreement and the closing of the acquisition and not to engage in certain kinds of transactions during that period, subject to certain exceptions. We have agreed not to take certain specified actions without Pivot s consent during the time between execution of the Agreement and the closing of the Acquisition. Consummation of the Pivot acquisition is subject to various conditions, including, among others, (1) the accuracy of representations and warranties of the parties as of the closing date, including the absence of any material adverse effect with respect to each of Pivot s business and our business, (2) the release of certain liens in connection with the repayment of Pivot s indebtedness, (3) the execution of certain ancillary documents and (4) other customary closing conditions. The Agreement may be terminated under customary circumstances.

This summary of the material terms of the Agreement is qualified in its entirety by reference to the Agreement, which is attached as Annex B to this Information Statement.

The Company s Common Stock is listed and traded on the NYSE MKT under the symbol JOB. Prior to the actual issuance of certificates representing 5,100,000 shares of Common Stock and a warrant to purchase up to 3,000,000 shares of Common Stock, the issuances must be approved by the shareholders in accordance with Sections 705 and 712 of the NYSE MKT Company Guide in order for the NYSE MKT to approve the application to list additional

shares to be issued. Section 712 of the NYSE MKT Company Guide requires shareholder approval as a prerequisite to approval of applications to list additional shares to be issued when the present or potential issuance of Common Stock (or securities convertible into Common Stock) could result in an increase in outstanding common shares of 20% or more. The Company currently has outstanding 28,899,675 shares of Common Stock and the issuance of 5,100,000 and warrants to purchase up to 3,000,000 shares of Common Stock is greater than 20% of the currently outstanding number of shares of Common Stock.

Under Illinois law, our board of directors has the authority to issue shares of Common Stock of the Company in such amounts and for such consideration as the Board of Directors may deem appropriate under Section 6.25 of the IBCA.

The foregoing transactions were approved by our Board of Directors at a special meeting on September 10, 2014, and by two shareholders that hold a majority of our issued and outstanding Common Stock by a written consent.

This Information Statement is being mailed on or about November 10, 2014, to shareholders of record on November 10, 2014. The actions described in this Information Statement will not become effective until the 21st day after the Information Statement is mailed to our shareholders. On or after such time, the actual share certificates covering 5,100,000 shares of Common Stock and warrants to purchase up to 3,000,000 shares of Common Stock will be issued to members of Pivot upon the satisfaction of certain requirements set forth in the Agreement.

Pivot Companies, LLC

Pivot Companies, LLC, doing business as Pivot Employment Platforms, is a company built to support entrepreneurs with their non-core functions, such as human resources, employee benefits and payroll. Pivot operates as three specific brands:

Employment Edge: A PEO (Professional Employer Organization) and HRO (Human Resources Organization) platform that provides Benefits Management/Administration, Payroll & Tax Processing, Risk Management, Human Resources, Technology, Insurance, Compliance Management, and Group Purchasing to small-group businesses that are looking to benefit from larger scale, cooperative based pricing and efficiencies.

Staff Systems: An Employer of Record and Administrative Only platform (private label back office solution) enabling the administration and management of tax processing, workers compensation claims, unemployment claims, and payroll financing.

Nextaff: A franchisor of Workforce Strategies that encompass the entire employment lifecycle, including the recruitment, training, payroll, technology, back office, etc. functions that are required by staffing companies.

The transaction will allow the Company to enhance its traditional staffing products with other non-traditional offerings as outlined above for which the Company can now offer a complete suite of products and services for corporate clients and staffing companies alike.

Reasons for the Actions Taken

Post-closing of the Pivot acquisition, offerings will include:

Professional employer organization, business process outsourcing and human resources outsourcing, which collectively provide benefits, management/administration, payroll and tax processing, risk management, human resources, technology, insurance, compliance management, payroll financing and group purchasing to small-group businesses that are looking to benefit from larger scale, cooperative based pricing and efficiencies; and

Private label back office enabling the administration and management of tax processing, workers compensation claims, unemployment claims, and payroll financing.

Forward Looking Statements

Various statements contained in or incorporated by reference into this Information Statement that express a belief, expectation, or intention, or that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Exchange Act. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our

control. All statements, other than statements of historical fact, are forward-looking statements. When used in this Information Statement, the words could, believe, anticipate, intend, estimate, expect, may, continue, project, and similar expressions are intended to identify forward looking statements, although not all forward looking statements contain such identifying words. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors.

GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information is based on the historical financial statements of the Company and Pivot, after giving effect to the Company's acquisition of Pivot. The notes to the unaudited pro forma financial information describes the reclassifications and adjustments to the financial information presented.

The unaudited pro forma combined balance sheet and statement of operations for the year ended September 30, 2013 and the nine months ended June 30, 2014 and 2013, are presented as if the acquisition of Pivot had occurred on October 1, 2012 and were carried forward through each of the periods presented.

The allocation of the purchase price used in the unaudited pro forma combined financial information is based upon the respective fair values of the assets and liabilities of Pivot as of the date on which the Agreement was signed.

The unaudited pro forma combined financial information is not intended to represent or be indicative of the Company's consolidated results of operations or financial position that the Company would have reported had the Pivot acquisition been completed as of the dates presented, and should not be taken as a representation of the Company's future consolidated results of operation or financial position.

The unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of the Company included in the annual report on form 10-K for the year ended September 30, 2013.

GENERAL EMPLOYMENT ENTERPRISES, INC.**UNAUDITED PRO FORMA COMBINED BALANCE SHEET****AS OF JUNE 30, 2014****(UNAUDITED)**

(In Thousands)	GENERAL EMPLOYMENT	PIVOT	PROFORMA ADJUSTMENTS	PROFORMA
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 66	\$ 43	(125)(5)	\$ (16)
Accounts receivable	6,028	553		6,581
Other current assets	682	39		721
Notes receivable		538		538
Assets of discontinued operations	229			229
Total current assets	7,005	1,173		8,053
Property and equipment, net	476	44		520
Goodwill	1,106	600	(600)(4)	1,106
Intangible assets, net	1,640		2,863(7)	4,503
Other assets	32			32
TOTAL ASSETS	\$ 10,259	\$ 1,817		\$ 14,214
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES:				
Short-term debt	\$ 3,266	\$		\$ 3,266
Accounts payable	1,447	136		1,583
Accrued compensation	2,958			2,958
Other current liabilities	909	728		1,637
Liabilities from discontinued operations				
Total current liabilities	8,580	864		9,444
Long-term liabilities	39	1,342	375(6)	1,756
Commitments and contingencies				
SHAREHOLDERS EQUITY				
Preferred stock; no par value; authorized - 20,000 shares; issued and outstanding - none				
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 22,799 shares	11,298	(933)	1,020(1) 933(3)	12,318

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Additional paid in capital - warrants	168		354(8)	522
Accumulated deficit	(9,826)	544	(544)(2)	(9,826)
Total shareholders equity	1,640	(389)		3,014
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 10,259	\$ 1,817		\$ 14,214

See notes to unaudited pro forma combined financial information

GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

(UNAUDITED)

Year ended September 30, 2013 (In Thousands, Except Per Share Data)	GENERAL EMPLOYMENT	PIVOT	PROFORMA ADJUSTMENTS	PROFORMA
NET REVENUES:				
Contract staffing services	\$ 39,187	\$ 36,336		\$ 75,523
Direct hire placement services	7,317			7,317
NET REVENUES	46,504	36,336		82,840
Cost of contract services	32,318	34,123		66,441
Selling, general and administrative expenses	15,173	1,950	(400)(a)	16,723
Amortization of intangible assets	320			320
LOSS FROM OPERATIONS	(1,307)	263		(644)
Interest expense	251	117		368
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION				
Provision for income tax	(1,558)	146		(1,012)
	(8)	9		1
LOSS FROM CONTINUING OPERATIONS	\$ (1,566)	\$ 155		\$ (1,011)
Loss from discontinued operations	(324)			(324)
NET LOSS	\$ (1,890)	\$ 155		\$ (1,335)
BASIC AND DILUTED LOSS PER SHARE				
From continuing operations	\$ (0.07)	\$		\$ (0.04)
From discontinued operations	\$ (0.01)	\$		\$ (0.01)
Total net loss per share	\$ (0.09)	\$		\$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED				
	21,969		5,100(b)	27,069

See notes to unaudited pro forma combined financial information.

GENERAL EMPLOYMENT ENTERPRISES, INC.**UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS****FOR THE NINE MONTHS ENDED JUNE 30, 2014****(UNAUDITED)**

(In Thousands, Except Per Share Data)	GENERAL EMPLOYMENT	PIVOT	PROFORMA ADJUSTMENTS	PROFORMA
NET REVENUES:				
Contract staffing services	\$ 25,111	\$ 19,706		\$ 44,817
Direct hire placement services	5,253			5,253
NET REVENUES	30,364	19,706		50,070
Cost of contract services	21,295	18,376		39,671
Selling, general and administrative expenses	10,115	1,363	(300)(a)	11,178
Amortization of intangible assets	244			244
LOSS FROM OPERATIONS	(1,290)	(32)		(1,022)
Interest expense	298	57		355
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION				
Provision for income tax	(1,588)	(90)		(1,378)
LOSS FROM CONTINUING OPERATIONS	\$ (1,588)	\$ (90)		\$ (1,378)
Loss from discontinued operations				
NET LOSS	\$ (1,588)	\$ (90)		\$ (1,378)
BASIC AND DILUTED LOSS PER SHARE				
From continuing operations	\$ (0.07)	\$		\$ (0.05)
From discontinued operations	\$	\$		\$
Total net loss per share	\$ (0.07)	\$		\$ (0.05)