

GENERAL EMPLOYMENT ENTERPRISES INC  
Form 10-Q  
August 14, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2015**

OR

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

Commission File Number **1-05707**

**GENERAL EMPLOYMENT ENTERPRISES, INC.**

(Exact name of registrant as specified in its charter)

**Illinois**  
(State or other jurisdiction of incorporation or  
organization)

**36-6097429**  
(I.R.S. Employer Identification Number)

**184 Shuman Blvd., Suite 420, Naperville, IL 60563**

(Address of principal executive offices)

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**(630) 954-0400**

(Registrant’s telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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

The number of shares outstanding of the registrant’s common stock as of August 14, 2015 was 88,913,252.

**GENERAL EMPLOYMENT ENTERPRISES, INC.**

Form 10-Q

For the Quarter Ended June 30, 2015

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**CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

As a matter of policy, the Company does not provide forecasts of future financial performance. The statements made in this Form 10-Q Quarterly Report which are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements often contain or are prefaced by words such as “believe”, “will” and “expect.” These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. As a result of a number of factors, our actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause the Company’s actual results to differ materially from those in the forward-looking statements include, without limitation, general business conditions, the demand for the Company’s services, competitive market pressures, the ability of the Company to attract and retain qualified personnel for regular full-time placement and contract assignments, the possibility of incurring liability for the Company’s business activities, including the activities of its contract employees and events affecting its contract employees on client premises, and the ability to attract and retain qualified corporate and branch management, as well as those risks discussed in the Company’s annual report on Form 10-K for the year ended September 30, 2014, and in other documents which we file with the Securities and Exchange Commission. Any forward-looking statements speak only as of the date on which they are made, and the Company is under no obligation to (and expressly disclaims any such obligation to) and does not intend to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

## GENERAL EMPLOYMENT ENTERPRISES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(In Thousands)

	June 30, 2015	September 30, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,113	\$ 168
Accounts receivable, less allowances (June - \$435; September - \$395)	5,625	4,907
Other current assets	503	1,650
Total current assets	7,241	6,725
Property and equipment, net	414	453
Goodwill	6,396	1,106
Intangible assets, net	3,469	1,560
<b>TOTAL ASSETS</b>	<b>\$ 17,520</b>	<b>\$ 9,844</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term debt	\$ 3,197	\$ 2,711
Accounts payable	547	910
Accrued compensation	1,448	2,633
Convertible note payable - current portion, net of discount	-	35
Derivative liability	-	131
Other current liabilities	540	1,214
Total current liabilities	5,732	7,634
Convertible note payable, net of discount	-	132
Other long-term liabilities	-	13
Total long-term liabilities	-	145
Commitments and contingencies		
<b>SHAREHOLDERS' EQUITY</b>		
Convertible Preferred stock; no par value; authorized - 20,000 shares; issued and outstanding - 829 shares at June 30, 2015 and none at September 30, 2014	8,118	-
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 32,058 shares at June 30, 2015 and 25,899 shares at September 30, 2014	-	-
Additional paid in capital	16,597	11,658
Accumulated deficit	(12,927)	(9,593)

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Total shareholders' equity		11,788		2,065
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	\$	17,520	\$	9,844

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

## GENERAL EMPLOYMENT ENTERPRISES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	2014	2015	2014
<b>NET REVENUES:</b>				
Contract staffing services	\$ 9,502	\$ 8,184	\$ 26,048	\$ 25,111
Direct hire placement services	1,948	1,739	4,880	5,253
<b>NET REVENUES</b>	<b>11,450</b>	<b>9,923</b>	<b>30,928</b>	<b>30,364</b>
Cost of contract services	7,803	6,970	21,488	21,295
Selling, general and administrative expenses	3,301	3,416	9,578	10,115
Amortization of intangible assets	139	81	305	244
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>207</b>	<b>(544)</b>	<b>(443)</b>	<b>(1,290)</b>
Change in fair value of derivative liability	68	-	(2,251)	-
Interest expense	133	90	406	298
Loss on extinguishment of debt	(24)	-	(234)	-
<b>INCOME (LOSS) BEFORE INCOME TAX PROVISION</b>	<b>\$ 118</b>	<b>\$ (634)</b>	<b>\$ (3,334)</b>	<b>\$ (1,588)</b>
Provision for income tax	-	-	-	-
<b>NET INCOME (LOSS)</b>	<b>\$ 118</b>	<b>\$ (634)</b>	<b>\$ (3,334)</b>	<b>\$ (1,588)</b>
<b>PREFERRED STOCK DIVIDENED</b>	<b>(170)</b>	<b>-</b>	<b>(207)</b>	<b>-</b>
<b>NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ (52)</b>	<b>\$ (634)</b>	<b>\$ (3,541)</b>	<b>\$ (1,588)</b>
<b>BASIC LOSS PER SHARE</b>	<b>(0.00)</b>	<b>(0.02)</b>	<b>(0.13)</b>	<b>(0.07)</b>
<b>DILUTED LOSS PER SHARE</b>	<b>(0.00)</b>	<b>(0.02)</b>	<b>(0.13)</b>	<b>(0.07)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES - BASIC</b>	<b>30,985</b>	<b>25,720</b>	<b>28,303</b>	<b>23,845</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED</b>	<b>30,985</b>	<b>25,720</b>	<b>28,303</b>	<b>23,845</b>

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

## GENERAL EMPLOYMENT ENTERPRISES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

(In Thousands)

	Common Stock Shares	Additional Paid In Capital	Preferred Stock Shares	Preferred Stock	Accumulated Deficit	Total Shareholders' Equity
Balance, September 30, 2013	22,799	\$ 10,851	-	\$ -	\$ (8,238)	\$ 2,613
Stock compensation expense	-	98	-	-	-	98
Issuance of warrants related to debt	-	219	-	-	-	219
Issuance of common stock, net	3,000	470	-	-	-	470
Stock issued for services	100	20	-	-	-	20
Net loss	-	-	-	-	(1,355)	(1,355)
Balance, September 30, 2014	25,899	\$ 11,658		\$ -	\$ (9,593)	\$ 2,065
Issuance of preferred stock, net of fees			840	8,226	-	8,226
Conversion of note payable	3,163	2,867	-	-	-	2,867
Issuance of stock for board of directors	344	258	-	-	-	258
Issuance of warrant for	-	1,330	-	-	-	1,330



Scribe  
acquisition  
(see note 10)

Exercise of  
stock options                      615