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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 March 31, 2014

OR

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

Commission File Number 1-05707

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**GENERAL EMPLOYMENT ENTERPRISES, INC**

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(Exact name of registrant as specified in its charter)

Illinois

36-6097429

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

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

(Address of principal executive offices)

(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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 May 19, 2014 was 25,899,675.

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GENERAL EMPLOYMENT ENTERPRISES, INC.

Form 10-Q

For the Quarter Ended March 31, 2014

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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, 2013, 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)

	March 31, 2014	September 30, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 494	\$ 361
Accounts receivable, less allowances (March - \$295; September - \$272)	6,004	6,697
Other current assets	584	416
Assets of discontinued operations, less allowances (March and September -\$35)	229	238
Total current assets	<u>7,311</u>	<u>7,712</u>
Property and equipment, net	455	530
Goodwill	1,106	1,106
Intangible assets, net	1,721	1,884
<b>TOTAL ASSETS</b>	<u>\$ 10,593</u>	<u>\$ 11,232</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term debt	\$ 3,601	\$ 3,734
Accounts payable	1,314	1,015
Accrued compensation	2,749	2,733
Other current liabilities	735	981
Liabilities from discontinued operations	-	30
Total current liabilities	<u>8,399</u>	<u>8,493</u>
Long-term liabilities	52	126
Commitments and contingencies		
<b>SHAREHOLDERS' EQUITY</b>		
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 - 25,274 shares at March 31, 2014 and 22,799 at September 30, 2013	11,203	10,851
Additional paid in capital - warrants	131	-
Accumulated deficit	<u>(9,192)</u>	<u>(8,238)</u>
Total shareholders' equity	<u>2,142</u>	<u>2,613</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 10,593</u>	<u>\$ 11,232</u>

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)

	<u>Three Months Ended March 31,</u>		<u>Six Months Ended March 31,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>NET REVENUES:</b>				
Contract staffing services	\$ 7,858	\$ 9,364	\$ 16,927	\$ 20,225
Direct hire placement services	1,776	2,058	3,514	4,214
<b>NET REVENUES</b>	<u>9,634</u>	<u>11,422</u>	<u>20,441</u>	<u>24,439</u>
Cost of contract services	6,713	7,884	14,325	16,768
Selling, general and administrative expenses	3,478	4,194	6,699	7,976
Amortization of intangible assets	82	80	163	160
<b>LOSS FROM OPERATIONS</b>	<u>(639)</u>	<u>(736)</u>	<u>(746)</u>	<u>(465)</u>
Interest expense	88	46	208	117
<b>LOSS FROM CONTINUING OPERATIONS BEFORE</b>				
<b>INCOME TAX PROVISION</b>	<u>\$ (727)</u>	<u>\$ (782)</u>	<u>\$ (954)</u>	<u>\$ (582)</u>
Provision for income tax	-	(8)	-	(8)
<b>LOSS FROM CONTINUING OPERATIONS</b>	<u>\$ (727)</u>	<u>\$ (790)</u>	<u>\$ (954)</u>	<u>\$ (590)</u>
Loss from discontinued operations	-	(36)	-	(51)
<b>NET LOSS</b>	<u>\$ (727)</u>	<u>\$ (826)</u>	<u>\$ (954)</u>	<u>\$ (641)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>				
From continuing operations	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>
From discontinued operations	<u>\$ -</u>	<u>\$ (0.00)</u>	<u>\$ -</u>	<u>\$ (0.00)</u>
Total loss per share	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES - BASIC</b>				
<b>AND DILUTED</b>	<u>22,895</u>	<u>21,699</u>	<u>22,847</u>	<u>21,699</u>

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)**

	<u>Common Stock</u>		<u>Additional Paid In Capital Warrants</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, September 30, 2012	21,699	\$ 10,453	\$ -	\$ (6,348)	\$ 4,105
Issuance of common stock	1,100	330	-	-	330
Stock compensation expense	-	68	-	-	68
Net loss	-	-	-	(1,890)	(1,890)
Balance, September 30, 2013	22,799	\$ 10,851	\$ -	\$ (8,238)	\$ 2,613
Stock compensation expense	-	32	-	-	32
Issuance of common stock for services	100	20	-	-	20
Sale of common stock and warrants	2,375	300	131	-	431
Net loss	-	-	-	(954)	(954)
Balance, March 31, 2014	<u>25,274</u>	<u>\$ 11,203</u>	<u>\$ 131</u>	<u>\$ (9,192)</u>	<u>\$ 2,142</u>

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

**GENERAL EMPLOYMENT ENTERPRISES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

(In Thousands)

	<b>Six Months Ended March</b>	
	<b>31,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (954)	\$ (641)
Loss from discontinued operations	-	(51)
Net loss from continuing operations	(954)	(590)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	238	243
Stock compensation expense	32	10
Provision for doubtful accounts	23	62
Stock issued for services	10	
Loss on abandonment of leasehold improvements	44	
Changes in operating assets and liabilities -		
Accounts receivable	670	(270)
Accounts payable	299	40
Accrued compensation	16	343
Other current assets	(158)	
Other current liabilities	(318)	(82)
Long-term liabilities	(33)	(40)
Net cash used in operating activities - Continuing Operations	(131)	(284)
Net cash used in operating activities - Discontinued Operations	(21)	(51)
Net cash used in operating activities	(152)	(335)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(24)	(80)
Partial payment of earn-out	(133)	(100)
Net cash used in investing activities - Continuing Operations	(157)	(180)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt, net	(133)	188
Payments on Capital Lease	(41)	-
Proceeds from related party	185	-
Proceeds from sale of common stock	431	-
Net cash provided by financing activities - Continuing Operations	442	188
Net change in cash - Continuing Operations	154	(276)
Net change in cash - Discontinued Operations	(21)	(51)
<b>Cash at beginning of year - Continuing Operations</b>	<b>361</b>	<b>364</b>
<b>Cash at end of year</b>	<b>\$ 494</b>	<b>\$ 37</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 163	\$ 107
Cash paid for taxes	\$ -	\$ -

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

### 1. Description of Business

General Employment Enterprises, Inc. (the “Company,” “we,” “our” or “us”) provides staffing services through a network of branch offices located in major metropolitan areas throughout the United States. The Company’s professional staffing services provide information technology, engineering and accounting professionals to clients on either a regular placement basis or a temporary contract basis. The Company’s agricultural staffing services provided agricultural workers for farms and groves, until July 7, 2013, when the Company ceased operations within its Agricultural Division, terminated all the division’s employees and began the process of liquidating all assets of this division. The Company’s industrial staffing business provides weekly temporary staffing for light industrial clients in Ohio and Pennsylvania.

### 2. Significant Accounting Policies and Estimates

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six month period ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending September 30, 2014. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended September 30, 2013.

#### *Liquidity*

In recent years, the Company has incurred significant losses and negative cash flows from operations. Management has implemented a strategy which included cost reduction efforts as well as identifying strategic acquisitions to be financed primarily through the issuance of common stock, and to improve the overall profitability and cash flows of the Company. In 2013, the Company entered into a three year revolving credit agreement with Keltic Financial Partners II, LLP (“Keltic”) to provide working capital financing.

The Company is currently in a continuing default under the terms of their line of credit agreement (See Note 6). Keltic has the ability to terminate the lending obligations under the agreement until this continuing default is cured. As of the date of this report, Keltic continues to lend the Company funds, in the normal course of business under the agreement, without an increase in the rate of interest or any other changes. Management will continue to work with Keltic to obtain the proper waivers and amendments to the agreement to ensure normal operations are not interrupted, however if management is not able to reasonably negotiate terms with Keltic, the Company could be required to obtain alternative financing. Management believes with improved future cash flow from operations and the availability under the Keltic Credit Facility, the Company will have sufficient liquidity for the next 12 months.

#### *Principles of Consolidation*

The condensed consolidated financial statements include the accounts and transactions of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions are eliminated in consolidation.

#### *Estimates and Assumptions*

Management makes estimates and assumptions that can affect the amounts of assets and liabilities reported as of the date of the condensed consolidated financial statements, as well as the amounts of reported revenues and expenses during the periods presented. Those estimates and assumptions typically involve expectations about events to occur subsequent to the balance sheet date, and it is possible that actual results could ultimately differ from the estimates. If differences were to occur in a subsequent period, the Company would recognize those differences when they became known. Significant matters requiring the use of estimates and assumptions include, but may not be limited to, deferred tax valuation allowances, accounts receivable allowances, and evaluation of impairment. Management believes that its estimates and assumptions are reasonable, based on information that is available at the time they are made.



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*Revenue Recognition*

Direct hire placement service revenues are recognized when applicants accept offers of employment, less a provision for estimated losses due to applicants not remaining employed for the Company's guarantee period. Contract staffing service revenues are recognized when services are rendered.

Falloffs and refunds during the period are reflected in the condensed consolidated statements of operations as a reduction of placement service revenues. Based on management's review of open guarantees and accounts receivables, an allowance is also recorded at the end of each period as an offset to placement service revenues. As of March 31, 2014 and September 30, 2013, a provision of approximately \$104,000 and \$90,000 is considered necessary, respectively.

*Cost of Contract Staffing Services*

The cost of contract services includes the wages and the related payroll taxes and employee benefits of the Company's employees while they work on contract assignments.

*Income Taxes*

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

Due to the private sale of shares of common stock to LEED HR during fiscal 2012 and the resulting change in control, the Company may be limited by Section 382 of the Internal Revenue Code as to the amount of net operating losses that may be used in future years.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

*Discontinued Operations*

A discontinued operation is a component of an entity that has either been disposed of, or that is classified as held for sale, which represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations. In accordance with the rules regarding the presentation of discontinued operations, the assets, liabilities and activity of our agricultural business have been reclassified as a discontinued operation for all periods presented.

*Cash and Cash Equivalents*

Highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. At March 31, 2014 and September 30, 2013, there were no cash equivalents. The Company maintains deposits in financial institutions in excess of amounts guaranteed by the Federal Deposit Insurance Corporation. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances.

#### *Accounts Receivable*

The Company extends credit to its various customers based on evaluation of the customer's financial condition and ability to pay the Company in accordance with the payment terms. An allowance for placement fall-offs is recorded, as a reduction of revenues, for estimated losses due to applicants not remaining employed for the Company's guarantee period. An allowance for doubtful accounts is recorded, as a charge to bad debt expense, where collection is considered to be doubtful due to credit issues. These allowances together reflect management's estimate of the potential losses inherent in the accounts receivable balances, based on historical loss statistics and known factors impacting its customers. The nature of the contract service business, where companies are dependent on employees for the production cycle allows for a small accounts receivable allowance. Based on management's review of accounts receivable, an allowance for doubtful accounts of approximately \$295,000 and \$272,000 is considered necessary as of March 31, 2014 and September 30, 2013, respectively. The Company charges uncollectible accounts against the allowance once the invoices are deemed unlikely to be collectible. Based on management's review of accounts receivables related to discontinued operations, an allowance of approximately \$35,000 is considered necessary as of March 31, 2014.

#### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation expense is calculated on a straight-line basis over estimated useful lives of five years for computer equipment and two to ten years for office equipment, furniture and fixtures. The Company capitalizes computer software purchased or developed for internal use and amortizes it over an estimated useful life of five years. The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. If the carrying amount of an asset group is greater than its estimated future undiscounted cash flows, the carrying value is written down to the estimated fair value. There was no impairment of property and equipment for the six month periods ended March 31, 2014 and 2013. For property and equipment included in current assets of discontinued operations in the accompanying balance sheet, the Company has ceased recording depreciation expense.

#### *Goodwill*

Goodwill represents the excess of cost over the fair value of the net assets acquired in our acquisitions. The Company assesses goodwill for impairment at least annually. The Company adopted, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment, which allows the Company to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the entity determines that this threshold is not met, then performing the two-step impairment test is unnecessary. An impairment loss would be recognized to the extent the carrying value of goodwill exceeds its implied fair value.

#### *Fair Value Measurement*

The Company follows the provisions of the accounting standard which defines fair value, establishes a framework for measuring fair value and enhances fair value measurement disclosure. Under these provisions, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use on unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The fair value of the Company's current assets and current liabilities approximate their carrying values due to their short term nature. The carrying value of the Company's long-term liabilities represents their fair value based on level 3 inputs. The Company's goodwill and other intangible assets are measured at fair value on a non-recurring basis using level 3 inputs.

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*Intangible Assets*

Customer lists and trade names were recorded at their estimated fair value at the date of acquisition and are amortized over their estimated useful lives ranging from two to ten years using both accelerated and straight-line methods.

*Earnings (Loss) per Share*

Basic income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average common shares outstanding for the period. Diluted income (loss) per share is computed giving effect to all potentially dilutive common shares. Potentially dilutive common shares may consist of incremental shares issuable upon the exercise of stock options and warrants and the conversion of notes payable to common stock. In periods in which a net loss has been incurred, all potentially dilutive common shares are considered anti-dilutive and thus are excluded from the calculation. There were no common share equivalents for the three and six months ended March 31, 2014.

*Advertising Expenses*

The majority of the Company's advertising expense budget is used to support the Company's business. Most of the advertisements are in print or internet media, with expenses recorded as they are incurred. For the three and six months ended March 31, 2014 and 2013, included in selling, general and administrative expenses was advertising expense totaling approximately \$210,000 and \$372,000, and approximately \$177,000 and \$361,000, respectively.

*Impairment of Long-lived Assets*

The Company records an impairment of long-lived assets used in operations, other than goodwill, when events or circumstances indicate that the asset might be impaired and the estimated undiscounted cash flows to be generated by those assets over their remaining lives are less than the carrying amount of those items. The net carrying value of assets not recoverable is reduced to fair value, which is typically calculated using the discounted cash flow method.

*Stock-Based Compensation*

Compensation expense is recorded for the fair value of stock options issued to directors and employees. The expense is measured as the estimated fair value of the stock options on the date of grant and is recorded over the vesting periods.

*Segment Data*

The Company has two operating business segments a) Contract staffing services, and b) Direct hire placement services. These operating segments were determined based primarily on how the chief operating decision maker views and evaluates our operations. Operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Other factors, including type of business, type of employee, length of employment and revenue recognition are considered in determining these operating segments.

*Reclassification*

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2013 to conform to the current year presentation.

**3. Recent Accounting Pronouncements**

Recent accounting pronouncements issued by FASB and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

#### 4. Property and Equipment

Property and equipment, net consisted of the following:

(In thousands)	Useful Lives	March 31, 2014	September 30, 2013
Computer software	5 years 2 to 10	\$ 1,447	\$ 1,447
Office equipment, furniture and fixtures and leasehold improvements	years	1,513	2,325
Total property and equipment, at cost		2,960	3,772
Accumulated depreciation and amortization		(2,505)	(3,242)
Property and equipment, net		\$ 455	\$ 530

Leasehold improvements are amortized over the term of the lease.

During the quarter ended December 31, 2013, as part of the lease settlement related to the Oak Brook facility, the Company wrote off the assets that were directly related to the facility. The assets related to this facility amounted to approximately \$800,000 with accumulated depreciation associated with such assets in the amount of \$756,000, for a loss of \$44,000.

During the year ended September 30, 2013, the Company sold vehicles with a value of approximately \$225,000 and leased them back under a 30 month agreement at an interest rate of approximately 23%. As of March 31, 2014, approximately \$72,000 is current and included in other current liabilities and approximately \$42,000 is included in other long term liabilities. The terms are 30 months and the payments remaining totaled approximately \$114,000 at March 31, 2014.

Depreciation expense for the three and six month periods ended March 31, 2014 and 2013 was approximately \$37,000 and \$75,000, and \$41,000 and \$83,000, respectively.

#### 5. Goodwill and Intangible Assets

##### Goodwill

Goodwill represents the excess of cost over the fair value of the net assets acquired from various acquisitions. Goodwill is not amortized. The Company performs a goodwill impairment test annually, by reporting unit, in the fourth quarter of the fiscal year, or whenever potential impairment triggers occur. Should the two-step process be necessary, the first step of the impairment test identifies potential impairment by comparing the fair value of a reporting unit to its carrying value including goodwill. In applying a fair-value-based test, estimates are made of the expected future cash flows to be derived from the reporting unit. Similar to the review for impairment of other long-lived assets, the resulting fair value determination is significantly impacted by estimates of future margins, capital needs, economic trends and other factors. If the carrying value of the reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. An impairment loss would be recognized to the extent the carrying value of goodwill exceeds its implied fair value. There was no impairment recorded during the three and six month periods ended March 31, 2014 and 2013.

##### Intangible Assets

*As of March 31, 2014*

( In Thousands)	Cost	Accumulated Amortization	Loss on Impairment of Intangible Assets	Net Book Value
Customer Relationships	\$ 2,690	\$ 977	\$ -	1,713
Trade Name	17	9	-	8
	\$ 2,707	\$ 986	\$ -	1,721

*As of September 30, 2013*

(In Thousands)	Cost	Accumulated Amortization	Loss on Impairment of Intangible Assets	Net Book Value
Customer Relationships	\$ 2,690	\$ 816	\$ -	\$ 1,874
Trade Name	17	7	-	10
	\$ 2,707	\$ 823	\$ -	\$ 1,884

Amortization expense was approximately \$82,000 and \$163,000 for the three and six months ended March 31, 2014, respectively and was approximately \$80,000 and \$160,000 for the three and six months ended March 31, 2013, respectively.

The trade names are amortized on a straight – line basis over the estimated useful life of five years. Customer relationships are amortized based on the future undiscounted cash flows over estimated remaining useful lives of three to ten years. Over the next five years, annual amortization expense for these finite life intangible assets will be approximately \$320,000 in 2014, \$320,000 in 2015, \$320,000 in 2016, \$320,000 in 2017 and \$320,000 in 2018 and \$200,000 thereafter.

Long-lived assets, such as purchased intangibles subject to amortization, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company regularly evaluates whether events and circumstances have occurred that indicate possible impairment and relies on a number of factors, including operating results, business plans, economic projections, and anticipated future cash flows. The Company uses an estimate of the future undiscounted net cash flows of the related asset or asset group over the remaining life in measuring whether the assets are recoverable.

During the three and six month periods ended March 31, 2014 and 2013, the Company did not record any impairment of intangible assets.

## 6. Short-term Debt

On September 27, 2013, the Company entered into agreements with Keltic Financial Partners II LP ("Keltic") that provide the Company with long term financing through a six million dollar (\$6,000,000) secured revolving note (the "Note"). The Note has a term of three years and has no amortization prior to maturity. The interest rate for the Note is a fluctuating rate that, when annualized, is equal to the greatest of (A) the Prime Rate plus three and one quarter percent (6.5%), (B) the LIBOR Rate plus six and one quarter percent (6.25%), and (C) six and one half percent (6.50%), with the interest paid on a monthly basis. Loan advances pursuant to the Note are based on the accounts receivable balance and other assets. Upon execution of the Note, approximately three million fifty thousand dollars (\$3,050,000) was advanced for the full repayment of the AR Credit Facility and fees from Wells Fargo related to the early termination thereof. At the time of close, there was approximately nine hundred thousand (\$900,000) of availability under the new Note in excess of amounts paid to extinguish the debt and fees with Wells Fargo. The Company incurred certain cash expense and commitment fees related to obtaining the agreement of approximately \$170,000, which has been paid. The Note is secured by all of the Company's property and assets, whether real or personal, tangible or intangible, and whether now owned or hereafter acquired, or in which it now has or at any time in the future may acquire any right, title or interests. The Keltic facility includes certain covenants which require compliance until termination of the agreement. As of the date of this report, the Company was not in compliance with all such covenants.

The Company has several administrative covenants and the following financial covenant:

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The Company must maintain the following EBITDA:

- (a) The Fiscal Quarter ending on December 31, 2013, to be no less than Three Hundred Seventy Thousand and 00/100 Dollars (\$370,000.00);
- (b) The six (6) consecutive calendar month period ending on March 31, 2014, to be no less than Seven Hundred Fifteen Thousand and 00/100 Dollars (\$715,000.00);
- (c) The nine (9) consecutive calendar month period ending on June 30, 2014, to be no less than One Million One Hundred Thirty Thousand and 00/100 Dollars (\$1,130,000.00);
- (d) The Fiscal Year ending on September 30, 2014, to be no less than One Million Three Hundred Thousand and 00/100 Dollars (\$1,300,000.00); and
- (e) For any period commencing on or after October 1, 2014, no less than such amounts as are established by Lender for such period based on the annual financial projections including such period delivered by Borrower pursuant the agreement.

Borrower acknowledges and agrees that the above EBITDA covenant levels, and Lender's adjustment in accordance with the preceding sentence, have been established by Lender based on Borrower's operations as conducted on the Effective Date, and that any material change to such operations, whether by Strategic Acquisition or otherwise, will necessitate an adjustment by Lender of the above EBITDA covenant levels, and that Lender will make such adjustments in Lender's permitted discretion.

The agreement includes certain covenants which require compliance until termination of the agreement. As of the date of this report, the Company was not in compliance with all such covenants, as a result, Keltic has the following remedies for the continued default:

(a) Termination of Lending Obligations. Upon the occurrence and during the continuation of an Event of Default Lender may, in Lender's sole discretion (i) terminate any or all Loans and correspondingly terminate its obligations to otherwise lend to or extend credit to Borrower under this Agreement, under any Note and/or any other Loan Document, without prior notice to Borrower, and/or (ii) increase the amount of interest payable on any Loan to the applicable Default Rate, and/or (iii) increase all fees payable to Borrower under this Agreement that may be increased upon the occurrence of an Event of Default pursuant to the terms of this Agreement, and/or (iv) demand payment in full of all or any portion of the Obligations or any Note (whether or not payable on demand prior to such Event of Default), and/or (v) take all other and further actions and avail itself of any and all rights and remedies available to Lender under this Agreement, any other Loan Document, under law or in equity.

(b) Obligations Immediately Due. Notwithstanding the provisions immediately above, upon the occurrence of any Event of Default, without notice, demand or other action by Lender (i) all of Borrower's Obligations to Lender shall immediately become due and payable whether or not payable on demand prior to such Event of Default, and (ii) all interest payable on the Obligations shall increase to the applicable Default Rate, and (iii) all fees payable to Borrower under this Agreement that may be increased upon the occurrence of an Event of Default shall increase to their applicable amount after an Event of Default, and (iv) Lender may take all other and further actions and avail itself of any and all rights and remedies available to Lender under this Agreement, any other Loan Document, under law or in equity.

The Company continues to negotiate with Keltic for a waiver of certain covenants and the amendment of certain covenants. As of the date of this report, Keltic continues to lend the Company funds in the normal course of business under the agreement, and without an increase in the rate of interest or any other changes. Management will continue to work with Keltic to obtain the proper waivers and amendments to the agreement to ensure normal operations are not interrupted, however if management is not able to reasonably negotiate terms with Keltic, the Company could be required to obtain alternative financing.

As of March 31, 2014, the outstanding borrowings, which are classified as short-term debt, were approximately \$3,601,000. As of March 31, 2014, the availability under the Keltic facility was approximately \$792,000.

The Company entered into a two-year, \$4,500,000 account purchase agreement (“AR Credit Facility”) with Wells Fargo Bank N.A. (“Wells Fargo”) which, provided for borrowings, on a revolving basis, of up to 85% of the Company’s eligible accounts receivable less than 90 days old and bears interest at a rate equal to the three month LIBOR (minimum of 0.5%) plus 5.25% (effective rate). Under the terms and subject to the conditions in the agreement, Wells Fargo could determine which receivables are eligible receivables, could determine the amount advanced on any such receivables, and could require the Company to repay advances made on receivables and thereby repay amounts outstanding under the AR Credit Facility on demand. Wells Fargo also had the right to require the Company to repurchase receivables that remained outstanding 90 days past their invoice date. The Company continued to be responsible for the servicing and administration of the receivables purchased and carried the receivables and any outstanding borrowings on its books until the entire outstanding balance was paid off as of September 27, 2013.

Total interest expense related to the lines of credit for the three and six months ended March 31, 2014, and 2013 approximated \$68,000 and \$141,000, and \$47,000 and \$93,000, respectively.

## **7. Accrued Compensation**

In connection with the completion of the sale of shares of common stock to PSQ in fiscal year 2009, the Company’s then Chairman, Chief Executive Officer and President (the “former CEO”) retired from those positions and his employment agreement with the Company was replaced by a new consulting agreement. On January 31, 2013, he retired from all positions with the Company, however he will continue to receive his monthly payments required under his consulting agreement. As of March 31, 2014, \$45,000 remains payable under this agreement and is include in accrued compensation.

## **8. Equity**

In January 2014, the Company issued 100,000 shares of common stock to American Capital Ventures in consideration for services rendered through June 2014. The shares were valued at \$20,000, of which \$10,000 has been expensed to general and administrative expense, while the remaining \$10,000 has been recorded as an Other Asset and will be expensed in fiscal third quarter 2014 as services are rendered.

On March 31, 2014, the Company entered into a Securities Purchase Agreement (the “SPA”) with Aracle SPF I, LLC (“Aracle”) pursuant to which Aracle has the right to acquire up to 12 units (the “Units”), for \$50,000 per Unit, with each Unit consisting of 250,000 shares of common stock (the “Shares”) of the Company and 125,000 common stock purchase warrants (the “Warrants”). The Warrants are exercisable 6 months after issuance, have a term of 4 years, and have an exercise price of \$0.25 per warrant share. The SPA contains standard representations, warranties, and covenants. In addition, the SPA contains a price adjustment mechanism that requires the Company, with certain exceptions, to issue additional shares of common stock to the investor in the event the Company, within 12 months of the initial closing under the SPA, issues certain equity securities at a price per share less than \$0.20, provided, however, as long as the Company is listed on the NYSE MKT the total number of shares issuable under the foregoing adjustment provision may not exceed 19.9% of the Company’s outstanding shares of common stock on March 30, 2014. Further, in the event the Company is delisted from NYSE MKT while Aracle owns at least 51% of the Shares issued to it under the SPA, the Company shall issue an additional 3,000,000 Shares to Aracle, and the 12 month price adjustment period shall be extended to 36 months. The Company agreed to appoint two new members to the Company’s Board of Directors within 60 days of the initial closing, which new members are subject to the prior approval of Aracle. The Company granted Aracle piggyback registration rights with respect to the Shares and the shares of common stock underlying the Warrants.

Concurrently with entering into the SPA, the Company and Aracle conducted an initial closing thereunder, in which Aracle purchased 9.5 Units for \$475,000. The Company incurred certain expenses related to the SPA of approximately \$44,000, which were paid from the proceeds of the initial closing.

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On April 16, 2014, the Company, Aracle and a second institutional investor (both companies referred to as “Investors”), have entered into certain Securities Purchase Agreements (“SPA”) pursuant to which the Investors purchased 2.5 Units for \$125,000. The Company incurred certain expenses related to the SPA of approximately \$7,500, which were paid from the proceeds of this closing.

### *Stock Options*

On January 28, 2014, the Board of Directors of the Company approved the issuance of 1,395,500 stock options exercisable at \$0.25 per share, valued at approximately \$240,000. Of the options issued, 50,500 vested immediately, 200,000 options will vest over a period of two years and the remaining 1,145,000 will vest over three years.

On March 5, 2014, the Board of Directors of the Company approved the issuance of 1,000,000 stock options exercisable at \$0.35 per share, valued at approximately \$275,000 and they will vest over a three year period.

The Company has recognized compensation expense in the amount of \$30,000 during the quarter ended March 31, 2014 related to the issuance of the options during the quarter. The Black-Scholes option pricing model was used to value the options based upon an expected stock price volatility of 97%, a 10 year expected life of the option and an a risk free interest rate of 2.77% and 2.70%, respectively. There is approximately \$483,000 of unvested stock compensation that will be recorded over the remaining life of vesting of approximately 2.75 years.

## **9. Contingencies and Commitments**

On April 22, 2013, the Company finalized an Amendment to the Asset Purchase Agreement by and among DMCC Staffing, LLC, an Ohio limited liability company, RFFG of Cleveland, LLC an Ohio limited liability company (each a “Seller” and together, “Sellers”), the Company, and Triad Personnel Services, Inc., an Illinois corporation and wholly owned subsidiary of the Company (“Buyer”).

The Company agreed to pay Sellers additional cash consideration of between \$550,000 and \$650,000 depending on the length of payments and 1,100,000 shares of common stock, in full satisfaction of all amounts owed to Seller, related to the Asset Purchase Agreement. The Company issued 1,100,000 shares of common stock on July 2, 2013, which was valued at approximately \$330,000. The Company elected to pay the cash amount due over two years. To date, the Company paid \$312,500 of the cash consideration noted above. The Company has approximately \$263,000 recorded in other current liabilities on the condensed consolidated balance sheet at March 31, 2014. There was approximately \$20,000 and \$46,000 of interest recorded for the three and six month periods ended March 31, 2014.

### Lease

The Company leases space for all of its branch offices, which are located either in downtown or suburban business centers, and for its corporate headquarters. Branch offices are generally leased over periods from three to five years. The corporate office lease expires in 2015. The leases generally provide for payment of basic rent plus a share of building real estate taxes, maintenance costs and utilities.

Rent expense was approximately \$220,000 and \$457,000 and \$278,000 and \$555,000 for the three and six month periods ended March 31, 2014 and March 31, 2013, respectively. As of March 31, 2014, future minimum lease payments due under non-cancelable lease agreements having initial terms in excess of one year, including certain closed offices, totaled approximately \$1,118,000, as follows: fiscal 2014 - \$340,000, fiscal 2015 - \$398,000, fiscal 2016 - \$232,000, fiscal 2017 - \$123,000 and thereafter - \$25,000.

The Company entered into a settlement with the owners of the Oak Brook facility, our former headquarters on April 2, 2014. Pursuant to the terms of the agreement, the Company will pay a termination fee of \$125,000. Upon execution of the agreement, the Company paid \$100,000 and an additional \$25,000 within 30 days of executing the agreement. The remaining \$25,000 was paid on May 2, 2014 representing settlement in full.



**10. Related Party Transactions**

To ensure that the Company has adequate near-term liquidity, the officers of the Company have loaned the Company short-term loans. In most cases, the loans are for less than 30 days and no interest is expensed or paid to the officers. As of March 31 2014, there was an outstanding loan payable to an officer in the amount of \$185,000. This amount has been recorded as a component of Other Current Liabilities as of March 31, 2014. The entire payable was paid subsequent to March 31, 2014.

The above related party transaction is not necessarily indicative of the amounts and terms that would have been incurred had comparable transactions been entered into with independent parties.

**11. Segment Data**

The Company provides the following distinctive services: (a) direct hire placement services, (b) temporary professional services staffing in the fields of information technology, engineering, and accounting, and (c) temporary light industrial staffing. Intersegment net service revenues are not significant. Revenues generated from the temporary professional services staffing and light industrial staffing are classified as contract staffing services revenues in the statements of operations. Selling, general and administrative expenses are not separately allocated among agricultural, professional services or industrial staffing services within the contract staffing services sector for internal reporting purposes.

(In Thousands)	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
<b>Direct Hire Placement Services</b>				
Revenue – net	\$ 1,776	\$ 2,058	\$ 3,514	\$ 4,214
Placement services gross margin	100%	100%	100%	100%
Operating loss	(407)	(742)	(742)	(1,015)
Depreciation & amortization	51	56	109	112
Accounts receivable – net	940	1,103	940	1,103
Intangible assets – net	287	406	287	406
Goodwill	24	24	24	24
Total assets	4,616	2,499	4,616	2,499
<b>Contract Staffing Services</b>				
Industrial services revenue – net	6,194	7,056	13,087	15,432
Professional services revenue – net	1,664	2,307	3,840	4,792
Industrial services gross margin	10.0%	11.4%	10.6%	11.9%
Professional services gross margin	31.6%	31.9%	31.6%	33.7%
Operating (loss) income	\$ (320)	\$ (40)	\$ (212)	\$ 433
Depreciation and amortization	61	66	128	131
Accounts receivable net – industrial services	4,234	4,316	4,234	4,316
Accounts receivable net – professional services	830	1,001	830	1,001
Intangible assets – net	1,434	1,638	1,434	1,638
Goodwill	1,082	1,082	1,082	1,082
Total assets	5,748	8,163	5,748	8,163
<b>Consolidated</b>				
Revenue –net	\$ 9,634	\$ 11,422	\$ 20,441	\$ 24,439
Operating loss	(727)	(782)	(954)	(582)
Depreciation and amortization	112	122	238	243
Total accounts receivable – net	6,004	6,420	6,004	6,420
Intangible assets – net	1,721	2,044	1,721	2,044
Goodwill	1,106	1,106	1,106	1,106
Assets from continuing operations	10,364	10,662	10,364	10,662
Assets from discontinued operations	229	549	229	549
Total assets	\$ 10,593	\$ 11,211	\$ 10,593	\$ 11,211

**12. Discontinued Operations**

As of July 7, 2013, the Board of Directors of General Employment Enterprises, Inc. determined that the best course of action related to the Agricultural Division was to terminate operations and to liquidate the Division's assets and to focus the business on the light industrial and professional divisions. On July 7, 2013, all staffing was discontinued and the entire operations of the Agricultural Division were discontinued as of August 1, 2013. All employees have been terminated and an expense of approximately \$100,000 was recognized as of June 30, 2013.

(In Thousands)	Three Months Ended March,		Six Months Ended March,	
	2014	2013	2014	2013
<b>Discontinued Operations</b>				
Agricultural services revenue – net	\$ -	\$ 2,130	\$ -	\$ 3,756
Agricultural services gross margin	0%	3.4%	0%	3.6%
Agricultural services net loss	-	(36)	-	(50)
Accounts receivable net – Agricultural services	\$ 229	\$ 549	\$ 229	\$ 549
Fixed assets – Agricultural services	-	0	-	0
Total assets – Agricultural services	\$ 229	\$ 549	\$ 229	\$ 549
Total liabilities – Agricultural services	\$ -	\$ 40	\$ -	\$ 40

The Company continued to pay the former head of the Agricultural Division for a period of six months and sell him the property and equipment for approximately \$9,000. The Company expects to collect the receivables over a period of the next three to six months.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.****Overview**

General Employment Enterprises, Inc. (the "Company") was incorporated in the State of Illinois in 1962 and is the successor to employment offices doing business since 1893. The Company provides the following distinctive services: (a) professional placement services specializing in the placement of information technology, engineering, and accounting professionals for direct hire and contract staffing and (b) temporary staffing services in light industrial staffing.

The Company provides staffing services through a network of branch offices located in major metropolitan areas throughout the United States. The Company's professional staffing services provide information technology, engineering and accounting professionals to clients on either a regular placement basis or a temporary contract basis. The Company's industrial staffing business provides weekly temporary staffing for light industrial clients in Ohio and Pennsylvania.

Management has implemented a strategy which included cost reduction efforts as well as identifying strategic acquisitions, financed primarily through the issuance of common stock, to improve the overall profitability and cash flows of the Company. We believe our current segments complement one another and position us for future growth.

As of July 7, 2013, the Company's Board of Directors determined that the best course of action related to the Agricultural Division was to terminate operations, to liquidate its assets, and to focus the business on the light industrial and professional divisions. On July 7, 2013, all staffing was discontinued and the entire operations of the Agricultural Division were discontinued as of August 1, 2013.

**Results of Operations – Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013****Results of Operations***Net Revenues*

Consolidated net revenues are comprised of the following:

(In thousands)	Three Months Ended March 31,			
	2014	2013	\$ change	% change
Placement Services	\$ 1,776	\$ 2,058	\$ (282)	(14)%
Professional Contract Services	1,664	2,307	(643)	(28)
Industrial Contract Services	6,194	7,056	(862)	(13)
Consolidated Net Revenues	\$ 9,634	\$ 11,421	\$ (1,787)	(16)%

Consolidated net revenues decreased approximately \$1,787,000 or 16% compared with the same period last year. The decrease in revenue was primarily due to the elimination of certain customers in Light Industrial, a lower number of professional service consultants and the rebuilding of the middle management of the Company, which was required after prior management had caused significant disruptions to normal operations. Management has changed certain compensation plans and begun a new campaign to increase the number of consultants by over 40% in the next three months. Management does not expect immediate increases, however does expect to have these new consultants producing within 90 days and has implemented a new National strategy for larger clients, which the Company has never had in the past. In addition, management is aggressively looking at opportunities for Light Industrial to expand outside of Ohio. Our month over month revenue continues to increase slowly as we implement our new growth strategies.

*Cost of Contract Services*

Cost of services includes wages and the related payroll taxes and employee benefits of the Company's employees while they work on contract assignments. Cost of contract services for the three month period ended March 31, 2014 decreased by approximately 15% to approximately \$6,713,000 compared with the prior period of approximately \$7,884,000. Cost of contract services, as a percentage of contract revenue, for the three month period ended March 31, 2014 increased approximately 1% to 70% compared with the prior period of approximately 69%. The change in the gross margin is related to the decrease in Placement Services revenue and the significant increase to our Ohio workers compensation expense. The Company is in the process of increasing our billing rates in 2014 to account for the increases in workers compensation and the Affordable Care Act costs, however management believes that the overall gross margin will decrease as the Company will not be able to increase the rates and maintain the same profit margins as it has in the past.

Gross Profit percentage by segment:

<b>Gross Profit Margin %</b>	Three Months Ended	Three Months Ended
	March 31, 2014	March 31, 2013
Direct hire placement services	100%	100%
Industrial contract services	10.0%	11.4%
Professional contract services	31.6%	31.9%
Combined Gross Profit Margin % (1)	30.3%	13.4%

(1) Includes gross profit from direct hire placements, which all associated costs are recorded as selling, general and administrative expenses.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses include the following categories:

- Compensation in the operating divisions, which includes commissions earned by the Company's employment consultants and branch managers on permanent and temporary placements. It also includes salaries, wages, unrecovered advances against commissions, payroll taxes and employee benefits associated with the management and operation of the Company's staffing offices.
- Administrative compensation, which includes salaries, wages, payroll taxes and employee benefits associated with general management and the operation of the finance, legal, human resources and information technology functions.
- Recruitment advertising, which includes the cost of identifying job applicants.
- Occupancy costs, which includes office rent, depreciation and amortization, and other office operating expenses.
- Other selling, general and administrative expenses, which includes travel, bad debt expense, fees for outside professional services and other corporate-level expenses such as business insurance and taxes.

The Company's largest selling, general and administrative expense is for compensation in the operating divisions. Most of the Company's employment consultants are paid on a commission basis and receive advances against future commissions. When commissions are earned, prior advances are applied against them and the consultant is paid the net amount. At that time, the Company recognizes the full amount as commission expense, and advance expense is reduced by the amount recovered. Thus, the Company's advance expense represents the net amount of advances paid, less amounts applied against commissions.

Selling, general and administrative expenses for the three months ended March 31, 2014 decreased by approximately \$716,000 or 17% compared to the same period last year. The decrease was primarily related to the decrease in sales and management's efforts to reduce costs and eliminate unnecessary expenses. Overall expenses are expected to stabilize during the fiscal year 2014 and slightly decrease as the Company is able to capitalize on the consolidation of the prior acquisitions.

*Interest Expense*

Interest expense for the three months ended March 31, 2014, increased \$42,000, or 91% compared with the same period last year, primarily as a result of higher borrowings, \$17,000 related to the debt default and interest expense related to the extended payments of our earn out liability.

*Discontinued Operations*

As a result of terminating our Agricultural Division in July of 2013, we have reclassified the operations of that division to loss from discontinued operations, in the accompanying statement of operations. For the three months ended March 31, 2013 the Company recognized a loss of \$36,000 for this division. There continues to be approximately \$229,000 of accounts receivable related to this division that management believes will be collected in 2014, however, if we are unable to collect this receivable, it would result in an additional \$229,000 of expense.

*Taxes*

There were no benefits for income taxes as a result of the pretax losses incurred during the periods because there was not sufficient assurance that future tax benefits would be realized.

**Results of Operations – Six Months Ended March 31, 2014 Compared to the Six Months Ended March 31, 2013****Results of Operations***Net Revenues*

Consolidated net revenues are comprised of the following:

(In thousands)	Six Months Ended March 31,		\$ change	% change
	2014	2013		
Placement Services	\$ 3,514	\$ 4,214	\$ (700)	(17)%
Professional Contract Services	3,840	4,792	(952)	(20)
Industrial Contract Services	13,087	15,432	(2,345)	(16)
Consolidated Net Revenues	\$ 20,441	\$ 24,438	\$ (3,997)	(17)%

Consolidated net revenues decreased approximately \$3,997,000 or 17% compared with the same period last year. The decrease in revenue was primarily due to the increase in the prior year for work performed related to Hurricane Sandy. There was a significant amount of unskilled work performed in the New York and New Jersey area for cleanup of the devastated areas. A significant number of IT and engineering professionals were also needed on both a contract and permanent basis due to the devastation of the storm. In addition there were several customers eliminated in Light Industrial, a lower number of professional service consultants and the rebuilding of the middle management of the Company, which was required after prior management had caused significant disruptions to normal operations. Management has changed certain compensation plans and begun a new campaign to increase the number of consultants by over 40% in the next three months. Management does not expect immediate increases, however does expect to have these new consultants producing within 90 days and has implemented a new National strategy for larger clients, which the Company has never had in the past. In addition, management is aggressively looking at opportunities for Light Industrial to expand outside of Ohio. Our month over month revenue continues to increase slowly as we implement our new growth strategies.

*Cost of Contract Services*

Cost of services includes wages and the related payroll taxes and employee benefits of the Company's employees while they work on contract assignments. Cost of contract services for the six month period ended March 31, 2014 decreased by approximately 15% to approximately \$14,325,000 compared with the prior period of approximately \$16,768,000. Cost of contract services, as a percentage of contract revenue, for the six month period ended March 31, 2014 increased approximately 1% to 70% compared with the prior period of approximately 69%. The change in the gross margin is related to the decrease in Placement Services revenue and the significant increase in workers compensation. The Company is in the process of increasing our billing rates in 2014 to account for the increases in workers compensation and the Affordable Care Act costs, however management believes that the overall gross margin will decrease as the Company will not be able to increase the rates and maintain the same profit margins as it has in the past.

Gross Profit percentage by segment:

<b>Gross Profit Margin %</b>	<u>Six Months Ended</u> <u>March 31, 2014</u>	<u>Six Months Ended</u> <u>March 31, 2013</u>
Direct hire placement services	100%	100%
Industrial contract services	10.6%	11.9%
Professional contract services	31.6%	33.7%
Combined Gross Profit Margin % (1)	29.9%	15.0%

(2) Includes gross profit from direct hire placements, which all associated costs are recorded as selling, general and administrative expenses.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses include the following categories:

- Compensation in the operating divisions, which includes commissions earned by the Company's employment consultants and branch managers on permanent and temporary placements. It also includes salaries, wages, unrecovered advances against commissions, payroll taxes and employee benefits associated with the management and operation of the Company's staffing offices.
- Administrative compensation, which includes salaries, wages, payroll taxes and employee benefits associated with general management and the operation of the finance, legal, human resources and information technology functions.
- Occupancy costs, which includes office rent, depreciation and amortization, and other office operating expenses.
- Recruitment advertising, which includes the cost of identifying job applicants.
- Other selling, general and administrative expenses, which includes travel, bad debt expense, fees for outside professional services and other corporate-level expenses such as business insurance and taxes.

The Company's largest selling, general and administrative expense is for compensation in the operating divisions. Most of the Company's employment consultants are paid on a commission basis and receive advances against future commissions. When commissions are earned, prior advances are applied against them and the consultant is paid the net amount. At that time, the Company recognizes the full amount as commission expense, and advance expense is reduced by the amount recovered. Thus, the Company's advance expense represents the net amount of advances paid, less amounts applied against commissions.

Selling, general and administrative expenses for the six months ended March 31, 2014 decreased by approximately \$1,277,000 or 17% compared to the same period last year. The decrease was primarily related to the decrease in sales and management's efforts to reduce costs and eliminate unnecessary expenses. Overall expenses are expected to stabilize during the fiscal year 2014 and slightly decrease as the Company is able to capitalize on the consolidation of the acquisitions.

*Interest Expense*

Interest expense for the six months ended March 31, 2014, increased \$91,000, or 78% compared with the same period last year primarily as a result of higher borrowings, \$17,000 related to the debt default, and interest expense related to the extended payments of our earn out liability.

*Discontinued Operations*

As a result of terminating our Agricultural Division in July of 2013, we have reclassified the operations of that division to loss from discontinued operations, in the accompanying statement of operations. For the six months ended March 31, 2013 the Company recognized a loss of \$51,000 for this division. There continues to be approximately \$229,000 of accounts receivable related to this division that management believes will be collected in 2014, however, if we are unable to collect this receivable, it would result in an additional \$229,000 of expense.

*Taxes*

There were no benefits for income taxes as a result of the pretax losses incurred during the periods because there was not sufficient assurance that future tax benefits would be realized.

**Liquidity and Capital Resources**

The following table sets forth certain consolidated statements of cash flows data (in thousands):

	<u>For the Six Months Ended</u> March 31, 2014	<u>For the Six Months Ended</u> March 31, 2013
Cash flows used in operating activities	\$ (152)	\$ (335)
Cash flows used in investing activities	\$ (157)	\$ (180)
Cash flows provided by financing activities	\$ 442	\$ 188

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As of March 31, 2014, the Company had cash and cash equivalents of approximately \$494,000, which was an increase of approximately \$133,000 from approximately \$361,000 at September 30, 2013. Negative net working capital at March 31, 2014 was approximately \$1,088,000, as compared to negative net working capital of approximately \$781,000 for September 30, 2013. Shareholders' equity as of March 31, 2014 was approximately \$2,142,000 which represented approximately 20% of total assets.

Net cash used in operating activities for the six months ended March 31, 2014 and 2013 was (\$152,000) and (\$335,000), respectively. The fluctuation is due to timing of our accounts receivable collections and payments of accounts payable and payroll accruals.

Net cash used in investing activities for the six months ended March 31, 2014 and 2013 was (\$157,000) and (\$180,000) respectively. The decrease was due to a higher amount of property and equipment acquired in the prior year offset by increased earn-out payment in fiscal 2014.

Net cash flow provided by financing activities for the six months ended March 31, 2014 was \$442,000 compared to \$188,000 in the six months ended March 31, 2013. Fluctuations in financing activities are attributable to the level of borrowings, and a sale of common stock of \$431,000 in 2014.

All of the Company's office facilities are leased. As of March 31, 2014, future minimum lease payments under non-cancelable lease commitments having initial terms in excess of one year, including closed offices, totaled approximately \$1,118,000.

On April 22, 2013, the Company finalized an Amendment to the Asset Purchase Agreement by and among DMCC Staffing, LLC, an Ohio limited liability company, RFFG of Cleveland, LLC an Ohio limited liability company (each a "Seller" and together, "Sellers"), the Company, and Triad Personnel Services, Inc., an Illinois corporation and wholly owned subsidiary of the Company ("Buyer").

The Company agreed to pay Sellers additional cash consideration of between \$550,000 and \$650,000 depending on the length of payments and 1,100,000 shares of common stock, in full satisfaction of all amounts owed to Seller, related to the Asset Purchase Agreement. The Company issued 1,100,000 shares of common stock on July 2, 2013, which was valued at approximately \$330,000. The Company elected to pay the cash amount due over two years. To date, the Company paid \$294,000 of the cash consideration noted above. The Company has approximately \$263,000 recorded in other current liabilities on the condensed consolidated balance sheet at March 31, 2014. There was approximately \$46,000 of interest recorded for the six month period ended March 31, 2014.

In connection with the completion of the sale of shares of common stock to PSQ in fiscal year 2009, the Company's then Chairman, Chief Executive Officer and President (the "former CEO") retired from those positions and his employment agreement with the Company was replaced by a new consulting agreement. On January 31, 2013, he retired from all positions with the Company, however he will continue to receive his monthly payments required under his consulting agreement. As of March 31, 2014, \$45,000 remains payable under this agreement and is include in accrued compensation.

On September 27, 2013, the Company entered into agreements with Keltic Financial Partners II LP ("Keltic") that provide the Company with long term financing through a six million dollar (\$6,000,000) secured revolving note (the "Note"). The Note has a term of three years and has no amortization prior to maturity. The interest rate for the Note is a fluctuating rate that, when annualized, is equal to the greatest of (A) the Prime Rate plus three and one quarter percent (6.55%), (B) the LIBOR Rate plus six and one quarter percent (6.25%), and (C) six and one half percent (6.50%), with the interest paid on a monthly basis. Loan advances pursuant to the Note are based on the accounts receivable balance and other assets. Upon execution of the Note, approximately three million fifty thousand dollars (\$3,050,000) was advanced for the full repayment of the AR Credit Facility and fees from Wells Fargo related to the early termination thereof. At the time of close, there was approximately nine hundred thousand (\$900,000) of availability under the new Note in excess of amounts paid to extinguish the debt and fees with Wells Fargo. The Company incurred certain cash expense and commitment fees related to obtaining the agreement of approximately \$170,000, which has been paid. The Note is secured by all of the Company's property and assets, whether real or personal, tangible or intangible, and whether now owned or hereafter acquired, or in which it now has or at any time in the future may acquire any right, title or interests. The Keltic facility includes certain covenants which require compliance until termination of the agreement. As of the date of this report, the Company was not in compliance with all such covenants.

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The Company has several administrative covenants and the following financial covenant:

The Company must maintain the following EBITDA:

- (a) The Fiscal Quarter ending on December 31, 2013, to be less than Three Hundred Seventy Thousand and 00/100 Dollars (\$370,000.00);
- (b) The six (6) consecutive calendar month period ending on March 31, 2014, to be less than Seven Hundred Fifteen Thousand and 00/100 Dollars (\$715,000.00);
- (c) The nine (9) consecutive calendar month period ending on June 30, 2014, to be less than One Million One Hundred Thirty Thousand and 00/100 Dollars (\$1,130,000.00);
- (d) The Fiscal Year ending on September 30, 2014, to be less than One Million Three Hundred Thousand and 00/100 Dollars (\$1,300,000.00); and
- (e) For any period commencing on or after October 1, 2014, no less than such amounts as are established by Lender for such period based on the annual financial projections including such period delivered by Borrower pursuant the agreement.

Borrower acknowledges and agrees that the above EBITDA covenant levels, and Lender's adjustment in accordance with the preceding sentence, have been established by Lender based on Borrower's operations as conducted on the Effective Date, and that any material change to such operations, whether by Strategic Acquisition or otherwise, will necessitate an adjustment by Lender of the above EBITDA covenant levels, and that Lender will make such adjustments in Lender's permitted discretion.

The agreement includes certain covenants which require compliance until termination of the agreement. As of the date of this report, the Company was not in compliance with all such covenants, as a result, Keltic has the following remedies for the continued default:

(a) Termination of Lending Obligations. Upon the occurrence and during the continuation of an Event of Default, Lender may, in Lender's sole discretion (i) terminate any or all Loans and correspondingly terminate its obligations to otherwise lend to or extend credit to Borrower under this Agreement, under any Note and/or any other Loan Document, without prior notice to Borrower, and/or (ii) increase the amount of interest payable on any Loan to the applicable Default Rate, and/or (iii) increase all fees payable to Borrower under this Agreement that may be increased upon the occurrence of an Event of Default pursuant to the terms of this Agreement, and/or (iv) demand payment in full of all or any portion of the Obligations or any Note (whether or not payable on demand prior to such Event of Default), and/or (v) take all other and further actions and avail itself of any and all rights and remedies available to Lender under this Agreement, any other Loan Document, under law or in equity.

(b) Obligations Immediately Due. Notwithstanding the provisions immediately above, upon the occurrence of any Event of Default, without notice, demand or other action by Lender (i) all of Borrower's Obligations to Lender shall immediately become due and payable whether or not payable on demand prior to such Event of Default, and (ii) all interest payable on the Obligations shall increase to the applicable Default Rate, and (iii) all fees payable to Borrower under this Agreement that may be increased upon the occurrence of an Event of Default shall increase to their applicable amount after an Event of Default, and (iv) Lender may take all other and further actions and avail itself of any and all rights and remedies available to Lender under this Agreement, any other Loan Document, under law or in equity.



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The Company continues to negotiate with Keltic for a waiver of certain covenants and the amendment of certain covenants. As of the date of this report, Keltic continues to lend the Company funds in the normal course of business under the agreement without an increase in the rate of interest or any other changes. Management will continue to work with Keltic to obtain the proper waivers and amendments to the agreement to ensure normal operations are not interrupted, however if management is not able to reasonably negotiate terms with Keltic, the Company could be required to obtain alternative financing, if available.

As of March 31, 2014, the outstanding borrowings, which are classified as short-term debt on the consolidated balance sheet, were approximately \$3,601,000. Total interest expense related to the lines of credit for the six months ended March 31, 2014, and March 31, 2013 approximated \$141,000 and \$93,000, respectively. As of March 31, 2014, the availability under the Keltic facility was approximately \$792,000.

On March 31, 2014, the Company entered into a Securities Purchase Agreement (the "SPA") with Aracle SPF I, LLC ("Aracle") pursuant to which Aracle has the right to acquire up to 12 units (the "Units"), for \$50,000 per Unit, with each Unit consisting of 250,000 shares of common stock (the "Shares") of the Company and 125,000 common stock purchase warrants (the "Warrants"). The Warrants are exercisable 6 months after issuance, have a term of 4 years, and have an exercise price of \$0.25 per warrant share. The SPA contains standard representations, warranties, and covenants. In addition, the SPA contains a price adjustment mechanism that requires the Company, with certain exceptions, to issue additional shares of common stock to the investor in the event the Company, within 12 months of the initial closing under the SPA, issues certain equity securities at a price per share less than \$0.20, provided, however, as long as the Company is listed on the NYSE MKT the total number of shares issuable under the foregoing adjustment provision may not exceed 19.9% of the Company's outstanding shares of common stock on March 30, 2014. Further, in the event the Company is delisted from NYSE MKT while Aracle owns at least 51% of the Shares issued to it under the SPA, the Company shall issue an additional 3,000,000 Shares to Aracle, and the 12 month price adjustment period shall be extended to 36 months. The Company agreed to appoint two new members to the Company's Board of Directors within 60 days of the initial closing, which new members are subject to the prior approval of Aracle. The Company granted Aracle piggyback registration rights with respect to the Shares and the shares of common stock underlying the Warrants.

Concurrently with entering into the SPA, the Company and Aracle conducted an initial closing thereunder, in which Aracle purchased 9.5 Units for \$475,000. The Company incurred certain expenses related to the SPA and the initial closing thereunder of approximately \$44,000, which were paid from the proceeds of the initial closing.

On April 16, 2014, the Company, Aracle and a second institutional investor (both companies referred to as "Investors"), have entered into certain Securities Purchase Agreements ("SPA") pursuant to which the Investors purchased 2.5 Units for \$125,000. The Company incurred certain expenses related to the SPA of approximately \$7,500, which were paid from the proceeds of this closing.

The Company is currently negotiating additional funding opportunity with third party investors. It is anticipated that the funding would be an additional equity investment or convertible instrument. Such funding is anticipated to occur during the Company's third quarter. No assurances can be made that this funding will be completed.

The Company believes that the borrowing availability under the Keltic facility will be adequate to fund our working capital needs. In recent years, the Company has incurred significant losses and negative cash flows from operations. Management has implemented a strategy which included cost reduction efforts as well as identifying strategic acquisitions, to be financed primarily through the issuance of common stock to improve the overall profitability and cash flows of the Company. Management believes with future cash flow from operations and the availability under the Keltic facility, the Company will have sufficient liquidity for the next 12 months.

Due to LEED HR purchasing a majority ownership during fiscal 2012 and the resulting change in control, the Company may be limited by Section 382 of the Internal Revenue Code as to the amount of net operating losses that may be used in future years.

### **Off-Balance Sheet Arrangements**

As of March 31, 2014, there were no transactions, agreements or other contractual arrangements to which an unconsolidated entity was a party, under which the Company (a) had any direct or contingent obligation under a guarantee contract, derivative instrument or variable interest in the unconsolidated entity, or (b) had a retained or contingent interest in assets transferred to the unconsolidated entity.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

### **Item 4. Controls and Procedures**

#### *Disclosure Controls and Procedures*

As of March 31, 2014, the Company's management evaluated, with the participation of its principal executive officer and its principal financial officer, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act"). Based on that evaluation, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2014.

#### *Changes in Internal Control over Financial Reporting*

There were no changes in the Company's internal control over financial reporting or in any other factors that could significantly affect these controls, during the Company's second quarter ended March 31, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

As of March 31, 2014, there were no material legal proceedings pending against the Company.

### **Item 1A. Risk Factors**

Not required.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In January 2014, the Company issued 100,000 shares of common stock to American Capital Ventures in consideration for services rendered through June 2014. The shares were valued at \$20,000, of which \$10,000 has been expensed to general and administrative expense, while the remaining \$10,000 has been recorded as an Other Asset and will be expensed in fiscal third quarter 2014 as services are rendered.

On March 31, 2014, General Employment Enterprises, Inc. (the "Company") and Aracle SPF I, LLC, a New York based fund ("Aracle") entered into a Securities Purchase Agreement (the "SPA") pursuant to which Aracle has the right to acquire up to 12 units (the "Units"), for \$50,000 per Unit, with each Unit consisting of 250,000 shares of common stock (the "Shares") of the Company and 125,000 common stock purchase warrants (the "Warrants"). The Warrants are exercisable 6 months after issuance, have a term of 4 years, and have an exercise price of \$0.25 per warrant share. The SPA contains standard representations, warranties, and covenants. In addition, the SPA contains a price adjustment mechanism that requires the Company, with certain exceptions, to issue additional shares of common stock to Aracle in the event the Company, within twelve months of the initial closing under the SPA, issues certain equity securities at a price per share less than \$0.20, provided, however, as long as the Company is listed on the NYSE MKT the total number of shares issuable under the foregoing adjustment provision may not exceed 19.9% of the Company's outstanding shares of common stock on March 30, 2014. Further, in the event the Company is delisted from NYSE MKT while Aracle owns at least 51% of the Shares issued to it under the SPA, the Company shall issue an additional 3,000,000 Shares to Aracle, and the 12 month price adjustment period shall be extended to 36 months. The Company agreed to appoint two new members to the Company's Board of Directors within 60 days of the initial closing, which new members are subject to the prior approval of Aracle. The Company granted Aracle piggyback registration rights with respect to the Shares and the shares of common stock underlying the Warrants.

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Concurrently with the Execution of the SPA the Company and Aracle conducted an initial closing thereunder, in which Aracle purchased 9.5 Units for \$475,000. The Units and the securities underlying the Units were issued to Aracle, an accredited investor, pursuant to the exemption from registration provided by Rule 506 of Regulation D as promulgated under the Securities Act of 1933, as amended, and other applicable exemptions. The issued securities will contain a standard restricted legend. The Company incurred certain expenses related to the SPA of approximately \$44,000, which were paid from the proceeds of the initial closing.

On April 16, 2014, the Company, Aracle and a second institutional investor (both companies referred to as “Investors”), have entered into certain Securities Purchase Agreements (“SPA”) pursuant to which the Investors purchased 2.5 Units for \$125,000. The Company incurred certain expenses related to the SPA of approximately \$7,500, which were paid from the proceeds of the initial closing.

The Shares and securities underlying Warrants were issued to the Investors, accredited investors, pursuant to the exemption from registration provided by Rule 506 of Regulation D as promulgated under the Securities Act of 1933, as amended, and other applicable exemptions. The issued securities will contain a standard restricted legend.

**Item 3. Defaults Upon Senior Securities**

As it relate to the Note agreement with Keltic, the agreement includes certain covenants which require compliance until termination of the agreement. As of the date of this report, the Company was not in compliance with all such covenants and as a result, Keltic has the following remedies for the continued default:

(c) Termination of Lending Obligations. Upon the occurrence and during the continuation of an Event of Default, Lender may, in Lender's sole discretion (i) terminate any or all Loans and correspondingly terminate its obligations to otherwise lend to or extend credit to Borrower under this Agreement, under any Note and/or any other Loan Document, without prior notice to Borrower, and/or (ii) increase the amount of interest payable on any Loan to the applicable Default Rate, and/or (iii) increase all fees payable to Borrower under this Agreement that may be increased upon the occurrence of an Event of Default pursuant to the terms of this Agreement, and/or (iv) demand payment in full of all or any portion of the Obligations or any Note (whether or not payable on demand prior to such Event of Default), and/or (v) take all other and further actions and avail itself of any and all rights and remedies available to Lender under this Agreement, any other Loan Document, under law or in equity.

(d) Obligations Immediately Due. Notwithstanding the provisions immediately above, upon the occurrence of any Event of Default, without notice, demand or other action by Lender (i) all of Borrower's Obligations to Lender shall immediately become due and payable whether or not payable on demand prior to such Event of Default, and (ii) all interest payable on the Obligations shall increase to the applicable Default Rate, and (iii) all fees payable to Borrower under this Agreement that may be increased upon the occurrence of an Event of Default shall increase to their applicable amount after an Event of Default, and (iv) Lender may take all other and further actions and avail itself of any and all rights and remedies available to Lender under this Agreement, any other Loan Document, under law or in equity.

The Company continues to negotiate with Keltic for a waiver of certain covenants and the amendment of certain covenants. As of the date of this report, Keltic continues to lend the Company funds in the normal course of business under the agreement without an increase in the rate of interest or any other changes. Management will continue to work with Keltic to obtain the proper waivers and amendments to the agreement to ensure normal operations are not interrupted, however if management is not able to reasonably negotiate terms with Keltic, the Company could be required to obtain alternative financing, if available.

**Item 4. Mine Safety Disclosures**

Not Applicable

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**Item 5. Other Information**

None.

**Item 6. Exhibits**

The following exhibits are filed as a part of Part I of this report:

<u>No.</u>	<u>Description of Exhibit</u>
<a href="#">10.1</a>	Securities Purchase Agreement by and between General Employment Enterprises, Inc. and Aracle SPF I, LLC dated March 31, 2014.
<a href="#">10.2</a>	First Amendment and Waiver to the Loan and Security Agreement between General Employment Enterprises, Inc. and Keltic Financial Partners II, LP, dated September 27, 2013
<a href="#">31.01</a>	Certifications of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
<a href="#">32.01</a>	Certifications of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act and Section 1350 of Title 18 of the United States Code.
101.INS	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

SIGNATURES

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

GENERAL EMPLOYMENT ENTERPRISES, INC.  
(Registrant)

Date : May 20, 2014

By: /s/ Andrew J. Norstrud  
Andrew J. Norstrud  
Principal Executive Officer  
(Principal Executive Officer)

By: /s/ Andrew J. Norstrud  
Andrew J. Norstrud  
Chief Executive Officer  
(Principal Financial and Accounting Officer)

**SECURITIES PURCHASE AGREEMENT**

This Securities Purchase Agreement (“**Agreement**”) is made as of the date indicated below on the acceptance page hereof, by and between **GENERAL EMPLOYMENT ENTERPRISES, INC.**, an Illinois corporation having its principal offices at 184 Shulman Blvd., Suite 420, Naperville, IL 60563 (the “**Company**”) and Aracle SPF I, LLC, a Delaware limited liability company the (“**Purchaser**”) whose name and address are set forth on the Signature Page to this Agreement. This Agreement may be executed by one or more Purchasers (if any) that subscribe hereby.

**RECITALS**

**A.** The Company desires to obtain funds from each Purchaser in order to provide working capital for marketing, acquisitions, expansion and to further the operations of the Company.

**B.** The Company is conducting a private offering (the “**Offering**”) of units (“**Units**” or “**Securities**”) consisting of up to 12 Units (each, a “**Unit**”), at a purchase price of \$50,000 per Unit (the “**Purchase Price**”) each Unit consisting of 250,000 shares of Common Stock (the “**Shares**”) and 125,000 Common Stock Purchase Warrants substantially in the form as annexed hereto as **Exhibit A**, (the “**Warrants**” and, the shares issuable upon exercise thereof, the “**Warrant Shares**”), for an aggregate offering amount of up to \$600,000 for up to 3,000,000 Shares and 1,500,000 Warrants. The Warrants shall have an exercise price equal to the greater of the book or market price of the Company’s common stock on the NYSE MKT on the day prior to the date this Agreement becomes binding on the parties (i.e. the date of execution) (collectively the Shares, the Warrants and, if and to the extent the Warrants are exercised, the Warrant Shares shall be referred to herein as the “**Securities**”). There is no minimum offering amount and no assurance can be made that the full offering amount will be invested.

**C.** Purchaser understands that there is a great deal of risk, illiquidity and uncertainty in the purchase of the Units herein. Purchaser understands that that the Company is required to raise substantial additional equity (at least \$1,600,000 in equity financing inclusive of this offering) in order to remain authorized for trading on the NYSE MKT and, that a delisting there from would have an immediate and material adverse effect on the Company and its stock price and liquidity.

**D.** The offering of Units is being made directly by the Company without any placement agents, the Purchaser which is a private fund comprised solely of Accredited Investors, as defined in Rule 506 of Regulation D of the Securities Act, as amended, on a “best efforts \$600,000 maximum” basis.

**E.** There is no escrow agent in this offering and moneys will not be held in any segregated or secured account pending acceptance or rejection. Accordingly, there is also no minimum offering amount and your funds reflecting the Purchase Price will become immediately available for use by the Company and susceptible to rights of third party creditors without protection. Purchaser will not have an opportunity to approve of a Closing / subscription acceptance, or to request refund of any moneys submitted to the until such time as subscriptions are accepted or rejected or a Termination Date occurs. Purchaser acknowledges and agrees that its subscription(s) are irrevocable and binding commitments on the part of the Purchaser and that once their funds have been tendered with the appropriate subscription documents the Company may utilize and disburse funds and conduct a Closing and issue to Purchaser their respective Securities without any advanced consent or notice to Purchaser or the Company. The Company may reject any subscriptions in whole or in part for any reason or for no reason to return funds to the Purchaser to the extent of such non accepted funds, or, retains the right to hold the same for acceptance or rejection at a future closing, until termination of the offering, at which time, any unused subscription funds shall be returned to Purchaser.

## AGREEMENT

It is agreed as follows:

### 1. PURCHASE AND SALE OF UNITS.

1.1 Purchase and Sale. In reliance upon the representations and warranties of the Company and Purchaser contained herein and subject to the terms and conditions set forth herein, at Closing, Purchaser shall purchase, and the Company shall sell and issue to Purchaser, 9.5 Units, at a negotiated purchase price (the "**Purchase Price**") of \$50,000 per Unit (i.e. \$0.20 per Share and half Warrant) for an aggregate Purchase Price of \$475,000 for 2,375,000 Shares and 1,187,500 Warrants. Partial Units may be accepted at the discretion of the Company and Purchaser. The Purchase Price and number of Shares (but not the number of Warrants) issued hereby may be adjusted as provided herein in Section 5 below. Purchaser or other Purchasers may subscribe for additional Units from time to time until the maximum offering amount is sold.

### 2. CLOSING.

2.1 Date and Time. The sale of Units will take place in one or more closings ("**Closing**"), subject to the satisfaction of all the parties hereto of their obligations herein. The Purchaser shall submit an executed copy of this Agreement to the Company along with the Purchase Price which shall be deposited with the Company or its attorneys for the Company. The Closing of the sale of Units contemplated by this Agreement shall take place from time to time as subscriptions are received, and only if and as Purchaser requests disbursement of the funds in escrow to the Company. The Closing shall take place at the offices of the Company or at such other place as the Company shall agree in writing (each, a "**Closing Date**") on or before March 31, 2014 (the "**Termination Date**"). Subscriptions that are not accepted will be returned with any funds (less wire fees). The Termination Date may be extended for up to two weeks upon consent of the Purchaser and Company.

2.2 No Escrow Agent. There is no escrow agent and no minimum offering amount. Purchaser understands and acknowledges that the Company may or may not raise capital other than their own subscription and, that the Company may accept subscriptions from Purchaser as well as other Purchasers (if any) at any time. Purchaser acknowledges and agrees that their subscriptions are irrevocable and binding commitments on the part of the Purchaser and that once their funds have been tendered to the Company with the appropriate subscription documents and their subscription received. The Company may reject any subscriptions in whole or in part for any reason or for no reason and shall return funds to the Purchaser to the extent of such non accepted funds, or, retains the right to hold the same for acceptance or rejection at a future closing, until the Termination Date of the offering, at which time, any unused subscription funds shall be returned to Purchaser.

### 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

As a material inducement to Purchaser to enter into this Agreement and to purchase the Units, the Company represents and warrants that the following statements are true and correct in all material respects as of the date hereof and will be true and correct in all material respects at Closing, except as expressly qualified or modified herein.

3.1 Organization and Good Standing. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Illinois and has full corporate power and authority to enter into and perform its obligations under this Agreement, and to own its properties and to carry on its business in all jurisdictions as presently conducted and as proposed to be conducted. The Company and its subsidiaries have all government and other licenses and permits and authorizations to do business in all jurisdictions where their activities require such license, permits and authorizations, except where failure to obtain any such license, permit or authorization will not have a Material Adverse Effect, as defined herein. The Company's subsidiaries and their jurisdiction of organization are as set forth on Schedule 3.1.

3.2 Capitalization. As of January 31, 2014, the Company is authorized to issue 200,000,000 shares of Common Stock, of which, approximately 22,000,000 shares were issued and outstanding, and 20,000,000 shares of “blank check” preferred stock authorized, of which no shares have been designated and are issued and outstanding. All outstanding shares of the Company’s capital stock have been duly authorized and validly issued, and are fully paid, non-assessable, and free of any preemptive rights. There is only one class and series of common stock of the Company, without any special series, rights, preferences or designations assigned to any particular shares of Common Stock. The Company does not have any outstanding notes, convertible debt, derivative securities or notes other than as *specifically* set forth on Schedule 3.2 annexed hereto.

3.3 Authorization and Enforcement. This Agreement and any other agreements delivered together with this Agreement or in connection herewith (collectively “**Transaction Documents**”) have been duly authorized, executed and delivered by the Company and are valid and binding agreements of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors’ rights generally and to general principles of equity. The Company has full corporate power and authority necessary to enter into and deliver the Transaction Documents and to perform its obligations hereunder and thereunder.

3.4 Reservation and Valid Issuance of Securities. Upon payment of the Purchase Price and issuance of the Shares and Warrants, said Shares and Warrants will be duly authorized, validly issued fully paid and non-assessable, and the Warrants will be fully enforceable as against the Company. The Company will reserve 1.5 times (150%) of the number of shares into which the Warrants are initially exercisable, and will increase the amount of shares reserved for issuance in the event of any adjustment required to satisfy the Warrant exercise terms from time to time. The Warrant Shares issuable upon exercise of the Warrants pursuant to terms of the Warrants will be duly authorized, validly issued, fully paid and non-assessable. The Warrants will be, free and clear of any security interests, liens, claims or other encumbrances, other than restrictions upon transfer under federal and state securities laws. The shares of each Subsidiary are duly authorized, validly issued, fully paid and non assessable and held by the Company which has sole, and unencumbered marketable title and is the sole owner.

3.5 No Conflict, Breach, Violation or Default; Third Party Consents. The execution, delivery and performance of the Transaction Documents by the Company and the issuance and sale of the Securities will not conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under (i) the Company’s Articles of Incorporation or the Company’s Bylaws, both as in effect on the date hereof (collectively, the “**Company Documents**”), (ii) any shareholder agreement or voting agreement to which any officer, director or holder of more than 5% of the Company’s securities is a party to, or (iii) any statute, rule, regulation or order of any governmental agency, self regulatory agency, securities regulatory or insurance regulatory agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its assets or properties, or (iv) any material agreement or instrument to which the Company is a party or by which the Company is bound or to which any of its assets or properties is subject; except in the case of each of clauses (iii) and (iv), such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. No approval of or filing with any governmental authority or other third party entity or person (other than the board of directors of the Company on behalf of the Company and approvals or and filings with the NYSE MKT) is required for the Company to enter into, execute or perform this Agreement or any Transaction Document.

3.6 No Material Adverse Change. Since December 31, 2013, except as identified and described in the SEC Reports (as defined below) or in Schedule 3.6, there has not been:

(i) any change in the assets, liabilities, financial condition or operating results of the Company from that reflected in the financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2013 except for changes in the ordinary course of business which have not had and could not reasonably be expected to have a material adverse effect on the Company's assets, properties, financial condition, operating results or business of the Company taken as a whole other than an effect primarily or proximately resulting from (A) changes in general economic or market conditions affecting the industry generally in which the Company operates, which changes do not disproportionately affect the Company as compared to other similarly situated participants in the industry in which the Company operates; (B) changes in applicable law or GAAP; and (C) acts of terrorism, war or natural disasters which do not disproportionately affect the Company (as such business is presently conducted) (a "**Material Adverse Effect**"), individually or in the aggregate;

(ii) any declaration or payment of any dividend, or any authorization or payment of any distribution, on any of the capital stock of the Company, or any redemption or repurchase of any securities of the Company;

(iii) any material damage, destruction or loss, whether or not covered by insurance, to any assets, licenses, government permits, self regulatory agency permit or license, or properties of the Company;

(iv) any waiver, not in the ordinary course of business, by the Company of a material right or of a material debt owed to it;

(v) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and which has not had a Material Adverse Effect;

(vi) any change or amendment to Company documents, or material change to any material contract or arrangement by which the Company is bound or to which any of its assets or properties is subject;

(vii) any material labor difficulties, labor disputes, non-compete or similar disputes, or labor union organizing activities with respect to employees of the Company;

(viii) any material transaction entered into by the Company other than in the ordinary course of business;

(ix) the loss of the services of any key employee, salesperson, or material change in the composition or duties of the senior management of the Company;

(x) the loss or threatened loss of any customer which has had or could reasonably be expected to have a Material Adverse Effect;

(xi) any default of any indebtedness or, to the knowledge of the Company, breach of contract agreement, in each case with aggregate liabilities of greater than \$50,000; or

(xii) any other event or condition of any character that has had or could reasonably be expected to have a Material Adverse Effect.



### 3.7 SEC Reports and Financial Statements.

3.7.1 The Company has made available to each Purchaser through the SEC's EDGAR system accurate and complete copies (excluding copies of exhibits) of each report, registration statement, and definitive proxy statement filed by the Company with the United States Securities and Exchange Commission ("SEC") since December 31, 2012 (collectively, the "SEC Reports"). All statements, reports, schedules, forms and other documents required to have been filed by the Company with the SEC have been so filed. To the Company's Knowledge, as of the time it was filed with the SEC (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing): (i) each of the SEC Reports complied in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934 (the "1934 Act"), as amended; and (ii) none of the SEC Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

3.7.2 Except for the pro forma financial statements, if any, the financial statements contained in the SEC Reports: (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto at the time of filing and as of the date of each Closing; (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered (except as may be indicated in the notes to such financial statements and, in the case of unaudited statements, as permitted by Form 10-Q of the SEC, and except that unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end audit adjustments which will not, individually or in the aggregate, be material in amount); and (iii) fairly present, in all material respects, the financial position of the Company as of the respective dates thereof and the results of operations of the Company for the periods covered thereby, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. All adjustments considered necessary for a fair presentation of the financial statements have been included.

3.8 Securities Law Compliance. Assuming the accuracy of the representations and warranties of each Purchaser (and all other Purchasers in this offering), set forth in Section 4 of this Agreement, the offer and sale of the Securities comprising the Units will constitute an exempted transaction under the Securities Act, and registration of the Shares, or Warrants under the Securities Act for issuance herein (or of the Warrant Shares for issuance upon exercise of the Warrants) is not required. The Company shall make such filings as may be necessary to comply with the Federal securities laws and the "blue sky" laws of any state in connection with the offer and sale of the Securities, which filings will be made in a timely manner.

3.9 Tax Matters. The Company has timely prepared and filed all tax returns required to have been filed by the Company with all appropriate governmental agencies and timely paid all taxes shown thereon or otherwise owed by it. The charges, accruals and reserves on the books of the Company in respect of taxes for all fiscal periods are adequate in all material respects, and there are no material unpaid assessments against the Company nor, to the Company's Knowledge, any basis for the assessment of any additional taxes, penalties or interest for any fiscal period or audits by any federal, state or local taxing authority except for any assessment which is not material to the Company, taken as a whole. All taxes and other assessments and levies that the Company is required to withhold or to collect for payment have been duly withheld and collected and paid to the proper governmental entity or third party when due. There are no tax liens or claims pending or, to the Company's Knowledge, threatened against the Company or any of its assets or property. There are no outstanding tax sharing agreements or other such arrangements between the Company or other corporation or entity. For the purposes of this agreement, "**Company's Knowledge**" means the actual knowledge of the executive officers (as defined in Rule 405 under the Securities Act) of the Company.

3.10 Title to Properties. Except as disclosed in the SEC Reports, the Company has good and marketable title to all real properties and all other properties and assets owned by it, in each case free from liens, encumbrances and defects that would materially affect the value thereof or materially interfere with the use made or currently planned to be made thereof by them; and except as disclosed in the SEC Reports, the Company holds any leased real or personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or currently planned to be made thereof by them.

3.11 Intellectual Property.

Except as provided in the SEC Reports:

(i) All Intellectual Property of the Company or its Subsidiaries is currently in compliance with all legal requirements (including timely filings, proofs and payments of fees) and is valid and enforceable. No Intellectual Property of the Company which is necessary for the conduct of Company's businesses as currently conducted has been or is now involved in any cancellation, dispute or litigation, and, to the Company's Knowledge, no such action is threatened.

(ii) All of the licenses and sublicenses and consent, royalty or other agreements concerning Intellectual Property which are necessary for the conduct of the Company's business as currently conducted to which the Company is a party or by which any of its assets are bound (other than generally commercially available, non-custom, off-the-shelf software application programs having a retail acquisition price of less than \$10,000 per license) (collectively, "**License Agreements**") are valid and binding obligations of the Company and, to the Company's Knowledge, the other parties thereto, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally, and there exists no event or condition which will result in a material violation or breach of or constitute (with or without due notice or lapse of time or both) a default by the Company under any such License Agreement.

(iii) The Company owns or has the valid right to use all of the Intellectual Property that is necessary for the conduct of the Company's business as currently conducted and for the ownership, maintenance and operation of the Company's properties and assets, free and clear of all liens, encumbrances, adverse claims or obligations to license all such owned Intellectual Property and Confidential Information, other than licenses entered into in the ordinary course of the Company's business. The Company has a valid and enforceable right to use all third party Intellectual Property and Confidential Information used or held for use in the business of the Company.

(iv) To the Company's Knowledge, the conduct of the Company's business as currently conducted does not infringe or otherwise impair or conflict with (collectively, "**Infringe**") any Intellectual Property rights of any third party or any confidentiality obligation owed to a third party, and, to the Company's Knowledge, the Intellectual Property and Confidential Information of the Company which are necessary for the conduct of the Company's business as currently conducted are not being Infringed by any third party. There is no litigation or order pending or outstanding or, to the Company's Knowledge, threatened or imminent, that seeks to limit or challenge or that concerns the ownership, use, validity or enforceability of any Intellectual Property or Confidential Information of the Company and the Company's use of any Intellectual Property or Confidential Information owned by a third party, and, to the Company's Knowledge, there is no valid basis for the same.

(v) The consummation of the transactions contemplated hereby and by the other Transaction Documents will not result in the alteration, loss, impairment of or restriction on the Company's ownership or right to use any of the Intellectual Property or Confidential Information which is necessary for the conduct of the Company's business as currently conducted.

(vi) The Company has taken reasonable steps to protect the Company's rights in its Intellectual Property and Confidential Information. To the Company's Knowledge there has been no material disclosure of any Confidential Information to any third party.

3.12 Environmental Matters. To the Company's Knowledge, the Company (i) is not in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**Environmental Laws**"), (ii) does not own or operate any real property contaminated with any substance that is subject to any Environmental Laws, (iii) is not liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (iv) is not subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim has had or could reasonably be expected to have a Material Adverse Effect, individually or in the aggregate; and there is no pending or, to the Company's Knowledge, threatened investigation that might lead to such a claim.

3.13 Litigation. Except as disclosed in Schedule 3.13, there are no pending material actions, suits or proceedings against or affecting the Company, or any of its properties; and to the Company's Knowledge, no such actions, suits or proceedings are threatened or contemplated against the Company.

3.14 No Directed Selling Efforts or General Solicitation. Neither the Company nor any Person, as defined below, acting on its behalf has conducted any general solicitation or general advertising (as those terms are used in Regulation D) in connection with the offer or sale of any of the Securities. "**Person**" means any individual, corporation, company, limited liability company, partnership, limited liability partnership, trust, estate, proprietorship, joint venture, association, organization or entity.

3.15 No Integrated Offering. Neither the Company nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any Company security or solicited any offers to buy any security, under circumstances that would adversely affect reliance by the Company on Section 4(a)(2) for the exemption from registration for the transactions contemplated hereby or would require registration of the Securities under the Securities Act. For purposes of this Agreement, "**Affiliate**" means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries Controls, is controlled by, or is under common control with, such Person.

3.16 Questionable Payments. To the best of Company's Knowledge, none of its current or former stockholders, directors, officers, employees, agents or other Persons acting on behalf of the Company, has on behalf of the Company or in connection with its business: (i) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payments to any governmental officials or employees from corporate funds; (iii) established or maintained any unlawful or unrecorded fund of corporate monies or other assets; (iv) made any false or fictitious entries on the books and records of the Company; or (v) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

3.17 Transactions with Affiliates. Except as disclosed in the SEC Reports, none of the officers or directors of the Company and, to the Company's Knowledge, none of the employees of the Company is presently a party to any transaction with the Company (other than as holders of stock options and/or warrants, and for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the Company's Knowledge, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

3.18 Internal Controls. Except as set forth in the SEC Reports, the Company is in material compliance with the provisions of the Sarbanes-Oxley Act of 2002 currently applicable to the Company except where such noncompliance could not have or reasonably be expected to result in a Material Adverse Effect. The Company maintains, and will use commercially reasonable best efforts to continue to maintain, a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements and to maintain asset accountability both in conformity with GAAP and the applicable provisions of the 1934 Act, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as set forth in the SEC Reports, the Company has established disclosure controls and procedures (as defined in the 1934 Act Rules 13a-14 and 15d-14) and designed such disclosure controls and procedures to ensure that material information relating to the Company, including the subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which the Company's most recently filed period report under the 1934 Act, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of the end of the period covered by the most recently filed periodic report under the 1934 Act (such date, the "**Evaluation Date**"). The Company presented in its most recently filed periodic report under the 1934 Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 308 of Regulation S-K for smaller reporting companies) or, to the Company's Knowledge, in other factors that could significantly affect the Company's internal controls.

3.19 Disclosures. Neither the Company nor any Person acting on its behalf has provided the Purchasers or their agents or counsel with any information that constitutes or might constitute material, non-public information. The written materials delivered to the Purchaser in connection with the transactions contemplated by the Transaction Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

3.20 No Market Manipulation. The Company and its Affiliates have not taken, and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Securities or affect the price at which the Securities may be issued or resold.

3.21 Information Concerning Company. The SEC Reports and Transaction Documents contain all material information relating to the Company and its operations and financial condition as of their respective dates which information is required to be disclosed therein. Since the date of the financial statements included in the Reports, and except as modified in the Transaction Documents, or in the Schedules hereto, there has been no Material Adverse Effect relating to the Company's business, financial condition or affairs not disclosed in the SEC Reports. The SEC Reports do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, taken as a whole, not misleading in light of the circumstances when made.

3.22 Stop Transfer. The Company will not issue any stop transfer order or other order impeding the sale, resale or delivery of any of the Securities, except as may be required by any applicable federal or state securities laws and unless contemporaneous notice of such instruction is given to the affected Purchaser.

3.23 No General Solicitation. Neither the Company, nor any of its Affiliates, nor to Company's Knowledge, any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the 1933 Act) in connection with the offer or sale of the Securities

3.24 Dilution. The Company's executive officers and directors understand the nature of the Securities being sold hereby and recognize that the issuance of the Securities will have a potential dilutive effect on the equity holdings of other holders of the Company's equity or rights to receive equity of the Company. The Board of Directors of the Company has concluded, in its good faith business judgment that the issuance of the Securities is in the best interests of the Company. The Company specifically acknowledges that its obligation to issue the Warrant Shares upon exercise of the Warrants, is binding upon the Company and enforceable regardless of the dilution such issuance may have on the ownership interests of other shareholders of the Company or parties entitled to receive equity of the Company.

3.25 Foreign Corrupt Practices. Neither the Company, nor to the Knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

3.26 OFAC. Neither Company, nor to the Company's Knowledge, any director, officer, agent, employee, Affiliate or Person acting on behalf of the same, is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and Seller will not directly or indirectly use the proceeds of the sale of the Common Stock, or lend, contribute or otherwise make available such proceeds to joint venture partner or other Person or entity, towards any sales or operations in Cuba, Iran, Syria, Sudan, Myanmar or any other country sanctioned by OFAC or for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC.

3.27 Anti-Money Laundering. The operations of the Company have been conducted at all times in compliance with the money laundering requirements of all applicable governmental authorities and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental authority (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental authority or any arbitrator involving Company with respect to the Money Laundering Laws is pending or, to the best knowledge of Company, threatened.

3.28 Third Party Beneficiaries. The Company acknowledges that the investors in Purchaser and its manager, are direct intended beneficiaries of the representations, warranties and covenants made hereby and in the other Transaction Documents by the Company.

#### 4. REPRESENTATIONS AND WARRANTIES OF EACH PURCHASER.

Each Purchaser individually and not jointly hereby represents warrants and covenants with the Company as follows. For avoidance of doubt, these warranties and representations are made to the Company and their agents and representatives and affiliates and other members of the selling group (if any) and their representatives and affiliates, as third party beneficiaries hereto:

4.1 Legal Power. Purchaser has the limited liability company power and is authorized to enter into this Agreement, to purchase the Shares and Warrants hereunder, and to carry out and perform its obligations under the terms of this Agreement or any other Transaction Documents to which it is a party.

4.2 Due Execution. The execution and performance of the terms under this Agreement and the Accredited Investor Questionnaire commencing Page SP-2 appended at the end of this Agreement (the “**Questionnaire**”)<sup>1</sup> and Purchaser Signature Page hereto, have been duly authorized, executed and delivered by such Purchaser, and, upon due execution and delivery by the Company, this Agreement will be a valid and binding agreement of such Purchaser.

4.3 Access to Information. **Purchaser understands that an investment in the Securities involves a high degree of risk and long term or permanent illiquidity, including, risk of loss of their entire investment.** Purchaser also understands that the **Company has received notice of delisting from the NYSE MKT as a result of its inadequate net capital and, that the Company will require at least \$1,600,000 (inclusive of this financing, or \$1,000,000 in addition, presuming the full offering amount is sold hereby) of additional equity financing in order to remain listed** and does not have any commitment therefore. Purchaser and its members and manager have been given full and complete access to the Company for the purpose of obtaining such information as such Purchaser or its qualified representative has reasonably requested in connection with the decision to purchase the Securities. Purchaser represents that such Purchaser and its investors have received and reviewed copies of the SEC Reports. Purchaser represents that such Purchaser has been afforded the opportunity to ask questions of the officers of the Company regarding its business prospects and the Shares and Warrants, all as Purchaser (or Purchaser’s investor’s representatives necessary to make an informed investment decision to purchase the Shares and Warrants.

#### 4.4 Restricted Securities.

4.4.1 Purchaser has been advised that none of the Securities have been registered under the Securities Act or any other applicable securities laws and that Shares are being offered and sold pursuant to Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D and/or Regulation S thereunder, and that the Company’s reliance upon Section 4(a)(2) and/or Rule 506 of Regulation D is predicated in part on such Purchaser representations as contained herein (including, for avoidance of doubt, the Questionnaire), which are partially dependant on the information provided by Purchasers’ investors. Each Purchaser acknowledges that the Securities will be issued as “restricted securities” as defined by Rule 144 promulgated pursuant to the Securities Act. None of the Securities may be resold in the absence of an effective registration thereof under the Securities Act and applicable state securities laws unless, in the opinion of counsel reasonably satisfactory to the Company, an applicable exemption from registration is available.

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<sup>1</sup> This document is not Appended.

4.4.2 Each Purchaser represents that such Purchaser is acquiring the Shares for such Purchaser's own account, and not as nominee or agent, for investment purposes only and not with a view to, or for sale in connection with, a distribution, as that term is used in Section 2(11) of the Securities Act, in a manner which would require registration under the Securities Act or any state securities laws.

4.4.3 Each Purchaser understands and acknowledges that the certificates representing the Shares and Warrants and, if issued, the Warrant Shares, will bear substantially the following legend:

“THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR APPLICABLE STATE LAW, AND NO INTEREST THEREIN MAY BE SOLD, DISTRIBUTED, ASSIGNED, OFFERED, PLEDGED OR OTHERWISE TRANSFERRED UNLESS (i) THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS COVERING ANY SUCH TRANSACTION INVOLVING SAID SECURITIES, (ii) THE COMPANY RECEIVES AN OPINION OF LEGAL COUNSEL REASONABLY SATISFACTORY TO THE COMPANY STATING THAT SUCH TRANSACTION IS EXEMPT FROM REGISTRATION, OR (iii) THE COMPANY OTHERWISE SATISFIES ITSELF THAT SUCH TRANSACTION IS EXEMPT FROM REGISTRATION.”

4.4.4 Each Purchaser acknowledges that an investment in the Shares and Warrants (and, if exercised, the Warrant Shares) is not liquid and is transferable only under limited conditions. Each Purchaser acknowledges that such securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser is aware of the provisions of Rule 144 promulgated under the Securities Act, which permits limited resale of restricted securities subject to the satisfaction of certain conditions and that such Rule is not now available and, in the future, may not become available for resale of any of the Securities.

4.5 Purchaser Sophistication and Ability to Bear Risk of Loss. Purchaser acknowledges that it is able to protect its interests in connection with the acquisition of the Securities and can bear the economic risk of investment in such securities without producing a material adverse change in such Purchaser's financial condition. Purchaser, either alone or with such Purchaser's representative(s), otherwise has such knowledge and experience in financial or business matters that such Purchaser is capable of evaluating the merits and risks of the investment in the Securities.

4.6 Purchases by Groups. Purchaser understands that it is acquiring greater than 5% of the Company's shares and that it will be required to file disclosure reports pursuant to Section 13 and Section 16 of the Rules of the 1934 Act. Purchaser is not otherwise purchasing with intent to control voting over the Company. Notwithstanding the foregoing, it is understood that any fund or entity purchaser may result in more than one person having beneficial ownership of the underlying securities. The Company shall cooperate with Purchaser in providing any information necessary to prepare and file the foregoing reports.

4.7 No Advertising. Each Purchaser has not received any general solicitation or advertising regarding the offer of the Units or any of the Securities.

4.9 [Omitted.]

4.10 [Omitted.]

4.11 [Omitted.]

4.12 Public Statements. The Purchaser agrees not to issue any public statement with respect to the Offering, Purchaser's investment or proposed investment in the Company or the terms of any agreement or covenant between them and the Company without the Company's prior written consent, except such disclosures as may be required under applicable law.

4.13 Acceptance or Rejection. The Purchaser understands, acknowledges and agrees with the Company that this subscription may be rejected, in whole or in part, by the Company, in the sole and absolute discretion of the Company, at any time before any Closing notwithstanding prior receipt by the Subscriber of notice of acceptance of the Purchaser's subscription, *provided, however*, that a full refund of any part of the Purchase Price tendered shall be a condition to such rejection, and provided further, however, that no Closing shall occur absent specific written consent and disbursement instructions of the Purchaser and the Company to the Escrow Agent that it wishes to close the financing.

4.14 Confidential. The Purchaser acknowledges that the information made available to the Purchaser other than the SEC Reports is confidential and non-public and agrees that all such information shall be kept in confidence by the Purchaser and neither used by the Purchaser for the Purchaser's personal benefit (other than in connection with this subscription) nor disclosed to any third party for any reason, notwithstanding that Purchaser's subscription may not be accepted by the Company or a Closing may not occur for any reason if not consented to by Purchaser; *provided, however*, that (a) the Purchaser may disclose such information to its affiliates and advisors who may have a need for such information in connection with providing advice to the Purchaser with respect to its investment in the Company so long as such affiliates and advisors have an obligation of confidentiality, and (b) this obligation shall not apply to any such information that (i) is part of the public knowledge or literature and readily accessible at the date hereof, (ii) becomes part of the public knowledge or literature and readily accessible by publication (except as a result of a breach of this provision), (iii) is being disclosed pursuant to a subpoena or court order or is otherwise required to be provided by law, or (iv) is received from third parties without an obligation of confidentiality (except third parties who disclose such information in violation of any confidentiality agreements or obligations, including, without limitation, any subscription or other similar agreement entered into with the Company).

4.15 The Purchaser understands that the Shares and Warrants being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Purchaser's compliance with, the representations, warranties, agreements, acknowledgements and understandings of such Subscriber set forth herein in order to determine the availability of such exemptions and the eligibility of such Subscriber to acquire the Units.

## 5. COVENANTS OF COMPANY.

5.1 Covenants of the Company. (a) The Company hereby covenants to maintain, reserved and authorized for issuance upon exercise of the Warrants, such number of Warrant Shares as equals 150% of the amount of shares that such Warrants are convertible into or exchangeable for at any time and from time to time. The Company hereby further agrees to take all further acts, including amending its charter or amending any filing with any exchange or quotation service in order to effectuate the foregoing.



(b) The Company covenants and agrees with the Purchaser Commencing after the initial Closing and continuing for so long as Purchaser owns at least 51% of the Shares issued in all Closings hereby (as adjusted for stock splits and similar adjustments), the Company may not take the following actions without consent of the Purchaser:

(i) make any loan or advance in excess of \$25,000 to any person or entity;

(ii) guarantee any indebtedness of any person or entity other than the Company or its wholly owned subsidiaries;

(iii) make any investment in securities other than US money market funds or FDIC insured CD accounts;

(iv) incur any aggregate indebtedness in excess of \$100,000 that is not already included in a Board-approved budget or that is part of the normal course of business, i.e. purchase of equipment;

(v) [Omitted.];

(vi) change the principal business of the Company, enter new lines of business, or exit the current line of business;

(vii) sell, assign, license, lease, pledge or encumber material technology or intellectual property except in the ordinary course of business, consistent with past practice;

(viii) enter into any corporate strategic relationship involving the payment contribution or assignment by the Company or to the Company, of assets greater than \$100,000;

(ix) create a subsidiary or decide to liquidate, dissolve, wind up, merge or consolidate the Company for a period of 5 years after the final Closing (unless, as provided in 5.1(b) above, the Purchaser no longer holds greater than 51% of the Shares acquired hereby);

(x) sell, lease, transfer, license or dispose of substantially all of the assets of the Company for a period of 5 years after the final Closing (unless, as provided in 6.4(b) above, the Purchaser no longer holds greater than 51% of the Shares acquired hereby), except that notwithstanding this subsection and subsection (ix) above, any merger, consolidation and/or sale of all or substantially all of the Company's assets or shares.

5.2 Payment for legal Opinions and Removal of Legends. The Company shall cover all costs associated with removal of any securities act restrictive legends, including, without limitation, the cost of replacement certificates and opinion or letter of Company counsel to the transfer agent, as well as delivery costs, for all Shares and Warrant Shares.

5.3 Additional Share Issuances; Full Ratchet Share Adjustment.

(a) Full Ratchet Adjustment. In the event that at any time commencing the first Closing and continuing for a period of twelve (12) months (as may be adjusted, the “**Adjustment Period**”) following the final Closing or termination of the offering of Units offered in this entire offering, except for Excepted Issuances (as defined in Section (5.3(c) below), the Company shall agree to issue or actually issue or grant the right to receive any Common Stock, preferred securities, or securities convertible, exercisable or exchangeable for shares of Common Stock (or modify any of the foregoing which may be outstanding) (“**Common Stock Equivalent**”) to any person or entity at a price per share or conversion price or exercise price per share (the “**Lower Per Share Price**”) which shall be less than the per share purchase price of initially **\$0.20**, as adjusted for stock splits, dividends and reclassifications, (the “**Per Share Price**”) then in effect (“**Lower Price Issuance**”), then, automatically and without any obligation of or notice to Purchaser, the Per Share Price paid herein shall be amended, reduced, restated and deemed to be equal to such number of additional shares of Common Stock (the “**Additional Shares**”) as equals the sum of the Purchase Price paid hereby as set forth above, divided by the Lower Per Share Price, less the number Shares previously issued to the Purchaser. Thereafter, and for purposes of calculating future adjustments or issuances of Additional Shares, the Per Share Price shall be amended and revised to be the Lower Per Share Price for purposes of future calculations of this adjustment. Certificates for Additional Shares shall be unconditionally delivered by Federal Express to the Purchaser within 7 business days of the date of the Lower Price Issuance of Common Stock or Common Stock Equivalents (or, if earlier, date of commitment to make the Lower Price Issuance of Common Stock or Common Stock Equivalents). The Company acknowledges and agrees that the Purchasers and their assigns may be irreparably harmed and injured (including loss of profits) if certificates of Additional Shares are not issued promptly in accordance with the provisions hereof and shall compensate, in addition to enforcement costs, any lost profits or expenses of Purchaser or their rightful assigns in the event that a court finds in favor of such any of such persons in any action by such persons to enforce their rights. Notwithstanding the foregoing, and for avoidance of doubt, adjustments and issuance of Additional Shares shall only be issued and granted if and to the extent that Share holders hold Shares at the time of issuance or commitment for such Common Stock Equivalent transaction. Notwithstanding the foregoing, for so long as the Company is listed for trading and trading on the NYSE MKT, the number of Additional Shares that are issuable shall, when combined with all Shares, not exceed 4,557,035 shares of common stock (which number equals 19.9% of the Company’s outstanding common stock as measured on the date immediately prior to the date this Agreement is binding on the Purchaser and the Company) (the “**Share Issuance Limit**”). In the event that a Lower Price Issuance is made which would require an adjustment and issuance of Additional Shares, the Company shall issue the maximum amount permissible under NYSE MKT rules as provided in the previous sentence.

(b) Effective Price. For purposes of this Section 5.3, in connection with any issuance of any Common Stock Equivalents, (i) the maximum number of Common Stock potentially issuable at any time upon conversion, exercise or exchange of such Common Stock Equivalents (the “**Deemed Number**”) shall be deemed to be outstanding or subscribed for and required to be issued upon issuance of such Common Stock Equivalents, (ii) the deemed issue price (“**Effective Price**”) applicable to such Common Stock Equivalents shall equal the minimum dollar value of consideration payable to the Company to purchase such Common Stock Equivalents and to convert, exercise or exchange them into Common Stock, divided by the Deemed Number, and (iii) no further adjustment shall be made to the Per Share Price upon the actual issuance of Common Stock upon conversion exercise or exchange of such Common Stock Equivalents if issued at or higher than the Effective Price. Common Stock issued or issuable by the Company for no consideration will be deemed to have been issued or to be issuable for \$0.001 per share of Common Stock.

(c) Excepted Issuances. For purposes of Section 5.3, “**Excepted Issuance**” shall mean in respect to: (i) Common Stock or Common Stock Equivalents issued in connection with this Agreement or otherwise related to this Agreement for other or subsequent investors in said offering, (ii) the Company’s issuance of Common Stock or Common Stock Equivalents upon the exercise or conversion of options, warrants or convertible notes or other securities, outstanding on the date hereof as specifically described in SEC Reports (but not if the amounts and exercise prices of the same are not both already described in the SEC Reports) or specifically disclosed herein, (iii) grants or issuances to officers, directors or employees or other service providers in connection with Board approved (including majority of disinterested and independent board members) stock option, stock, incentive or similar plan granted to officers, directors or employees and other service providers, (iv) up to 1,000,000 shares issued to unaffiliated service providers not pursuant to any plan, (v) the issuance of securities as full or partial consideration in connection with a bona fide merger, asset acquisition, joint venture or reorganization (other than a mere reincorporation transaction) approved by the Board of Directors of the Company and the majority of disinterested members of the Board. For avoidance of doubt, the foregoing Excepted Issuance exceptions shall only apply during the period in which anti dilution adjustments are made for Lower Price Issuances in accordance with Section 5.3. Common Stock issued or issuable by the Company for services will be deemed to have been issued or to be issued for the value booked in the Company’s public financial statements, or as booked on the recipients 1099 or other tax reporting by the Company in connection with such issuance, whichever is higher.

5.4 [Omitted.]

5.5 Delisting. In the event that the Company’s Common Stock are delisted from trading on the NYSE MKT for any reason while the Purchaser or its assigns still own at least 51% of the Shares issued hereby, then:

(a) The “**Adjustment Period**” of 12 months following the final Closing of this offering shall be extended to 36 months following final Closing of the Offering, and,

(b) The 19.9% Share Issuance Limit shall no longer apply and there shall be no limits on the number of Additional Shares issuable pursuant to Section 5.3(a); and

(c) The Company shall pay a penalty to the Purchaser in the amount of 3,000,000 shares of Common stock (the “**Delisting Shares**”).

5.6 Insider Information. The Company shall not provide to Purchaser or its managers or control persons any information that would be deemed confidential or “insider” information in accordance with Regulation FD. To the extent that the Company or its management provide Purchaser or its affiliates with any non-public information, the Purchaser may advise the Company of its becoming aware of such information and, the Company shall make all appropriate filings and public disclosures as it deems are reasonably necessary from time to time in order to ensure that Purchaser does not have confidential information which is not otherwise disseminated to the public by the Company on Form 8-K, press release or other disclosure SEC Reports.

5.7 Board Designee. The Company shall, within (60) days of the first Closing Date, appoint two new independent members to the Company’s Board of Directors, which appointee’s shall be subject to the prior approval of the Purchaser. This nomination approval right for 2 directors shall continue until the Purchaser hold less than 51% of the initial number of Shares acquired hereby.

5.8 Filing of Reports. For so long as the Purchaser owns 51% or more of the Shares or Warrants (including Warrant Shares) acquired hereby, the Company shall file on a timely basis, any and all SEC Reports or amendments thereto, as it is required to file in order to remain fully current with all of its reporting obligations under the Exchange Act so as to enable sales without resale limitations, pursuant to Rule 144, as amended (“**Rule 144 Sales**”). The Company shall pay for all opinions or similar letters to its transfer agent, as well as pay for all transfer agent costs, relating to the removal of the Rule 144 restrictive legend on share certificates representing the Shares or Warrant Shares. For avoidance of doubt, all references herein to filings to be made on a “timely basis” shall include and mean, any extension periods permissible under Rule 12b-25 of the Exchange Act, provided that the Company has complied with such rule, but not beyond said extension date.

## 6. COVENANTS OF THE COMPANY AND PURCHASER RELATING TO REGISTRATION.

6.1 Use of Proceeds. The Company shall also *at or before* closing pay to their stock transfer agent the cost of all Share certificates anticipated to be issued. The Company intends to employ the remaining net proceeds (i.e. after all legal costs, offering costs, etc.) from the purchase and sale of the Units for purposes of working capital, marketing, acquisitions, expansion and to further the operations of the Company only.

6.2 Registration Rights. For purposes of this Section 6.2, all references to the Purchaser shall be deemed to mean and include, the Purchaser, and their respective assigns as holders of Registrable Securities (as defined in Section 6.2.1(b) below).

6.2.1 Piggyback Registration. The Company agrees that if it shall file a registration statement with respect to any of its shares on a Form S-1 or S-3, with the Securities and Exchange Commission, then the Company shall, include in such registration, all of the Shares and the exercise and resale of the Warrant Shares. The Company hereby agrees and covenants to use best efforts to obtain effectiveness of said registration statement (if any), and to maintain effectiveness of the same, continually for at least 1 year following the effective date thereof. The Company shall also provide unlimited piggyback registration rights to Purchaser and its assigns for all subsequent registration statements filed by it.

6.2.1(b) Registrable Securities. The term Registrable Securities as used herein means all Shares, Warrant Shares, Additional Shares and any Delisting Shares, or any other common stock or securities issued in exchange therefore. Securities shall no longer be deemed Registrable Securities at such time as said securities are eligible for re-sale without volume limitations pursuant to Rule 144.

6.2.2 Registration Process. In connection with the registration of the Registrable Securities pursuant to Section 6.2.1, the Company shall:

(a) Prepare and file with the SEC the Registration Statement and such amendments (including post effective amendments) to the Registration Statement and supplements to the prospectus included therein (a “**Prospectus**”) as the Company may deem necessary or appropriate and take all lawful action such that the Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading and that the Prospectus forming part of the Registration Statement, and any amendment or supplement thereto, does not at any time during the period commencing on the effective date of the Registration Statement and ending on the date on which all of the Registrable Securities may be sold to the public without registration under the Securities Act in reliance on Rule 144 (the “**Registration Period**”) include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(b) Comply with the provisions of the Securities Act with respect to the Registrable Securities covered by the Registration Statement until the earlier of (i) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by each Purchaser as set forth in the Prospectus forming part of the Registration Statement or (ii) the date on which the Registration Statement is withdrawn;

(c) Furnish to each Purchaser and its legal counsel identified to the Company (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of the Registration Statement, each Prospectus, and each amendment or supplement thereto, and (ii) such number of copies of the Prospectus and all amendments and supplements thereto and such other documents, as the Purchaser may reasonably request in order to facilitate the disposition of the Registrable Securities;

(d) Register or qualify the Registrable Securities covered by the Registration Statement under such securities or "blue sky" laws of such jurisdictions as the Purchasers reasonably request, (ii) prepare and file in such jurisdictions such amendments (including post effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof at all times during the Registration Period, (iii) take all such other lawful actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all such other lawful actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; *provided, however*, that the Company shall not be required in connection therewith or as a condition thereto to (A) qualify to do business in any jurisdiction where it would not otherwise be required to qualify, (B) subject itself to general taxation in any such jurisdiction or (C) file a general consent to service of process in any such jurisdiction;

(e) As promptly as practicable after becoming aware of such event, notify each Purchaser of the occurrence of any event, as a result of which the Prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly prepare an amendment to the Registration Statement and supplement to the Prospectus to correct such untrue statement or omission, and deliver a number of copies of such supplement and amendment to each Purchaser as such Purchaser may reasonably request;

(f) As promptly as practicable after becoming aware of such event, notify each Purchaser (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the SEC of any stop order or other suspension of the effectiveness of the Registration Statement and take all lawful action to effect the withdrawal, rescission or removal of such stop order or other suspension;

(g) Take all such other lawful actions reasonably necessary to expedite and facilitate the disposition by the Purchaser of its Registrable Securities in accordance with the intended methods therefor provided in the Prospectus which are customary under the circumstances; and

(h) Cooperate with the Purchasers to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold pursuant to the Registration Statement, which certificates shall, if required under the terms of this Agreement, be free of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any Purchaser may request and maintain a transfer agent for the Common Stock.

6.2.3 Obligations and Acknowledgements of the Purchasers. In connection with the registration of the Registrable Securities, each Purchaser shall have the following obligations and hereby make the following acknowledgements:

(a) It shall be a condition precedent to the obligations of the Company to include the Registrable Securities in the Registration Statement that each Purchaser wishing to participate in the Registration Statement (i) shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and (ii) shall execute such documents in connection with such registration as the Company may reasonably request. Prior to the first anticipated filing date of a Registration Statement, the Company shall notify each Purchaser of the information the Company requires from such Purchaser (the “**Requested Information**”) if such Purchaser elects to have any of its Registrable Securities included in the Registration Statement. If a Purchaser notifies the Company and provides the Company the information required hereby prior to the time the Registration Statement is declared effective, the Company will file an amendment to the Registration Statement that includes the Registrable Securities of such Purchaser *provided, however*, that the Company shall not be required to file such amendment to the Registration Statement at any time less than five (5) business days prior to the effective date.

(b) Each Purchaser agrees to cooperate with the Company in connection with the preparation and filing of a Registration Statement hereunder, unless such Purchaser has notified the Company in writing of its election to exclude all of its Registrable Securities from such Registration Statement;

(c) Each Purchaser agrees that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 6.2.2(e) or 6.2.2(f), such Purchaser shall immediately discontinue its disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until the Purchaser’s receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6.2.2(e) and, if so directed by the Company, the Purchaser shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in the Purchaser’s possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice; and

(d) Each Purchaser acknowledges that it may be deemed to be a statutory underwriter within the meaning of the Securities Act with respect to the Registrable Securities being registered for resale by it, and if a Purchaser includes Registrable Securities for offer and sale within a Registration Statement such Purchaser hereby consents to the inclusion in such Registration Statement of a disclosure to such effect.

6.2.4 Expenses of Registration. All expenses (other than underwriting discounts and commissions and the fees and expenses of a Purchaser’s counsel) incurred in connection with registrations, filings or qualifications pursuant to this Section 6.2, including, without limitation, all registration, listing, and qualifications fees, printing and engraving fees, accounting fees, and the fees and disbursements of counsel for the Company, shall be borne by the Company.

6.2.5 Indemnification and Contribution.

(a) Indemnification by the Company. The Company shall indemnify and hold harmless each Purchaser and each underwriter, if any, which facilitates the disposition of Registrable Securities, and each of their respective officers and directors and each Person who controls such underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the 1934 Act (each such Person being sometimes hereinafter referred to as an “**Indemnified Person**”) from and against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or an omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, not misleading, or arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Prospectus or an omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Company hereby agrees to reimburse such Indemnified Person for all reasonable legal and other expenses incurred by them in connection with investigating or defending any such action or claim as and when such expenses are incurred; provided, however, that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (i) an untrue statement or alleged untrue statement made in, or an omission or alleged omission from, such Registration Statement or Prospectus in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein or (ii) in the case of the occurrence of an event of the type specified in Section 6.2.2(e), the use by the Indemnified Person of an outdated or defective Prospectus after the Company has provided to such Indemnified Person an updated Prospectus correcting the untrue statement or alleged untrue statement or omission or alleged omission giving rise to such loss, claim, damage or liability.

(b) Indemnification by the Purchasers and Underwriters. Each Purchaser agrees, as a consequence of the inclusion of any of its Registrable Securities in a Registration Statement, and each underwriter, if any, which facilitates the disposition of Registrable Securities shall agree, severally and not jointly, as a consequence of facilitating such disposition of Registrable Securities to (i) indemnify and hold harmless the Company, its directors (including any person who, with his or her consent, is named in the Registration Statement as a director nominee of the Company), its officers who sign any Registration Statement and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the 1934 Act, against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement or Prospectus or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in light of the circumstances under which they were made, in the case of the Prospectus), not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Purchaser or underwriter expressly for use therein, and (ii) reimburse the Company for any legal or other expenses incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that such Purchaser shall not be liable under this Section 6.2.5(b) for any amount in excess of the net proceeds paid to such Purchaser in respect of Registrable Securities sold by it.

(c) Notice of Claims, etc. Promptly after receipt by a Person seeking indemnification pursuant to this Section 6.2.5 (an “**Indemnified Party**”) of written notice of any investigation, claim, proceeding or other action in respect of which indemnification is being sought (each, a “**Claim**”), the Indemnified Party promptly shall notify the Person against whom indemnification pursuant to this Section 6.2.5 is being sought (the “**Indemnifying Party**”) of the commencement thereof; but the omission to so notify the Indemnifying Party shall not relieve it from any liability that it otherwise may have to the Indemnified Party, except to the extent that the Indemnifying Party is materially prejudiced and forfeits substantive rights and defenses by reason of such failure. In connection with any Claim as to which both the Indemnifying Party and the Indemnified Party are parties, the Indemnifying Party shall be entitled to assume the defense thereof. Notwithstanding the assumption of the defense of any Claim by the Indemnifying Party, the Indemnified Party shall have the right to employ separate legal counsel and to participate in the defense of such Claim, and the Indemnifying Party shall bear the reasonable fees, out of pocket costs and expenses of such separate legal counsel to the Indemnified Party if (and only if): (i) the Indemnifying Party shall have agreed to pay such fees, costs and expenses, (ii) the Indemnified Party shall reasonably have concluded that representation of the Indemnified Party by the Indemnifying Party by the same legal counsel would not be appropriate due to actual or, as reasonably determined by legal counsel to the Indemnified Party, potentially differing interests between such parties in the conduct of the defense of such Claim, or if there may be legal defenses available to the Indemnified Party that are in addition to or disparate from those available to the Indemnifying Party, or (iii) the Indemnifying Party shall have failed to employ legal counsel reasonably satisfactory to the Indemnified Party within a reasonable period of time after notice of the commencement of such Claim. If the Indemnified Party employs separate legal counsel in circumstances other than as described in the preceding sentence, the fees, costs and expenses of such legal counsel shall be borne exclusively by the Indemnified Party. Except as provided above, the Indemnifying Party shall not, in connection with any Claim in the same jurisdiction, be liable for the fees and expenses of more than one firm of counsel for the Indemnified Party (together with appropriate local counsel). The Indemnified Party shall not, without the prior written consent of the Indemnifying Party (which consent shall not unreasonably be withheld), settle or compromise any Claim or consent to the entry of any judgment that does not include an unconditional release of the Indemnifying Party from all liabilities with respect to such Claim or judgment or contain any admission of wrongdoing.

(d) Contribution. If the indemnification provided for in this Section 6.2.5 is unavailable to or insufficient to hold harmless an Indemnified Party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the Indemnified Party in connection with the statements or omissions or alleged statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such Indemnifying Party or by such Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6.2.5(d) were determined by pro rata allocation (even if the Purchasers or any underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6.2.5(d). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) Limitation on Purchasers' and Underwriters' Obligations. Notwithstanding any other provision of this Section 6.2.5, in no event shall (i) any Purchaser have any liability under this Section 6.2.5 for any amounts in excess of the dollar amount of the proceeds actually received by such Purchaser from the sale of Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Registration Statement under which such Registrable Securities are registered under the Securities Act and (ii) any underwriter be required to undertake liability to any Person hereunder for any amounts in excess of the aggregate discount, commission or other compensation payable to such underwriter with respect to the Registrable Securities underwritten by it and distributed pursuant to the Registration Statement.



(f) Other Liabilities. The obligations of the Company under this Section 6.2.5 shall be in addition to any liability which the Company may otherwise have to any Indemnified Person and the obligations of any Indemnified Person under this Section 6.2.5 shall be in addition to any liability which such Indemnified Person may otherwise have to the Company. The remedies provided in this Section 6.2.5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity.

6.2.6 Rule 144. With a view to making available to the Purchasers the benefits of Rule 144, the Company agrees to use its best efforts to:

(a) comply with the provisions of paragraph (c)(1) of Rule 144; and

(b) file with the SEC in a timely manner all reports and other documents required to be filed by the Company pursuant to Section 13 or 15(d) under the 1934 Act; and, if at any time it is not required to file such reports but in the past had been required to or did file such reports, it will, upon the request of any Purchasers, make available other information as required by, and so long as necessary to permit sales of, its Registrable Securities pursuant to Rule 144.

6.2.7 Common Stock Issued Upon Stock Split, etc. The provisions of this Section 6.2 shall apply to any shares of Common Stock or any other securities issued as a dividend or distribution in respect of the Shares or the Warrant Shares.

6.2.8 Termination of Registration Rights. The registration rights granted in this Section 6.2 shall terminate with respect to a Security upon the date such Security is first eligible to be resold pursuant to Rule 144 of the Securities Act.

## 7. CONDITIONS

7.1 Conditions Precedent to the Obligation of the Company to Close and to Sell the Units. The obligation hereunder of the Company to close and issue and sell the Units to the Purchasers at a Closing is subject to the satisfaction or waiver, at or before such Closing of the conditions set forth below. These conditions are for the Company's sole benefit and may be waived by the Company Purchaser at any time in their sole discretion.

7.1.1 Accuracy of the Purchaser's Representations and Warranties. The representations and warranties of each Purchaser shall be true and correct in all material respects as of the date when made and as of such Closing as though made at that time, except for representations and warranties that are expressly made as of a particular date, which shall be true and correct in all material respects as of such date.

7.1.2 Performance by the Purchasers. Purchaser shall have performed, satisfied, and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Purchaser at or prior to such Closing.

7.1.3 No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

7.1.4 Delivery of Purchase Price. The Purchase Price for the Shares and Warrants shall be available in cleared funds and authorized by the Company and Purchaser, in their sole and absolute discretion, for distribution on such Closing in accordance with the terms hereof.

7.1.5 Delivery of Transaction Documents. The Transaction Documents shall have been duly executed and delivered by the Purchasers to the Company.

7.2 Conditions Precedent to the Obligation of the Purchasers to Close and to Purchase the Shares. The obligation hereunder of the Purchasers to purchase the Shares and Warrants and consummate the transactions contemplated by this Agreement is subject to the satisfaction or waiver, at or before such Closing, of each of the conditions set forth below. These conditions are for the Purchasers' sole benefit and may be waived by the Purchaser or its manager at any time in their sole discretion.

7.2.1 Accuracy of the Company's Representations and Warranties. Each of the representations and warranties of the Company in this Agreement and the other Transaction Documents shall be true and correct in all material respects as of such Closing, except for representations and warranties that speak as of a particular date, which shall be true and correct in all material respects as of such date.

7.2.2 Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to such Closing.

7.2.3 No Suspension, Etc. Trading in the Common Stock of the Company shall not have been suspended by the SEC and the Shares of Common Stock of the Company shall be eligible for trading and listing on the NYSE MKT.

7.2.4 No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Agreement.

7.2.5 No Proceedings or Litigation. No action, suit or proceeding before any arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been initiated, against the Company, or any of the officers, directors or affiliates of the Company seeking to restrain, prevent or change the transactions contemplated by this Agreement, or seeking damages in connection with such transactions.

7.2.6 Shares and Warrants. At the Closing, the Company shall have delivered to the Purchasers the Shares and Warrants along with all appropriate board resolutions or other necessary documentation in order to issue the Shares and Warrants in such denominations as Purchaser may request. The Company shall also deliver confirmation from their law firm that the cost for any and all 144 opinion or legend removal letters have been or are being escrowed from proceeds of the offering for the benefit of Purchaser, and from the transfer agent that the cost of all certificates to be issued for Warrant Shares and Shares have been irrevocably paid for. The Company shall also deliver this Agreement, duly executed by the Company.

7.2.7 Secretary's Certificate. The Company shall deliver to the Purchaser, a secretary's certificate, dated as of the each Closing Date, as to (i) the resolutions adopted by the Board of Directors approving the transactions contemplated hereby, (ii) the Company's Articles of Incorporation, (iii) the Bylaws, each as in effect at such Closing, and (iv) the authority and incumbency of the officers of the Company executing the Transaction Documents and any other documents required to be executed or delivered in connection therewith.

7.2.8 Officer's Certificate. On the first Closing Date, the Company shall have delivered to Purchaser a certification signed by an executive officer on behalf of the Company, dated as of such first Closing Date, confirming the accuracy of the Company's representations, warranties, and covenants as of such first Closing Date and confirming the compliance by the Company with the conditions precedent set forth in paragraph 7.2.9 as of such Closing.

7.2.9 Material Adverse Effect. No Material Adverse Effect shall have occurred since December 31, 2013, and shall be continuing as of such Closing Date.

7.2.10 Opinion of Counsel. Counsel for the Company shall have delivered to the Purchaser, an opinion, in reasonably satisfactory form, that (i) the Shares and Warrants are duly authorized and validly issued, (ii) the Warrant Shares have been reserved and their issuance, upon the valid exercise of the Warrants, has been duly authorized, (iii) the Shares and the Warrant Shares, upon issuance, will be fully paid and nonassessable. Notwithstanding that New York law governs this Agreement; such opinion may be given under Illinois law for purposes of the due authority and validity of the Shares and Warrant Shares, on the assumption that the laws of the states of New York and Illinois are identical.

7.2.11 Lock Up Agreement. All affiliates (which, for purposes of this Agreement shall be defined as owners of greater than 20% immediately prior to the first Closing) executive officers and directors of the Company inclusive of their affiliated entities that may beneficially own shares of the Company, shall execute a lock up agreement and agree to notify and file such agreement with the Company's transfer agent to effectively impose a stop sale notice with respect to their shares of the Company, to the effect that such persons may not sell, assign, transfer, pledge or hypothecate any shares held or acquired by them, from commencement of the offering and continuing for a period of 180 days following the final Closing of the offering and, thereafter, sales of unregistered shares may only be made by such persons in accordance with the resale limitations set forth for them, as applicable, under Rule 144 of the Securities Act. The foregoing lock-up shall be waived if *both* a registration statement is in effect with respect to all of the Shares and Warrant Shares and, the Company has not been delisted from trading on the NYSE MKT.

## **8. NO PLACEMENT AGENT/LEGAL FEES.**

8.1 Placement Agent's Commissions; Sub-Agent's Commissions. There are no placement agents, finders or other intermediaries in connection with the offering and neither the Company nor any Purchaser is paying or is required to pay any party a fee in connection with Offering of Units hereby.

8.2 Legal Fees. The Company shall reimburse all legal fees in an amount not to exceed \$20,000 plus expenses of which the Company has already paid \$5,000 towards such legal fees. In addition, the Company shall reimburse hourly expenses for any subsequent closings or modifications after the first Closing, or for any material modifications of the Transaction Documents made at any time, and further agrees to file and cover all blue sky and other costs.

## 9. MISCELLANEOUS.

9.1 Indemnification. Each Purchaser agrees to defend, indemnify and hold the Company harmless against any liability, costs or expenses arising as a result of any dissemination of any of the Securities by such Purchaser in violation of the Securities Act or applicable state securities law.

9.2 Governing Law. The validity and interpretation of this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York. Each of the parties hereto and their assigns hereby consents to the exclusive jurisdiction and venue of the Courts of the State of New York, located in the City and County of New York and the United States District Court, Southern District, for the State of New York with respect to any matter relating to this Agreement and performance of the parties' obligations hereunder, the documents and instruments executed and delivered concurrently herewith or pursuant hereto and performance of the parties' obligations thereunder and each of the parties hereto hereby consents to the personal jurisdiction of such courts and shall subject itself to such personal jurisdiction. Any action, suit or proceeding relating to such matters shall be commenced, pursued, defended and resolved only in such courts and any appropriate appellate court having jurisdiction to hear an appeal from any judgment entered in such courts. The parties irrevocably waive the defense of an inconvenient forum to the maintenance of such suit or proceeding. Service of process in any action, suit or proceeding relating to such matters may be made and served within or outside the State of New York by registered or certified mail to the parties and their representatives at their respective addresses specified in Section 9.7, provided that a reasonable time, not less than thirty (30) days, is allowed for response. Service of process may also be made in such other manner as may be permissible under the applicable court rules. THE PARTIES HERETO WAIVE TRIAL BY JURY.

9.3 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto.

9.4 Entire Agreement. This Agreement and the Exhibits hereto and thereto, and the other documents delivered pursuant hereto and thereto, constitute the full and entire understanding and agreement among the parties with regard to the subjects hereof and no party shall be liable or bound to any other party in any manner by any representations, warranties, covenants, or agreements except as specifically set forth herein or therein. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto and their respective successors and assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided herein.

9.5 Severability. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, it shall to the extent practicable, be modified so as to make it valid, legal and enforceable and to retain as nearly as practicable the intent of the parties, and the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

9.6 Amendment and Waiver. Except as otherwise provided herein, any term of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely), with the written consent of the Company and a majority of the Purchasers, or, to the extent such amendment affects only one Purchaser, by the Company and such Purchaser. Any amendment or waiver effected in accordance with this Section shall be binding upon each future holder of any security purchased under this Agreement (including securities into which such securities have been converted) and the Company.

9.7 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be effective when delivered personally, or sent by facsimile and in each case with a confirming email (with receipt confirmed), provided that a copy is mailed by registered mail, return receipt requested, or when received by the addressee, if sent by Express Mail, Federal Express or other express delivery service (receipt requested) in each case to the appropriate address set forth below:

If to the Company: General Employment Enterprises, Inc.  
184 Shulman Blvd., Suite 420,  
Naperville, IL 60563  
Email: andrew.norstrud@genp.com  
Attn: Andrew Norstrud, Chief Executive Officer

With a copy to: 350 East Las Olas Boulevard  
Las Olas Centre II, Suite 1150  
Fort Lauderdale, FL 33303-30310  
Email: cgage@ralaw.com  
Attention: Clint Gage, Esq.

If to the Purchaser: to:  
Aracle SPF I, LLC,  
c/o Aracle Management, LLC  
One Penn Plaza, Suite 2411  
New York, New York 10119  
Facsimile: (212) 714-1835  
Email: JSL@Wellfleetpartners.com  
Attention: Joshua Lev, manager of Aracle Management, LLC

With a copy to: Levy International Law, LLC  
590 Madison Avenue, Suite 2100  
New York, New York 10022  
Facsimile: (646) 219-1574  
Email: Rlevy@LevyLawNY.com  
Attention: Ron Levy, Esq.

9.8 Faxes, Electronic Mail and Counterparts. This Agreement may be executed in one or more counterparts. Delivery of an executed counterpart of the Agreement or any exhibit attached hereto by facsimile transmission or electronic mail (any such delivery, an “**Electronic Delivery**”), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto shall re-execute original forms hereof and deliver them in person to all other parties. No party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense related to lack of authenticity.

9.9 [Omitted]

9.10 Titles and Subtitles. The titles of the paragraphs and subparagraphs of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

9.11 Further Assurances. At any time and from time to time after the Closing, upon reasonable request of the other, each party shall do, execute, acknowledge and deliver such further acts, assignments, transfers, conveyances and assurances as may be reasonably required for the more complete consummation of the transactions contemplated herein.

9.12 Legal Fees. In the event any suit or other legal proceeding is brought for the enforcement of any of the provisions of this Agreement, the parties hereto agree that the prevailing party or parties shall be entitled to recover from the other party or parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal, and costs incurred in bringing such suit or proceeding.

APPLICABLE ONLY IN THE EVENT ANY UNITS ARE SOLD TO FLORIDA RESIDENTS - FLORIDA LAW PROVIDES THAT WHEN SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, ANY SALE MADE IN FLORIDA IS VOIDABLE BY THE PURCHASER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE COMPANY, AN AGENT OF THE COMPANY OR AN AUTHORIZED ESCROW AGENT OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER. THIS SALE IS BEING MADE IN FLORIDA. PAYMENTS FOR TERMINATED SUBSCRIPTIONS VOIDED BY PURCHASERS AS PROVIDED FOR IN THIS PARAGRAPH WILL BE PROMPTLY REFUNDED WITHOUT INTEREST. NOTICE SHOULD BE GIVEN TO THE COMPANY AT THE ADDRESS SPECIFIED HEREIN.

**[Counterpart Signature Page To Securities Purchase Agreement of  
General Employment Enterprises, Inc]**

Aracle SPF I, LLC hereby subscribes for the purchase of, and the Company hereby accepts the subscription of Aracle SPF I, LLC with respect to 9.5 Units of the Company, comprising an aggregate of 2,375,000 Shares of Common Stock and 1,187,500 Warrants of the Company, at a Purchase Price of \$50,000 per Unit, for an aggregate Purchase Price of \$475,000.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth on the Purchase Signature Page hereto.

**PURCHASER:**

**ARACLE SPF I, LLC**

By: Aracle Management, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: March \_\_\_ 2014

-Accepted-

**COMPANY:**

**GENERAL EMPLOYMENT ENTERPRISES, INC.**

By: \_\_\_\_\_  
Name: Andrew Norstrud  
Title: Chief Executive Officer  
Date: March \_\_\_ 2014

## COMPANY DISCLOSURE SCHEDULE

Capitalized terms not otherwise defined in this Company Disclosure Schedule shall have the same meaning as in the Agreement. The disclosure of any matter in this Company Disclosure Schedule should not be construed as indicating that such matter is necessarily required to be disclosed in order for any representation or warranty in the Agreement to be true and correct in all material respects. Any description of any document included in this Company Disclosure Schedule is qualified in all respects by reference to such document. Disclosures in any schedule shall be deemed to qualify the section or subsection of the Agreement to which it corresponds in number and in each other section or subsection of the Agreement to the extent that it is reasonably apparent from the face of such disclosure that such information is relevant to such other section or subsection.

Schedules

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SCHEDULE 3.1

Subsidiaries and Jurisdictions

<b>Subsidiary</b>	<b><u>State of Organization</u></b>	<b><u>Owner</u></b>
Triad Personnel Services, Inc.	Illinois	Company
BMCH, Inc.	Ohio	Triad Personnel Services, Inc.
BMCHPA, Inc.	Pennsylvania	Triad Personnel Services, Inc.
BMPS, Inc.	Ohio	Triad Personnel Services, Inc.
Triad Logistics, Inc.	Ohio	Triad Personnel Services, Inc.

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## SCHEDULE 3.2

### **Capitalization, Notes, Debt and Convertible Debt/Derivative Securities**

The Company has a revolving note outstanding with Keltic Financial Partners II, LP, in the maximum principal amount of \$6,000,000.

The Company has a demand note outstanding in the principal amount of \$150,000.

The Company is indebted to RFFG of Cleveland, LLC, in the principal amount of approximately \$295,000.

The Company has 3,873,000 common stock options outstanding.

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**SCHEDULE 3.6**

**NO MATERIAL ADVERSE CHANGE**

No disclosure.

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## SCHEDULE 3.13

### LITIGATION

#### **Salvatore Zizza v. General Employment Enterprises, Inc., American Arbitration Association**

Plaintiff Salvatore Zizza filed a claim against General Employment Enterprises, Inc. on September 12, 2013, alleging a breach of contract under an indemnification agreement and employment agreement. Currently, the matter is in the discovery phase. Management is vigorously contesting the claims.

#### **Jeff Ray Mitchell v. General Employment Enterprises, Inc., District Court of the First Judicial District of the State of Idaho, in and for the County of Kootenai, Case No. 13-8535**

On November 26, 2013, Plaintiff Jeff Ray Mitchell filed a claim against General Employment Enterprises, Inc., alleging breach of a consulting contract; breach of the duty of good faith and fair dealing; and anticipatory repudiation of the consulting agreement. Currently, the matter is in the pleading stage. Management is vigorously contesting the claims.

#### **Long Ridge Office Portfolio, L.P. v. General Employment Enterprises, Inc. and PSQ, LLC, Circuit Court of the Eighteenth Judicial Circuit, County of DuPage, Illinois, Case No. 2013L001084**

On November 13, 2013, Plaintiff Long Ridge Office Portfolio, L.P. filed its claim against General Employment Enterprises, Inc., alleging breach of a lease against General Employment Enterprises, Inc. Currently, the matter is in the pleading stage. Management has negotiated a settlement that should be executed within 30 days.

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**EXHIBIT A**

**Form of Common Stock Purchase Warrant**

THIS WARRANT HAS BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY. NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS WARRANT NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT.

Warrant No.: 1  
Date of Issuance: March 31, 2014

Number of Shares: **1,187,500**

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**GENERAL EMPLOYMENT ENTERPRISES, INC.**  
**An Illinois Corporation**

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*Common Stock Purchase Warrant (the "Warrant")*

**General Employment Enterprises, Inc.**, an Illinois corporation (the "**Company**"), for value received, hereby certifies that **Aracle SPF I, LLC**, a Delaware limited liability company (the "**Initial Holder**"), or its registered assigns (the Initial Holder or such registered assigns shall be referred to as the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company at any time on or after the Exercise Period and on or before the Expiration Date (as hereinafter defined), in whole or in part, **1,187,500** shares (as adjusted from time to time pursuant to the provisions of this Warrant) of the Company's common stock, no par value ("**Common Stock**"), at an Exercise Price equal to **\$0.25** per share, subject to adjustments pursuant to **Section 2** herein (the "**Exercise Price**"). The shares purchasable upon exercise of this Warrant are sometimes hereinafter referred to as the "**Warrant Stock**". "**Exercise Period**" means any date commencing the six (6) months subsequent to the issuance date hereof (i.e. September 30, 2014) and prior to the Expiration Date on which the Holder elects by written notice to the Company for this Warrant to become exercisable.

This Warrant is issued pursuant to that certain Securities Purchase Agreement, dated as of even date herewith, by and between the Company and Initial Holder, pursuant to which Initial Holder acquired certain Units comprised of Common Stock and Warrants (the "**Purchase Agreement**"). Capitalized terms not otherwise used herein shall be as defined in the Securities Purchase Agreement between the Company and the original purchaser of this Warrant, dated as of even date herewith.

Exercise.

Manner of Exercise. This Warrant may be exercised by the Holder, in whole or in part, by surrendering this Warrant, with the purchase/exercise form appended hereto as Exhibit A duly executed by such Holder or by such Holder's duly authorized attorney, at the principal office of the Company, or at such other office or agency as the Company may designate in writing, accompanied by payment in full of the Exercise Price payable in respect of the number of shares of Warrant Stock purchased upon such exercise. The Exercise Price may be paid by cash, check, or wire transfer in immediately available funds, or where a registration statement is in effect and otherwise permitted by law and provided that a public market for the Common Stock exists, through a "same day sale" commitment from the Holder and a broker-dealer that is a member of the Financial Industry Regulatory Authority of Securities Dealers (a "**FINRA Dealer**"), whereby the Holder irrevocably elects to exercise this Warrant and to sell a portion of the Warrant Stock so purchased to pay for the Exercise Price directly to the Company. Alternatively, the Warrant Exercise Price may be paid as provided via "Cashless Exercise" as provided in Section 1(b).

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Cashless Exercise. The Holder may, in its sole discretion, exercise this Warrant at any time during the Exercise Period in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Exercise Price as set forth in Section 1(a) above, elect instead to receive upon such exercise the “Net Number” of shares of the Company’s Common Stock determined according to the following formula (a “**Cashless Exercise**”):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the closing sale price of the Common Stock on the trading day immediately preceding the date of the Exercise Notice.

C= the Exercise Price then in effect for the applicable Warrant Stock at the time of such exercise.

Effective Time of Exercise. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in Section 1(a) or 1(b) above. At such time, the person or persons in whose name or names any certificates for Warrant Stock shall be issuable upon such exercise as provided in Section 1(c) below shall be deemed to have become the holder or holders of record of the Warrant Stock represented by such certificates.

Delivery to Holder. As soon as practicable after the exercise of this Warrant, in whole or in part, and in any event within seven (7) calendar days thereafter, the Company at its expense will cause to be issued in the name of, and delivered to, the Holder, or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct:

a certificate or certificates for the number of shares of Warrant Stock to which such Holder shall be entitled,  
and

in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of shares of Warrant Stock equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares purchased by the Holder upon such exercise as provided in Section 1(a) above.

In the event the Company fails to deliver a certificate for the number of shares of Warrant Stock to which such Holder is entitled within seven (7) calendar days after the exercise of this Warrant, the Holder shall be entitled to a penalty equaling one percent (1%) of the number of Warrant Stock issuable in accordance with the exercise of the Warrant for each fifteen (15) day period commencing after such seven (7) calendar day period. It is expressly understood that the foregoing penalty provision is in addition to, and not to the exclusion of, any and all remedies available to the Holder as set forth herein and in the Purchase Agreement.

Callable Provision. The Warrants are not callable absent consent of both parties.

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## Adjustments.

Stock Splits and Dividends. If the outstanding shares of the Company's common stock shall be subdivided into a greater number of shares or a dividend in common stock shall be paid in respect of common stock, then the Exercise Price in effect immediately prior to such subdivision or at the record date of such dividend shall simultaneously with the effectiveness of such subdivision or immediately after the record date of such dividend be proportionately reduced. If the outstanding shares of common stock shall be combined into a smaller number of shares, then the Exercise Price in effect immediately prior to such combination shall, simultaneously with the effectiveness of such combination, be proportionately increased. When any adjustment is required to be made in the Exercise Price, the number of shares of Warrant Stock purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Exercise Price in effect immediately prior to such adjustment, by (ii) the Exercise Price in effect immediately after such adjustment.

Reclassification, Etc. In case of any merger, reclassification or change of the outstanding securities of the Company or of any reorganization of the Company (or any other corporation the stock or securities of which are at the time receivable upon the exercise of this Warrant), a sale of all or substantially all of the assets of the Company, or any similar corporate reorganization or transaction on or after the date hereof, then and in each such case the holder of this Warrant, upon the exercise hereof at any time after the consummation of such reclassification, change, reorganization, merger or conveyance, shall be entitled to receive, in lieu of the stock or other securities and property receivable upon the exercise hereof prior to such consummation, the stock or other securities or property to which such holder would have been entitled upon such consummation if such holder had exercised this Warrant immediately prior thereto, all subject to further adjustment as provided in Section 2(a); and in each such case, the terms of this Section 2 shall be applicable to the shares of stock or other securities properly receivable after such consummation.

(c) Adjustment Certificate. When any adjustment is required to be made in the Warrant Stock or the Exercise Price pursuant to this Section 2, the Company shall promptly mail to the Holder a certificate setting forth (i) a brief statement of the facts requiring such adjustment, (ii) the Exercise Price after such adjustment and (iii) the kind and amount of stock or other securities or property into which this Warrant shall be exercisable after such adjustment.

## Transfers.

Unregistered Security. Each holder of this Warrant acknowledges that this Warrant and the Warrant Stock have not been registered under the Securities Act, and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this Warrant or any Warrant Stock issued upon its exercise in the absence of (i) an effective registration statement under the Act as to this Warrant or such Warrant Stock and registration or qualification of this Warrant or such Warrant Stock under any applicable U.S. federal or state securities law then in effect or (ii) an opinion of counsel, reasonably satisfactory to the Company, that such registration or qualification is not required. Each certificate or other instrument for Warrant Stock issued upon the exercise of this Warrant shall bear a legend substantially to the foregoing effect.

Transferability. Subject to the provisions of Section 3(a) hereof, this Warrant and all rights hereunder (including any registration rights granted to the Holder pursuant to the Purchase Agreement) are transferable, in whole or in part, upon surrender of the Warrant with a properly executed assignment (in the form of Exhibit B hereto) at the principal office of the Company. The Company shall, upon receipt of a transfer notice and appropriate documentation, register any Transfer on the Company's Warrant Register; provided, however, that the Company may require, as a condition to such Transfer, an opinion reasonably satisfactory to the Company that said Transfer does not require registration pursuant one or more exemptions provided under the Securities Act.

Warrant Register. The Company will maintain a register containing the names and addresses of the Holders of this Warrant. Until any transfer of this Warrant is made in the warrant register, the Company may treat the Holder of this Warrant as the absolute owner hereof for all purposes; provided, however, that if this Warrant is properly assigned in blank, the Company may (but shall not be required to) treat the bearer hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary. Any Holder may change such Holder's address as shown on the warrant register by written notice to the Company requesting such change.

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No Impairment. The Company will not, by amendment of its charter or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will (subject to Section 13 below) at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

Termination. This Warrant (and the right to purchase securities upon exercise hereof) shall terminate four (4) years from the date of issuance of this Warrant (the “**Expiration Date**”).

Notices of Certain Transactions. In case:

the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, or

of any reclassification of the capital stock of the Company, or

of the voluntary or involuntary dissolution, liquidation or winding-up of the Company ((a), (b) and (c) of this Section 6 being referred to herein as a “**Liquidation Event**”),

then, and in each such case, the Company will mail or cause to be mailed to the Holder of this Warrant a notice specifying, as the case may be, (i) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reclassification, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon such reclassification, dissolution, liquidation or winding-up) are to be determined. Such notice shall be mailed at least ten (10) days prior to the record date or effective date for the event specified in such notice. Failure to so notify a holder shall not invalidate any such action.

Reservation of Stock. The Company will at all times reserve and keep available out of its authorized but unissued stock, solely for the issuance and delivery upon the exercise of this Warrant and other similar Warrants, such number of its duly authorized shares of Common Stock as from time to time shall be issuable upon the exercise of this Warrant and other similar Warrants. All of the shares of Common Stock issuable upon exercise of this Warrant and other similar Warrants, when issued and delivered in accordance with the terms hereof and thereof, will be duly authorized, validly issued, fully paid and non-assessable, subject to no lien or other encumbrance other than restrictions on transfer arising under applicable securities laws and restrictions imposed by Section 3 hereof.

Exchange of Warrants. Upon the surrender by the Holder of any Warrant or Warrants, properly endorsed, to the Company at the principal office of the Company, the Company will, subject to the provisions of Section 3 hereof, issue and deliver to or upon the order of such Holder, at the Company’s expense, a new Warrant or Warrants of like tenor, in the name of such Holder or as such Holder (upon payment by such Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant or Warrants so surrendered.

Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

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Notices. Any notice required or permitted by this Warrant shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, or overnight delivery service, addressed (a) if to the Holder, to the address of the Holder most recently furnished in writing to the Company and (b) if to the Company, to the address set forth in the Company's periodic report most recently filed with the SEC, attn.: Chief Executive Officer.

No Rights as Stockholder. Until the exercise of this Warrant, the Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company.

Representations of Holder. The Holder hereby represents and acknowledges to the Company that:

It understands that this Warrant and the Warrant Stock will be "restricted securities" as such term is used in the rules and regulations under the Securities Act and that such securities have not been and will not be registered under the Securities Act or any state securities law, and that such securities must be held indefinitely unless registration is effected or transfer can be made pursuant to appropriate exemptions;

the Holder has read, and fully understands, the terms of this Warrant set forth on its face and the attachments hereto, including the restrictions on transfer contained herein;

the Holder is purchasing for investment for its own account and not with a view to or for sale in connection with any distribution of this Warrant and the Warrant Stock and it has no intention of selling such securities in a public distribution in violation of the federal securities laws or any applicable state securities laws; provided that nothing contained herein will prevent the Holder from transferring such securities in compliance with the terms of this Warrant and the applicable federal and state securities laws; and

the Company may affix the following legend (in addition to any other legend(s), if any, required by applicable state corporate and/or securities laws) to certificates for shares issued upon exercise of this Warrant:

**"These securities have not been registered under the Securities Act of 1933, as amended. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required or unless sold pursuant to Rule 144 of such Act."**

No Fractional Shares. No fractional shares will be issued in connection with any exercise hereunder. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the fair market value of one such share on the date of exercise, as determined in good faith by the Company's Board of Directors.

Amendment or Waiver. Any term of this Warrant may be amended or waived upon written consent of the Company and the holder of this Warrant.

15. Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

Governing Law. This Warrant shall be governed, construed and interpreted in accordance with the laws of the State of New York, without giving effect to principles of conflicts of law.

No Impairment. The Company will not, by amendment of its Certificate of Incorporation or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of this Warrant against impairment.

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[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed and delivered by its authorized officer as of the date first above written.

**GENERAL EMPLOYMENT ENTERPRISES, INC.**  
**an Illinois corporation**

Signed: \_\_\_\_\_  
By: Andrew Norstrud  
Title: Chief Executive Officer

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**EXHIBIT A**

**PURCHASE/EXERCISE FORM**

To: GENERAL EMPLOYMENT ENTERPRISES, INC.

Dated: \_\_\_\_\_

The undersigned holder, pursuant to the provisions set forth in the attached Warrant No. \_\_\_\_, hereby exercises the right to purchase \_\_\_\_\_ shares of Common Stock covered by such Warrant. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The undersigned holder intends that payment of the Exercise Price shall be made as:

\_\_\_\_\_ a "Cash Exercise" with respect to \_\_\_\_\_ Warrant Stock;

\_\_\_\_\_ a FINRA Dealer exercise as provided in Section 1(a) with respect to \_\_\_\_\_ Warrant Stock

\_\_\_\_\_ a "Cashless Exercise" with respect to \_\_\_\_\_ Warrants, resulting in the issuance of \_\_\_\_\_ shares of Warrant Stock, as provided in Section 1(b) above.

2. Payment of Exercise Price. The Holder (directly or through broker as the case may be) shall pay the aggregate Exercise Price in the sum of \$ \_\_\_\_\_ to the Company in accordance with the terms of the Warrant.

The undersigned acknowledges that it has reviewed the representations and warranties contained in Section 12 of the Warrant and by its signature below hereby makes such representations and warranties to the Company.

Signature: \_\_\_\_\_

Name (print): \_\_\_\_\_

Title (if applic.) \_\_\_\_\_

Company (if applic.): \_\_\_\_\_

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**EXHIBIT B**

**ASSIGNMENT FORM**

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Common Stock Purchase Warrant No. \_\_\_\_ with respect to the number of shares of Common Stock covered thereby set forth below, to:

<b>Name of Assignee</b>	<b>Address/Fax Number</b>	<b>No. of Shares</b>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

\_\_\_\_\_

Witness: \_\_\_\_\_

\_\_\_\_\_

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**FIRST AMENDMENT AND WAIVER**

**TO THE**

**LOAN AND SECURITY AGREEMENT**

**BETWEEN**

**GENERAL EMPLOYMENT ENTERPRISES, INC., TRIAD PERSONNEL SERVICES, INC.,  
BUSINESS MANAGEMENT PERSONNEL, INC., BMPS, INC., BMCH, INC., BMCHPA, INC.,  
AND TRIAD LOGISTICS, INC.**

**AND**

**KELTIC FINANCIAL PARTNERS II, LP**

**DATED AS OF SEPTEMBER 27, 2013**

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Effective Date: December 31, 2013

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## FIRST AMENDMENT AND WAIVER TO LOAN AND SECURITY AGREEMENT

### RECITALS:

**GENERAL EMPLOYMENT ENTERPRISES, INC.**, a corporation organized under the laws of the State of Illinois ("**GEE**"), **TRIAD PERSONNEL SERVICES, INC.**, a corporation organized under the laws of the State of Illinois ("**TPS**"), **BUSINESS MANAGEMENT PERSONNEL, INC.**, a corporation organized under the laws of the State of Ohio ("**BUMPS**"), **BMPS, INC.**, a corporation organized under the laws of the State of Ohio ("**BMPSOH**"), **BMCH, INC.**, a corporation organized under the laws of the State of Ohio ("**BMCH**"), **BMCHPA, INC.**, a corporation organized under the laws of the Commonwealth of Pennsylvania ("**BMCHPA**"), and **TRIAD LOGISTICS, INC.**, a corporation organized under the laws of the State of Ohio ("**Triad**"), and collectively with the foregoing, "**Borrower**") and **KELTIC FINANCIAL PARTNERS II, LP**, a Delaware limited partnership ("**Lender**"), are parties to a Loan and Security Agreement dated as of September 27, 2013 (the "**Credit Agreement**"), in connection with which Borrower delivered a Revolving Credit Note dated September 27, 2013 in a maximum principal amount of **\$6,000,000** (the "**Revolving Credit Note**"), and other agreements, documents and instruments in connection therewith (all of the foregoing, as the same may be amended, restated, or otherwise modified from time to time to be collectively referred to as the "**Loan Documents**").

Pursuant to Section 8.1 of the Credit Agreement Borrower is prohibited from incurring Indebtedness except for Indebtedness expressly permitted by the terms of Section 8.1, and pursuant to Section 8.7 of the Credit Agreement Borrower is prohibited from paying any interest on, any principal of or any other amount payable in connection with any Indebtedness not expressly permitted by the terms of Section 8.1. As evidenced by a Promissory Note dated January 15, 2014 by GEE to Terry V. Norstrud in the original principal amount of \$150,000 (the "**Norstrud Note**"), Borrower incurred Indebtedness in violation of Section 8.1 of the Credit Agreement, and repaid said Indebtedness.

Pursuant to Section 8.20 of the Credit Agreement Borrower is required to satisfy certain "EBITDA" covenants as contained therein. Borrower has failed to satisfy Section 8.20 of the Credit Agreement for the measurement period ending on December 30, 2013, 2013 (the "**2013 EBITDA Default**").

Borrower has requested that (i) Lender waive all "Defaults" and "Events of Default" (as such terms are defined in the Credit Agreement) under the Loan Documents in connection with Borrower's issuance of the Norstrud Note and the incurrence and repayment of the Indebtedness evidenced thereby, (ii) Lender waive all Defaults and Events of Default under the Loan Documents in connection with the occurrence of the 2013 EBITDA Default, (iii) Lender modify the prohibitions on the repayment of Indebtedness under the Credit Agreement, and (iv) Lender modify the EBITDA covenants under the Credit Agreement. Upon the terms and conditions contained in this First Amendment and Waiver (this "**Agreement**") Lender shall agree to the foregoing.

**AGREEMENT:**

1. Defined Terms. Unless otherwise defined in the Recitals or in the body of this Agreement, all capitalized terms shall have the meanings ascribed to such terms in the Loan Documents.
2. Waiver. Subject to the terms, conditions, representations and warranties contained in this Agreement, Lender hereby agrees to waive all Defaults and Events of Default occurring under the Loan Documents in connection with Borrower's issuance of the Norstrud Note and incurrence of the Indebtedness evidenced thereby, and the occurrence of the 2013 EBITDA Default.
3. Reserved
4. EBITDA Covenant. Section 8.20 of the Credit Agreement shall be deleted in its entirety and replaced with the following:

**“8.20. EBITDA**. Permit EBITDA as of and for:

  - (a) The six (6) consecutive calendar month period ending on March 31, 2014, to be less than Two Hundred Ninety Five Thousand and 00/100 Dollars (\$295,000.00);
  - (b) The nine (9) consecutive calendar month period ending on June 30, 2014, to be less than Seven Hundred Ten Thousand and 00/100 Dollars (\$710,000.00);
  - (d) The Fiscal Year ending on September 30, 2014, to be less than Eight Hundred Ninety Thousand and 00/100 Dollars (\$890,000.00); and
  - (e) For any period commencing on or after October 1, 2014, no less than such amounts as are established by Lender for such period based on the annual financial projections including such period delivered by Borrower pursuant to Section 6.6, above. Borrower acknowledges and agrees that the above EBITDA covenant levels, and Lender's adjustment in accordance with the preceding sentence, have been established by Lender based on Borrower's operations as conducted on the Effective Date, and that any material change to such operations, whether by Strategic Acquisition or otherwise, will necessitate an adjustment by Lender of the above EBITDA covenant levels, and that Lender will make such adjustments in Lender's permitted discretion.”
5. Reimbursement of Lender. As consideration for Lender's waiver of the 2013 EBITDA Default and amendment of the Credit Agreement described above, and pursuant to Section 10.10 of the Credit Agreement, Borrower shall (a) pay to Lender on the date hereof a fee in the amount of Fifteen Thousand and 00/100 Dollars (\$15,000.00), and (b) reimburse, indemnify and hold Lender harmless for the reasonable fees and costs and expenses incurred by Lender for the services of legal professionals engaged by Lender in connection with the negotiation and preparation of this Agreement. With respect to any amount required to be paid or reimbursed by Borrower pursuant to the foregoing provisions of this paragraph 5, it is hereby agreed that Lender may charge any such amount to the Revolving Credit on the dates such payment is due or such reimbursement is made.
6. Effective Date. This Agreement shall be effective as of December 31, 2013.



7. Specificity of Provisions. The waiver and amendments set forth herein are limited precisely as written and shall not be deemed to (a) be a consent to or a waiver of any other term or condition of the Credit Agreement or any of the documents referred to therein, or (b) prejudice any right or rights which Lender may now have or may have in the future under or in connection with the Credit Agreement or any or any other Loan Document. From and after the effective date of this Agreement, whenever the Credit Agreement is referred to in the Credit Agreement or in any of the other Loan Documents, it shall be deemed to mean the Credit Agreement as modified by this Agreement.

8. Binding Effect of Loan Documents. Borrower hereby acknowledges and agrees that upon giving effect to this Agreement, the Credit Agreement, the Revolving Credit Note and each Loan Document shall continue to be binding upon such Borrower and shall continue in full force and effect.

9. No Other Events of Default. Borrower hereby represents and warrants that upon giving effect to the terms and provisions of this Agreement no default or Event of Default shall have occurred and be continuing under the terms of the Credit Agreement.

10. Choice of Law. This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the internal laws of the State of New York without regard to conflicts of law principles.

11. Counterparts. This Agreement may be executed by one or more the parties to this Agreement on any number of separate counterparts, each of which shall be considered an original and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

***[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]  
[SIGNATURE PAGE IMMEDIATELY FOLLOWS]***

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers.

**LENDER:**

KELTIC FINANCIAL PARTNERS II, LP

By: Keltic Financial Services, LLC, its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**BORROWER:**

GENERAL EMPLOYMENT ENTERPRISES, INC.

TRIAD PERSONNEL SERVICES, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

BUSINESS MANAGEMENT PERSONNEL, INC.

BMPS, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

BMCH, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

TRIAD LOGISTICS, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

BMCHPA, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

**CERTIFICATION**

I, Andrew J. Norstrud, certify that:

1. I have reviewed this Form 10-Q quarterly report for the three month period ended March 31, 2014 of General Employment Enterprises, 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2014

/s/ Andrew J. Norstrud  
Andrew J. Norstrud  
(Principal Executive Officer)  
(Principal Financial Officer  
and Accounting Officer)

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EXHIBIT 32.01

**CERTIFICATIONS PURSUANT TO SECTION 1350  
OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE**

In connection with the Quarterly Report of General Employment Enterprises, Inc. (the "Company") on Form 10-Q for the six month period ended March 31, 2014 filed with the Securities and Exchange Commission (the "Report"), the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: May 20, 2014

By: /s/ Andrew J. Norstrud  
Andrew J. Norstrud  
(Principal Executive Officer)  
(Principal Financial Officer)

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