

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended June 30, 2000

or

Transition Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 1-5707

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Illinois 36-6097429
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

One Tower Lane, Suite 2100, Oakbrook Terrace, Illinois 60181
(Address of principal executive offices) (Zip Code)

(630) 954-0400
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed
since last report)

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 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

The number of shares outstanding of the issuer's common stock as
of July 31, 2000 was 5,086,656.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET (Unaudited)

June 30 September 30
(In Thousands) 2000 1999

ASSETS

Current assets:

| | | |
|---|----------|----------|
| Cash and short-term investments | \$12,300 | \$11,832 |
| Accounts receivable, less allowances (June 2000--\$534; Sept. 1999--\$440) | 4,644 | 4,023 |

| | | |
|-----------------------------------|----------|----------|
| Total current assets | 16,944 | 15,855 |
| Property and equipment: | | |
| Furniture, fixtures and equipment | 4,443 | 3,846 |
| Accumulated depreciation | (2,731) | (2,615) |
| Net property and equipment | 1,712 | 1,231 |
| Other assets | 1,079 | 999 |
| Total assets | \$19,735 | \$18,085 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|----------|----------|
| Current liabilities: | | |
| Accrued compensation and payroll taxes | \$ 4,183 | \$ 3,606 |
| Other current liabilities | 631 | 858 |
| Total current liabilities | 4,814 | 4,464 |
| Long-term obligations | 116 | 484 |
| Shareholders' equity: | | |
| Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 5,087 shares | 51 | 51 |
| Capital in excess of stated value of shares | 4,569 | 4,569 |
| Retained earnings | 10,185 | 8,517 |
| Total shareholders' equity | 14,805 | 13,137 |
| Total liabilities and shareholders' equity | \$19,735 | \$18,085 |

See notes to consolidated financial statements.

GENERAL EMPLOYMENT ENTERPRISES, INC. CONSOLIDATED STATEMENT OF INCOME (Unaudited)

Three Months Nine Months
Ended June 30 Ended June 30

(In Thousands, Except Per Share) 2000 1999 2000 1999

| | | | | |
|----------------------------|---------|----------|----------|----------|
| Net revenues: | | | | |
| Placement services | \$6,088 | \$ 5,859 | \$17,397 | \$17,420 |
| Contract services | 3,820 | 4,611 | 12,422 | 12,202 |
| Net revenues | 9,908 | 10,470 | 29,819 | 29,622 |
| Operating expenses: | | | | |
| Cost of contract services | 2,480 | 2,942 | 8,145 | 7,967 |
| Selling | 3,533 | 3,576 | 10,371 | 10,835 |
| General and administrative | 2,828 | 2,544 | 8,551 | 7,579 |
| Total operating expenses | 8,841 | 9,062 | 27,067 | 26,381 |
| Income from operations | 1,067 | 1,408 | 2,752 | 3,241 |
| Interest income | 171 | 123 | 460 | 357 |
| Income before income taxes | 1,238 | 1,531 | 3,212 | 3,598 |
| Provision for income taxes | 495 | 620 | 1,290 | 1,445 |
| Net income | \$ 743 | \$ 911 | \$ 1,922 | \$ 2,153 |

Net income per share:

| | | | | |
|---------|--------|--------|--------|--------|
| Basic | \$.15 | \$.18 | \$.38 | \$.42 |
| Diluted | \$.15 | \$.18 | \$.38 | \$.42 |

Average number of shares:

| | | | | |
|---------|-------|-------|-------|-------|
| Basic | 5,087 | 5,087 | 5,087 | 5,087 |
| Diluted | 5,116 | 5,118 | 5,118 | 5,122 |

See notes to consolidated financial statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

Nine Months
Ended June 30

(In Thousands)

2000 1999

Operating activities:

| | | |
|---|----------|----------|
| Net income | \$ 1,922 | \$ 2,153 |
| Depreciation and other noncurrent items | 518 | 222 |
| Reduction of long-term obligations | (400) | -- |
| Accounts receivable | (621) | (538) |
| Accrued compensation and payroll taxes | 577 | (221) |
| Other current liabilities | (227) | (117) |

Net cash provided by operating activities 1,769 1,499

Investing activities:

| | | |
|--|---------|-------|
| Acquisition of property and equipment and other noncurrent items | (1,047) | (838) |
| Short-term investments | (1,538) | 918 |

Net cash provided (used) by investing activities (2,585) 80

Financing activities:

Cash dividend declared (254) (221)

Increase (decrease) in cash and cash equivalents (1,070) 1,358
Cash and cash equivalents at beginning of period 5,025 4,500

Cash and cash equivalents at end of period 3,955 5,858
Short-term investments at end of period 8,345 5,041

Cash and short-term investments \$12,300 \$10,899

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. This financial information should be read in conjunction with the financial statements included in the Company's annual report on Form 10-K for the year ended September 30, 1999.

Retirement Benefits

In connection with an agreement to provide retirement benefits to an officer, the Company reclassified \$400,000 from long-term obligations to current liabilities as of June 30, 2000.

Common Stock

The Company declared a 15% stock dividend payable on October 29, 1999. All prior per-share amounts have been restated to reflect the dividend.

The Company declared cash dividends of \$.05 per common share on November 15, 1999 and \$.04 per common share on November 16, 1998.

Shareholder Rights Plan

On February 4, 2000 the Company adopted a shareholder rights plan, and the Board of Directors declared a dividend of one share purchase right for each share of outstanding common stock, payable to shareholders of record on February 22, 2000. The rights replace the preferred share purchase rights that were originally distributed to common shareholders in 1990 and that expired by their terms on February 22, 2000.

The rights will become exercisable if any person or affiliated group (other than certain "grandfathered" shareholders) acquires, or offers to acquire, 10% or more of the Company's outstanding common shares. Each exercisable right entitles the holder (other than the acquiring person or group) to purchase, at a price of \$21.50 per share, common stock of the Company having a market value equal to two times the purchase price.

The purchase price and the number of common shares issuable on exercise of the rights are subject to adjustment in accordance with customary anti-dilution provisions.

The Board of Directors may authorize the Company to redeem the rights at a price of \$.01 per right at any time before they become exercisable. After the rights become exercisable, the Board of Directors may authorize the Company to exchange any unexercised rights at the rate of one share of common stock for each right. The rights are nonvoting, and they will expire on February 22, 2010.

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

The Company provides placement and contract staffing services for business and industry, specializing in the placement of professional information technology, engineering and accounting professionals. As of June 30, 2000, the Company operated 41 offices located in major metropolitan and business centers in 14 states.

The Company's consolidated service revenues were adversely affected by two factors during the first nine months of its 2000 fiscal year. First, management believes that client spending on year 2000 computer issues during the fiscal first quarter and the lingering after-effects since then caused clients to divert spending away from the traditional computer projects that the Company supports. Second, management believes that lower productivity associated with inexperienced staff at some of the Company's locations has been a factor limiting growth during the period. The Company has been addressing issues related to attracting and retaining qualified personnel consultants, and this initiative has contributed to higher branch office compensation costs in fiscal 2000.

The Company closed six marginally performing branch offices during fiscal 1999, and one office during fiscal 2000. The Company has announced plans to open five new branch offices during the year 2000.

Third Quarter Results of Operations

For the three months ended June 30, 2000, consolidated net revenues of \$9,908,000 were down \$562,000 (5%) from the third quarter of last year. Placement service revenues increased

\$229,000 (4%), as a result of a 6% increase in the average placement fee. Contract service revenues decreased \$791,000 (17%), as a result of a 23% decrease in billable hours, partially offset by an 8% higher average hourly billing rate. Contract service revenues represented 39% of the Company's consolidated revenues for the quarter, while placement service revenues accounted for 61% of the consolidated total.

The cost of contract services decreased \$462,000 (16%) for the quarter, reflecting the lower contract service revenues. The gross profit on contract services was \$1,340,000 this year, compared with \$1,669,000 last year, and the gross profit margin was 35.1% this year compared with 36.2% last year. Selling expenses for the quarter decreased \$43,000 (1%), due to lower average commission rates. General and administrative expenses increased \$284,000 (11%) from last year. Branch office salaries and wages increased 6%, administrative compensation increased 18%, and all other general and administrative expenses increased 12%. As a result, total operating expenses of \$8,841,000 for the quarter were \$221,000 (2%) lower than the \$9,062,000 in the prior-year quarter.

The Company had income from operations of \$1,067,000, which was a \$341,000 (24%) decrease from \$1,408,000 in the prior year's third quarter. The operating profit margin for the quarter decreased 2.6 points - to 10.8% this year compared with 13.4% last year.

Interest income for the third quarter increased \$48,000 (39%) due to a combination of higher investable funds and higher interest rates.

The Company had pretax income of \$1,238,000 for the quarter, which was a decrease of \$293,000 (19%) from last year. The effective income tax rate was 40% this year, about the same as last year.

After taxes, net income was \$743,000 for the quarter ended June 30, 2000, which was a \$168,000 (18%) decrease compared with net income of \$911,000 last year. Diluted net income per share was \$.15 this year, compared with \$.18 last year.

Nine Months Results of Operations

For the nine months ended June 30, 2000, consolidated net revenues of \$29,819,000 were up \$197,000 (1%) from the same period last year. Placement service revenues decreased \$23,000. Contract service revenues increased \$220,000 (2%) due to the combination of an 8% decrease in billable hours and a 10% higher average hourly billing rate. Contract service revenues represented 42% of the Company's consolidated revenues for the period, while placement service revenues accounted for 58% of the consolidated total.

The cost of contract services increased \$178,000 (2%) for the year-to-date period, reflecting the higher contract service revenues. The gross profit on contract services was \$4,277,000 this year, compared with \$4,235,000 last year, and the gross profit margin was 34.4% this year compared with 34.7% last year. Selling expenses for the period decreased \$464,000 (4%) from last year. Commission expense decreased 5% due to lower average commission rates, while recruitment advertising expense decreased 13%. General and administrative expenses for the period increased \$972,000 (13%) from last year. Branch office salaries and wages increased 18%, administrative compensation increased 15%, and all other general and administrative expenses increased 8%. As a result, total operating expenses of \$27,067,000 for the nine months ended June 30, 2000 were \$686,000 (3%) greater than the \$26,381,000 in the prior-year period.

The Company had income from operations of \$2,752,000, which was a \$489,000 (15%) decrease from \$3,241,000 in the prior year's period. The operating profit margin for the period decreased 1.7

points - to 9.2% this year compared with 10.9% last year.

Interest income for the year-to-date increased \$103,000 (29%) due to a combination of higher investable funds and higher interest rates.

The Company had pretax income of \$3,212,000 for the year-to-date, which was a decrease of \$386,000 (11%) from last year. The effective income tax rate was 40% this year, the same as last year.

After taxes, net income was \$1,922,000 for the nine months ended June 30, 2000, which was a \$231,000 (11%) decrease compared with net income of \$2,153,000 last year. Diluted net income per share was \$.38 this year, compared with \$.42 last year.

Financial Condition

During the nine months ended June 30, 2000, the Company's cash and short-term investments increased by \$468,000 to a balance of \$12,300,000. Net cash provided by operating activities was \$1,769,000 for the period. Net income provided \$1,922,000, while an increase in accounts receivable required \$621,000, and other operating activities provided \$468,000. The Company used \$1,047,000 during the period for investments in property and equipment and other assets, and the payment of a cash dividend required \$254,000.

The Company's net working capital was \$12,130,000 as of June 30, 2000, compared with \$11,391,000 at September 30, 1999, and shareholders' equity was \$14,805,000 at June 30, 2000, compared with \$13,137,000 last September.

As of June 30, 2000, the Company had no debt outstanding, and it had a \$1,000,000 line of credit available for working capital purposes. All of the Company's facilities are leased, and information about future minimum lease payments is presented in the notes to consolidated financial statements contained in the Company's annual report on Form 10-K for the year ended September 30, 1999. Management believes that existing resources are adequate to meet the Company's anticipated operating needs.

Year 2000 Issues

Issues surrounding the year 2000 were the result of older computer programs being written using two digits rather than four digits to define a year. As a result, date-sensitive computer software or hardware containing this defect was susceptible to miscalculations or system failures if not corrected or replaced.

During fiscal 1999, the Company reviewed all of its critical computer hardware installations and software applications and determined that they were compliant with the year 2000. It also identified outside third parties having a critical role in its operations and monitored the status of those parties. As expected, the Company has not had any difficulty processing transactions or conducting business in the year 2000.

Forward Looking Statements

The Company's business, particularly placement services, can be volatile and may fluctuate from quarter to quarter. Operating results for interim periods are not necessarily indicative of results that may be expected for the entire year.

This report contains certain forward looking information that is based on management's current expectations and is subject to risks and uncertainties. Actual results could differ significantly. Some of the factors that could affect the Company's future performance include, but are not limited to,

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 project assignments, and the ability to attract and retain qualified corporate and branch management.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

The following exhibit is filed as part of this report:

No. Description of Exhibit

27 Financial Data Schedule for the nine months ended June 30, 2000.

The Company filed no reports on Form 8-K during the quarter.

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: August 8, 2000 By: /s/ Herbert F. Imhoff
Herbert F. Imhoff
Chairman of the Board
and Chief Executive Officer

Date: August 8, 2000 By: /s/ Kent M. Yauch
Kent M. Yauch
Chief Financial Officer
and Treasurer

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

| <S> | <C> |
|------------------------------|-------------|
| <PERIOD-TYPE> | 9-MOS |
| <FISCAL-YEAR-END> | SEP-30-2000 |
| <PERIOD-END> | JUN-30-2000 |
| <CASH> | 12,300 |
| <SECURITIES> | 0 |
| <RECEIVABLES> | 5,178 |
| <ALLOWANCES> | 534 |
| <INVENTORY> | 0 |
| <CURRENT-ASSETS> | 16,944 |
| <PP&E> | 4,443 |
| <DEPRECIATION> | 2,731 |
| <TOTAL-ASSETS> | 19,735 |
| <CURRENT-LIABILITIES> | 4,814 |
| <BONDS> | 0 |
| <PREFERRED-MANDATORY> | 0 |
| <PREFERRED> | 0 |
| <COMMON> | 51 |
| <OTHER-SE> | 14,754 |
| <TOTAL-LIABILITY-AND-EQUITY> | 19,735 |
| <SALES> | 0 |
| <TOTAL-REVENUES> | 29,819 |
| <CGS> | 0 |
| <TOTAL-COSTS> | 8,145 |
| <OTHER-EXPENSES> | 0 |
| <LOSS-PROVISION> | 0 |
| <INTEREST-EXPENSE> | 0 |
| <INCOME-PRETAX> | 3,212 |
| <INCOME-TAX> | 1,290 |
| <INCOME-CONTINUING> | 1,922 |
| <DISCONTINUED> | 0 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | 1,922 |
| <EPS-BASIC> | 0.38 |
| <EPS-DILUTED> | 0.38 |

</TABLE>