

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 1995

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 small business issuer 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, Oakbrook Terrace, Illinois 60181  
(Address of principal executive offices)

(708) 954-0400  
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to  
be filed by Section 13 or 15(d) of the Exchange Act during the  
past 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

As of March 31, 1995, there were 1,858,273 shares of common  
stock outstanding.

PART I. FINANCIAL INFORMATION

GENERAL EMPLOYMENT ENTERPRISES, INC.  
CONSOLIDATED BALANCE SHEET

March 31 September 30  
1995 1994

(Dollars in Thousands) (Unaudited)

	March 31 1995	September 30 1994
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,810	\$ 1,843
Accounts receivable, less allowances (Mar 1995--\$284; Sept 1994--\$274)	1,879	1,655
Prepaid expenses and other current assets	65	63
Total current assets	3,754	3,561
Property and equipment:		
Furniture and equipment	2,219	2,156
Leasehold improvements	235	235
Total property and equipment	2,454	2,391
Accumulated depreciation and amortization	(2,091)	(2,044)

Net property and equipment	363	347
Other assets:		
Deferred income taxes	104	14
Other	138	124
Total other assets	242	138
Total assets	\$ 4,359	\$ 4,046

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current liabilities:

Accounts payable	\$ 191	\$ 327
Accrued compensation and payroll taxes	1,781	1,779
Deferred rent due within one year	123	135
Other current liabilities	116	102
Total current liabilities	2,211	2,343

##### Long-term obligations:

Deferred rent	154	212
Retirement benefits	340	338
Total long-term obligations	494	550

##### Shareholders' equity:

Common stock, no-par value; authorized -- 5,000,000 shares; issued and outstanding -- 1,858,273 shares in March and 1,829,823 shares in September	19	18
Capital in excess of stated value of shares	3,298	3,173
Accumulated deficit	(1,663)	(2,038)
Total shareholders' equity	1,654	1,153
Total liabilities and shareholders' equity	\$ 4,359	\$ 4,046

See notes to consolidated financial statements.

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

	Three Months		Six Months	
	Ended March 31		Ended March 31	
(In Thousands, Except Per Share)	1995	1994	1995	1994

##### Revenues:

Permanent placement services	\$ 2,704	\$ 2,411	\$ 5,439	\$ 4,429
Contract services	1,229	814	2,272	1,713
Interest income	14	1	29	4
Total revenues	3,947	3,226	7,740	6,146

##### Costs and expenses:

Cost of services	3,107	2,509	6,003	4,838
General and administrative	671	582	1,342	1,151
Total costs and expenses	3,778	3,091	7,345	5,989

Income before income taxes	169	135	395	157
Provision for income taxes	10	--	20	--

Net income \$ 159 \$ 135 \$ 375 \$ 157

Net income per share \$ .08 \$ .07 \$ .19 \$ .09

See notes to consolidated financial statements.

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

	Six Months Ended March 31	
(In Thousands)	1995	1994

##### Operating activities:

Net income	\$ 375	\$ 157
Adjustments to reconcile to net cash used by operations:		
Depreciation and amortization	80	87
Deferred rent	(58)	(63)

Credit for deferred income taxes	(90)	--
Other noncash costs	3	32
Changes in current assets and current liabilities -		
Accounts receivable	(224)	(505)
Accrued compensation and payroll taxes	2	228
Other, net	(136)	(103)
Net cash used by operating activities	(48)	(167)
Investing activities:		
Acquisition of property and equipment	(86)	(7)
Other, net	(25)	(9)
Net cash used by investing activities	(111)	(16)
Financing activities:		
Issuance of common stock	126	--
Decrease in cash and cash equivalents	(33)	(183)
Cash and cash equivalents at beginning of period	1,843	985
Cash and cash equivalents at end of period	\$1,810	\$ 802
Supplementary information:		
Income tax payments (refunds)	\$ 22	\$ (22)

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Interim Financial Statements

The accompanying financial information for interim periods is unaudited but includes all adjustments (consisting only of normal recurring adjustments) which the Company considers necessary for a fair presentation of the results for the periods. This financial information should be read in conjunction with the financial statements included in the Company's annual report on Form 10-KSB for the year ended September 30, 1994. Operating results for interim periods are not necessarily indicative of the results that may be expected for the entire year.

### Line of Credit

In April 1995, the Company entered into a loan agreement that makes a \$1,000,000 line of credit available to the Company for working capital purposes.

### Income Taxes

The effective income tax rates differ from expected rates because of reversals of a deferred income tax valuation allowance recorded in prior years.

### Net Income Per Share

Net income per share is based on the average number of common shares outstanding and dilutive stock option shares -- 1,942,782 shares in the March 1995 period and 1,829,823 shares in the March 1994 period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Economic Factors and Corporate Strategies

The Company is engaged in providing employment services in major metropolitan business centers throughout the United States. As

such, the Company's business is strongly affected by the U.S. economy and national hiring levels.

During the last two years, the national economy has continued to grow, with the Gross Domestic Product increasing at an average rate of 4.1% for the 1994 calendar year, the strongest annual growth since 1984. This had a positive impact on employment levels, as the national unemployment rate dropped to 5.5% in March 1995, compared with 6.5% in March 1994. This trend has had a positive impact on the Company's volume of business.

One of the Company's corporate strategies since October 1992 has been to market both permanent placement and contract services through all 23 of its offices, thereby providing the Company's customers with a choice of staffing alternatives. This strategy has been a major factor in the Company's revenue growth over the last two years.

#### Results of Operations

For the six months ended March 31, 1995, consolidated revenues were \$7,740,000, up \$1,594,000 (26%) from last year's \$6,146,000. Permanent placement revenues increased \$1,010,000 (23%), primarily due to a 20% higher average placement fee. Contract service revenues increased \$559,000 (33%) primarily due to 36% higher average hourly billing rate. The higher fees associated with both permanent placements and contract services are the result of placing more highly-compensated individuals than last year.

The consolidated cost of services for the six months ended March 31, 1995 was \$6,003,000, up \$1,165,000 (24%) from \$4,838,000 in 1994. Agency manager and consultant compensation increased 28% and salaries of contract service workers increased 34% as a result of the higher volume of business this year. Payroll taxes and benefits increased 20%; advertising expenses increased 31%; and all other operating costs remained about the same as last year. As a result, the cost of services as a percent of service revenues decreased 1.0 point, from 78.8% last year to 77.8% this year.

General and administrative expenses for the six months ended March 31, 1995 were \$1,342,000, a \$191,000 (17%) increase from 1994. Administrative salaries and benefits increased 14%, while all other general and administrative expenses were up 21% for the period.

There was a \$20,000 provision for income taxes in the 1995 period, and there was no provision for income taxes in the 1994 period. The effective tax rates differed from statutory tax rates because of reversals of a previously-recorded deferred income tax valuation allowance.

Net income was \$375,000, or \$.19 per share, in the six months ended March 31, 1995, a \$218,000 improvement compared with net income of \$157,000, or \$.09 per share, last year.

#### Financial Condition

During the six months ended March 31, 1995, the Company's cash and cash equivalents decreased by \$33,000 to a balance of \$1,810,000. Net income provided \$375,000 during the period, while an increase in accounts receivable required \$224,000 and other operating activities required \$199,000. As a result, the net cash used by operating activities was \$48,000. During the period, the Company used \$111,000 in investing activities, primarily for the acquisition of computer equipment, and the issuance of common stock in connection with stock option exercises provided \$126,000. The Company's net working capital was \$1,543,000 as of March 31, 1995, compared with \$1,218,000 at September 30, 1994, and shareholders' equity was \$1,654,000.

As of March 31, 1995, the Company had no credit agreements and no debt. In April 1995, the Company entered into a loan agreement that makes a \$1,000,000 line of credit available to the Company for working capital purposes. Management believes that existing resources are adequate to meet the Company's current operating needs.

As of March 31, 1995, the Company had no commitments for the acquisition of property and equipment. All of its 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-KSB for the year ended September 30, 1994.

## PART II - OTHER INFORMATION

### Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of shareholders on February 27, 1995, the shareholders approved the adoption of the General Employment Enterprises, Inc. 1995 Stock Option Plan. There were 1,107,461 shares voted for adoption, and there were 750,812 shares withheld. In addition, the shareholders elected all of the nominees for election as directors. The name of each director elected, together with the number of votes cast for election and the number of votes withheld are presented below:

Nominee	Votes For	Votes Withheld
Sheldon Brottman	1,713,268	6,153
Leonard Chavin	1,710,810	8,611
Herbert Imhoff	1,716,398	3,023
Herbert F. Imhoff, Jr.	1,716,632	2,789
Walter T. Kerwin, Jr.	1,716,340	3,081
Howard S. Wilcox	1,716,222	3,199

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

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

#### No. Description of Exhibit

- 10 Second Amendment to Settlement Agreement with Leonard and Marlene Chavin dated March 24, 1995.
- 27 Financial Data Schedule for the six months ended March 31, 1995.

There were no reports on Form 8-K filed during the quarter.

## SIGNATURES

In accordance with the requirements of the Exchange Act, 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 1, 1995      By: /s/ Herbert F. Imhoff  
Herbert F. Imhoff  
Chairman of the Board

and President

Date: May 1, 1995      By: /s/ Kent M. Yauch  
Kent M. Yauch  
Treasurer and Controller

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM GENERAL EMPLOYMENT ENTERPRISES, INC.'S CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 1995 AND ITS CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	SEP-30-1995
<PERIOD-END>	MAR-31-1995
<CASH>	1,810
<SECURITIES>	0
<RECEIVABLES>	2,163
<ALLOWANCES>	284
<INVENTORY>	0
<CURRENT-ASSETS>	3,754
<PP&E>	2,454
<DEPRECIATION>	2,091
<TOTAL-ASSETS>	4,359
<CURRENT-LIABILITIES>	2,211
<BONDS>	0
<COMMON>	19
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	1,635
<TOTAL-LIABILITY-AND-EQUITY>	4,359
<SALES>	0
<TOTAL-REVENUES>	7,740
<CGS>	0
<TOTAL-COSTS>	6,003
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	395
<INCOME-TAX>	20
<INCOME-CONTINUING>	375
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	375
<EPS-PRIMARY>	.19
<EPS-DILUTED>	.19

</TABLE>

EXHIBIT 10

SECOND AMENDMENT TO SETTLEMENT AGREEMENT

This Agreement is entered into between General Employment Enterprises, Inc. (The "Company") and Leonard and Marlene Chavin (the "Chavins").

WHEREAS, the Company and Leonard Chavin are parties to a Settlement Agreement dated as of September 27, 1991 (the "Settlement Agreement") and to an Agreement dated as of October 1, 1993 (the "First Amendment to Settlement Agreement"); and

WHEREAS, pursuant to the terms of the Settlement Agreement Leonard Chavin made certain Agreements not to solicit proxies and to refrain from other certain acts so long as he and one other person designated by "Chavin" were included in the slate of nominees recommended by the Board to shareholders for election as directors at the annual meeting of shareholders. At the time of the "Agreement", the "Company's" Board of Directors consisted of six members; and

WHEREAS, the parties believe it to be in the best interest of the Company to increase the number of Directors from six to seven.

In consideration of the mutual provisions contained herein, the parties agree as follows:

1. The Company agrees to increase the number of its Directors from six to seven.

2. The Chavins agree that regardless of the increase in number of Directors in this Second Amendment to Settlement Agreement, they shall still be bound by paragraph 4 of the "Settlement Agreement" providing for Leonard Chavin and one other person to be included in the slate of nominees recommended by the Board to shareholders for election as directors at its annual meeting of shareholders.

3. This Second Amendment to Settlement Agreement, the First Amendment to Settlement Agreement, and the Settlement Agreement will continue in full force and effect so long as Leonard Chavin remains a member of the Company's Board of Directors or until December 31, 1995, whichever is longer.

IN WITNESS WHEREOF, the Chavins and the Company have caused this Second Amendment to Settlement Agreement to be duly executed as of 3/24/1995.

Attest:

/s/ Herbert F. Imhoff      /s/ Leonard Chavin  
Leonard Chavin

Attest:

/s/ B. Urretgui              /s/ Marlene Chavin  
Marlene Chavin

General Employment  
Enterprises, Inc.

By:

/s/ Herbert F. Imhoff  
Herbert F. Imhoff  
Chairman of the Board