

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

**FORM 10-K**

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

For the fiscal year ended September 30, 2009

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

Commission File Number 1-05707

**GENERAL EMPLOYMENT ENTERPRISES, INC**

(Exact name of registrant as specified in its charter)

Illinois

36-6097429

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

One Tower Lane, Suite 2200, Oakbrook Terrace, IL

60181

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, no par value

NYSE Amex

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

Indicate by checkmark 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 (check one):

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

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

The aggregate market value of the common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of March 31, 2009 was \$1,698,000.

The number of shares outstanding of the registrant’s common stock as of December 31, 2009 was 13,380,265.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the General Employment Enterprises, Inc. Proxy Statement for the annual meeting of shareholders to be held on February 22, 2010 are incorporated by reference into Part III of this Form 10-K.

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## PART I

### Item 1, Business.

#### General

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. In 1987 the Company established Triad Personnel Services, Inc., a wholly-owned subsidiary, incorporated in the State of Illinois. The principal executive office of the Company is located at One Tower Lane, Suite 2200, Oakbrook Terrace, Illinois.

#### Services Provided

The Company operates in one industry segment, providing professional staffing services. The Company offers its customers placement and contract staffing services, specializing in the placement of information technology, engineering and accounting professionals.

The Company's placement services include placing candidates into regular, full-time jobs with client-employers. The Company's contract services include placing its professional employees on temporary assignments, under contracts with client companies. Contract workers are employees of the Company, typically working at the client location and at the direction of client personnel for periods of three months to one year. Management believes that the combination of these two services provides a strong marketing opportunity, because it offers customers a variety of staffing alternatives that includes direct hire, temporary staffing and a contract-to-hire approach to hiring. The percentage of revenues derived from these services is as follows:

	Year Ended September 30	
	2009	2008
Contract services	60%	49%
Placement services	40%	51%

#### Marketing

The Company markets its services using the trade names General Employment Enterprises, Omni One, Business Management Personnel, Triad Personnel Services and Generation Technologies. As of September 30, 2009 it operated ten branch offices located in downtown or suburban areas of major U.S. cities in eight states. The offices were located in Arizona, California (2), Florida, Illinois, Indiana, Massachusetts, North Carolina and Ohio (2).

The Company markets its services to prospective clients primarily through telephone marketing by its recruiting and sales consultants, and through mailing of employment bulletins listing candidates available for placement and contract employees available for assignment.

The portion of consolidated net revenues derived from the Company's two largest customers together was approximately 21% in fiscal 2009 and 11% in fiscal 2008, and no other customer accounted for more than 4% of net revenues during either year.

#### Competition

The staffing industry is highly competitive. There are relatively few barriers to entry by firms offering placement services, while significant amounts of working capital typically are required for firms offering contract services. The Company's competitors include a large number of sole-proprietorship operations, as well as regional and national organizations. Many of them are large corporations with substantially greater resources than the Company.

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Because the Company focuses its attention on professional staffing positions, it competes by providing highly qualified candidates who are well matched for the position, by responding quickly to client requests, and by establishing offices in convenient locations. As part of its service, the Company provides reference checking, scrutiny of candidates' work experience and optional background checks. In general, pricing is considered to be secondary to quality of service as a competitive factor. During slow hiring periods, however, competition can put pressure on the Company's pricing.

**Recruiting**

The success of the Company is highly dependent on its ability to obtain qualified candidates. Prospective employment candidates are generally recruited through telephone contact by the Company's employment consultants or through postings on the Internet. For Internet postings, the Company maintains its own web page at [www.generalemployment.com](http://www.generalemployment.com) and uses other Internet job posting bulletin board services. The Company maintains database records of applicants' skills to assist in matching them with job openings. The Company screens and interviews applicants who are presented to its clients.

**Employees**

As of September 30, 2009, the Company had approximately 60 regular employees and 110 contract service employees.

**Item 1A, Risk Factors.**

Not applicable.

**Item 1B, Unresolved Staff Comments.**

Not applicable.

**Item 2, Properties.**

The Company's policy is to lease commercial office space for all of its offices. The Company's headquarters are located in a modern 31-story building near Chicago, Illinois. The Company leases 8,200 square feet of space at that location, under a lease that will expire in 2015. The lease may be cancelled by the Company in 2012 under certain conditions.

The Company's staffing offices are located in downtown and suburban business centers in eight states. Established offices are operated from leased space ranging from 800 to 2,000 square feet, generally for initial lease periods of three to five years, with cancellation clauses after certain periods of occupancy in some cases. Management believes that existing facilities are adequate for the Company's current needs and that its leasing strategies provide the Company with sufficient flexibility to open or close offices to accommodate business needs.

**Item 3, Legal Proceedings.**

From time to time, the Company is subject to various legal proceedings and claims arising in the ordinary course of business. As of September 30, 2009, there were no material legal proceedings pending against the Company.

**Item 4, Submission of Matters to a Vote of Security Holders.**

Not applicable.

**PART II****Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The Company's common stock is listed on the NYSE Amex stock exchange and is traded under the symbol JOB. The following table sets forth the quarterly high and low sales prices per share of the Company's common stock on the consolidated market for each quarter within the last two fiscal years.

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
<b>Fiscal 2009:</b>				
High	\$ 1.47	\$ .58	\$ .52	\$ .54
Low	.46	.36	.19	.30
<b>Fiscal 2008:</b>				
High	\$ .88	\$ 1.39	\$ 1.70	\$ 1.79
Low	.38	.76	1.31	1.50

There were 665 holders of record on December 31, 2009.

On November 19, 2007, the Company declared a \$.10 per share cash dividend on its common stock, payable on January 11, 2008 to shareholders of record as of December 14, 2007. In the past, cash dividends have been declared at the discretion of the Board of Directors. There is no assurance that dividends will be paid in the future, since they are dependent on the Company's earnings, financial condition and other factors.

Information concerning securities authorized for issuance under equity compensation plans is presented in Item 12 of this annual report.

During the three months ended September 30, 2009, no equity securities of the Company were purchased by the Company.

**Recent Sales of Unregistered Securities**

On June 30, 2009, the Company recorded the sale of 7,700,000 unregistered shares of common stock to PSQ, LLC ("PSQ") for \$1,925,000 in cash, pursuant to a Securities Purchase and Tender Offer Agreement that had been entered into by the Company on March 30, 2009. The sale of unregistered securities was made in reliance on section 4(2) of the Securities Act of 1933 as amended (the "Securities Act"). PSQ and its managing member were known to the Company and its management through the process undertaken by PSQ in conducting a tender offer for the Company's shares of common stock. PSQ was provided access to all material information that it requested and all information necessary to verify such information, and was afforded access to Company management in connection with PSQ's purchase. PSQ and its managing member acquired such securities for investment and not with a view toward distribution, acknowledging such intent to the Company in the agreements that were entered into with PSQ at the time of sale of the securities.

On June 22, 2009, the Company and Herbert F. Imhoff, Jr. entered into Amendment No. 1 to a Consulting Agreement originally dated March 30, 2009. The Consulting Agreement as amended provides that Mr. Imhoff is to provide consulting services to the Company following his resignation as the chief executive officer, in accordance with the terms of the Securities Purchase and Tender Offer Agreement with PSQ. A portion of Mr. Imhoff's compensation in exchange for his consulting services is the issuance of 500,000 shares of the Company's common stock for no additional consideration. The share issuance to Mr. Imhoff was duly approved by the written consent of PSQ on July 24, 2009. The common stock was offered and issued, or will be issued, to Mr. Imhoff in an offering exempt from the registration requirements, under section 4(2) of the Securities Act, as Mr. Imhoff has been an affiliate of the Company prior to and after the consummation of the transactions contemplated by the Securities Purchase and Tender Offer Agreement with PSQ.

**Item 6, Selected Financial Data.**

Not Applicable.

**Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Overview**

The Company provides contract and placement staffing services for business and industry, specializing in the placement of information technology, engineering and accounting professionals. As of September 30, 2009, the Company operated ten offices located in eight states.

The Company's business is highly dependent on national employment trends in general and on the demand for professional staff in particular. As an indicator of employment conditions, the national unemployment rate was 9.8% in September 2009 and 6.2% in September 2008. The change indicates a trend toward a lower level of employment in the United States during the last twelve months.

During the year ended September 30, 2009, the U.S. economy experienced a period of uncertainty stemming from problems in the housing and credit markets. According to the U.S. Department of Labor, the national employment level declined by approximately 6.0 million jobs during the period. Management believes that employers became extremely cautious about hiring during the period. As a result, the Company experienced sharp declines in both the number of billable contract hours and the number of placements.

Consolidated net revenues for the year ended September 30, 2009 decreased 32% compared with the prior year. Contract service revenues were down 16%, and placement service revenues were down 47%. The effects of lower consolidated net revenues resulted in a \$4,178,000 loss from operations this year, compared with a \$1,843,000 loss from operations last year.

During the year ended September 30, 2009, the Company recorded the sale of 7,700,000 newly-issued shares of common stock to PSQ for \$1,925,000 in cash, pursuant to a Securities Purchase and Tender Offer Agreement that had been entered into by the Company on March 30, 2009. The net proceeds to the Company from the share issuance, after deducting related costs, were \$1,384,000, and the Company ended the year with a balance of cash and cash equivalents of \$2,810,000. In connection with the completion of the sale of shares, the Company's Chairman, Chief Executive Officer and President (the "former CEO") resigned from those positions and his employment agreement with the Company was replaced by a new consulting agreement. Under the consulting agreement, the Company became obligated to pay an annual consulting fee of \$180,000 over a five-year period and to issue 500,000 shares of common stock to the former CEO for no additional consideration. During fiscal 2009, the Company determined that the fee payments represent compensation for past services rendered by the former CEO, and accordingly the Company recorded a provision for additional compensation expense under the consulting agreement in the amount of \$1,070,000. The fiscal 2009 results also include a provision for the cost of closing branch offices of \$330,000. During the period, the Company consolidated ten branch offices in four metropolitan areas.

The Securities Purchase and Tender Offer Agreement also provided that PSQ would commence a cash tender offer to purchase from the Company's shareholders up to 2,500,000 shares of common stock at a price of \$0.60 per share. PSQ informed the Company that the tender offer was concluded as of June 30, 2009 and that 2,035,287 shares of the Company's common stock were tendered.

## Results of Operations

### *Net Revenues*

Consolidated net revenues for the year ended September 30, 2009 were down \$4,841,000 (32%) from the prior year. Contract service revenues decreased \$1,196,000 (16%) and placement service revenues decreased \$3,645,000 (47%). As a result of the weaker economic conditions that prevailed during the year ended September 30, 2009, the Company experienced less demand for its services. The decline in consolidated net revenues was the result of a 15% decrease in the number of billable contract hours and 51% fewer placements.

### *Cost of Contract Services*

The cost of contract services includes wages and the related payroll taxes and employee benefits of the Company's employees while they work on contract assignments. There are no direct costs associated with placement service revenues. The cost of contract services for the year ended September 30, 2009 was down \$663,000 (13%) as a result of the lower volume of contract business. The gross profit margin on contract business was 30.4%, which was 2.2 percentage points less than 32.6% for the prior year due to competitive pricing pressures during the period.

### *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. Advances are expensed when paid. 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 year ended September 30, 2009 decreased \$1,843,000 (15%). Compensation in the operating divisions was down 33%, reflecting lower commission expense on the lower volume of business. Administrative compensation was up 32%, reflecting the \$1,070,000 of additional compensation recorded under the consulting agreement of the former CEO. All other administrative compensation was down 31% for the period, reflecting executive pay reductions, staff reductions and lower deferred compensation expense. Occupancy costs were down 22% for the period because of operating fewer branch offices than last year. Recruitment advertising decreased 11% due to lower utilization of job board posting services. The fiscal 2009 results also include a provision for the cost of closing branch offices of \$330,000.

*Other*

Investment income for the year ended September 30, 2009 was down \$87,000 from last year due to a combination of lower funds available for investment and a lower average rate of return on investments. Returns in both periods were adversely affected by losses on trading securities.

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

**Liquidity and Capital Resources**

As of September 30, 2009, the Company had cash and cash equivalents of \$2,810,000, which was a decrease of \$1,355,000 from September 30, 2008. Net working capital at September 30, 2009 was \$2,609,000, which was a decrease of \$1,676,000 from September 30, 2008, and the current ratio was 2.8 to 1. Shareholders' equity as of September 30, 2009 was \$2,604,000 which represented 56% of total assets.

During the year ended September 30, 2009, the net cash used by operating activities was \$2,695,000. The net loss for the period, adjusted for depreciation and other non-cash charges, used \$3,016,000, while working capital items provided \$321,000.

Expenditures for the acquisition of property and equipment were \$48,000 during the year ended September 30, 2009.

During the year ended September 30, 2009, the Company recorded the sale of 7,700,000 newly-issued shares of common stock to PSQ for \$1,925,000 in cash. The net proceeds to the Company from the share issuance, after deducting related costs, were \$1,384,000.

All of the Company's office facilities are leased. As of September 30, 2009, future minimum lease payments under noncancelable lease commitments having initial terms in excess of one year, including closed offices, totaled \$1,351,000. At that date, the Company also had contractual obligations to purchase approximately \$680,000 of recruitment advertising through December 2011.

In connection with the completion of the sale of shares of common stock to PSQ, the Company's Chairman, Chief Executive Officer and President (the "former CEO") resigned from those positions and his employment agreement with the Company was replaced by a new consulting agreement. Under the consulting agreement, the Company became obligated to pay an annual consulting fee of \$180,000 over a five-year period and to issue 500,000 shares of common stock to the former CEO for no additional consideration, and the Company recorded a liability for the net present value of the future fee payments in the amount of \$790,000.

As of September 30, 2009, there were approximately \$7,400,000 of losses available to reduce federal taxable income in future years through 2029, and there were approximately \$6,800,000 of losses available to reduce state taxable income in future years, expiring from 2010 through 2029. Due to the sale of shares of common stock to PSQ during fiscal 2009, it is likely that the Company will 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. The Company is currently evaluating the effects of any such limitation. Future realization of the tax benefits of net operating loss carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. Based on the weight of available evidence, the Company determined that it is more likely than not that all of the deferred tax assets will not be realized. Accordingly, the Company maintained a full valuation allowance as of September 30, 2009. See "Income Taxes" in the Notes to Consolidated Financial Statements for additional information.

Due to the effects of the U.S. economic downturn, the Company incurred losses during fiscal 2009 and the negative cash flow from operating activities was \$2,695,000. To improve liquidity, the Company took certain actions. First, the Company completed the sale of 7,700,000 shares of common stock to PSQ and raised net cash proceeds of \$1,384,000 during the period. With the stock proceeds, the Company's net cash outflow for the year was \$1,355,000, and the Company's cash position was reduced to \$2,810,000 as of September 30, 2009.

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Second, the Company implemented a restructuring of its corporate and field operations during the third quarter. Sales, recruiting and administrative positions were eliminated, five branch offices were closed and the payroll for executive officers was reduced. As a result of this restructuring, together with actions taken earlier in the year, the sales, recruiting and administrative staff as of September 30, 2009 was 58% below the staff level at the beginning of the fiscal year, and the salaries and benefits of its three executive officers in the aggregate had been reduced by \$637,000 on an annual basis. During the fourth quarter of fiscal 2009, the Company took further actions to reduce selling, general and administrative expenses. As a result, the net loss for the fourth quarter of fiscal 2009 was \$69,000, and the net cash outflow for the quarter was \$271,000. Based on these actions, management believes that existing cash balances will be adequate to finance current operations for at least the next twelve months.

In November 2009, the Company discovered that it did not receive the proceeds from a bank for a \$2,300,000 certificate of deposit that was scheduled to mature in October 2009. Although the Company made a formal inquiry of the bank, it did not receive an adequate explanation for the bank's non-performance related to the deposit. In December 2009, the Company entered into an agreement to assign its interests in the certificate of deposit, without recourse, to an unrelated party that has other business interests with the bank, and the Company was reimbursed for the face value of the deposit.

On November 20, 2009, the Company completed the execution of a loan and security agreement with Crestmark Bank. Under the agreement, the bank will make advances to the Company upon the request of the Company, subject to certain limitations. The aggregate loan amount outstanding at any one time may not exceed the lesser of \$3,500,000 or 85% of eligible accounts receivable, as defined in the agreement, and the Company granted the bank a security interest in all of its accounts receivable and other property. In addition, the agreement requires the Company to comply with certain financial covenants. Advances will be charged interest at the rate of 1.00 percentage point above the prime rate and are payable on demand. The loan agreement will continue in effect until demand, but if not sooner demanded then for three years from the date of the agreement, and it will be automatically renewed for consecutive two year terms unless terminated by either party. Certain officers of the Company have provided the bank with a guaranty of validity for certain representations and covenants made by the Company. Borrowings available under the line of credit could be used for working capital purposes.

The Company is in negotiations to purchase On-Site Services, Inc., a temporary staffing and payroll services company with annual revenues of approximately \$10 million. It is anticipated that the purchase would be financed through a combination of cash and debt convertible into the Company's common stock.

On December 21, 2009, the Company entered into a memorandum agreement to purchase the core business and business assets of GT Systems, Inc. Among other things, the agreement requires the Company to obtain an accounts receivable financing line of credit of \$9,000,000. The purchase price is to be paid by the issuance of no more than 2,000,000 shares of the Company's common stock. The closing of the transaction is subject to the approval and execution by both parties of definitive transaction documents.

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

As of September 30, 2009, and during the year then ended, 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.

### **Critical Accounting Policies**

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and the rules of the United States Securities and Exchange Commission.

Management makes estimates and assumptions that can affect the amounts of assets and liabilities reported as of the date of the 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 deferred income tax valuation allowances and accounts receivable allowances. 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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The following accounting policies are considered by management to be “critical” because of the judgments and uncertainties involved, and because different amounts would be reported under different conditions or using different assumptions.

### *Income Taxes*

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized as a tax benefit in the future. If the Company were to change its determination about the future realization of tax benefits, the valuation allowance would be adjusted as a provision or credit to income taxes in the period in which the determination is made. Judgment is required in assessing the likelihood that tax assets will be realized. These judgments are based on estimates about future taxable income, which is inherently uncertain.

### *Accounts Receivable Allowances*

An allowance for placement falloffs 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 reflect management’s estimate of potential losses inherent in the accounts receivable balances, based on historical loss statistics.

## **Recent Accounting Pronouncements**

The Company adopted the requirements of the Financial Accounting Standards Board (the “FASB”) regarding the accounting for uncertainty in income taxes as of October 1, 2007. The guidance specifies how tax benefits for uncertain tax positions are to be measured, recognized and disclosed in financial statements. The adoption of it did not have a material effect on the Company’s financial statements.

The Company adopted the requirements of the FASB regarding fair value measurements, as of October 1, 2008. The FASB guidance defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. The adoption of it did not have a material effect on the Company’s financial statements.

In May 2009, the FASB issued guidance regarding subsequent events. The FASB guidance modifies the definition of what qualifies as a subsequent event – those events or transactions that occur following the balance sheet date, but before the financial statements are issued, or are available to be issued – and requires companies to disclose the date through which it has evaluated subsequent events and the basis for determining that date. The Company adopted the provisions of this guidance for the third quarter of fiscal 2009, in accordance with the effective date. The adoption of it did not have a material effect on the Company’s financial statements.

In December 2007, the FASB issued guidance on business combinations. Under the FASB guidance, an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. The Company will adopt the FASB guidance for business combinations on a prospective basis beginning in the first quarter of fiscal 2010.

## **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-K Annual Report which are not historical facts are forward-looking statements. Such forward-looking statements often contain or are prefaced by words such as “will” and “expect.” 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 our 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. 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.

**Item 8, Financial Statements and Supplementary Data.****GENERAL EMPLOYMENT ENTERPRISES, INC.  
CONSOLIDATED BALANCE SHEET**

(In Thousands)	As of September 30	
	2009	2008
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,810	\$ 4,165
Accounts receivable, less allowances (2009 - \$76; 2008 - \$151)	1,038	1,314
Other current assets	249	313
<b>Total current assets</b>	<b>4,097</b>	<b>5,792</b>
Property and equipment, net	570	791
Deferred compensation plan assets	—	419
<b>Total assets</b>	<b>\$ 4,667</b>	<b>\$ 7,002</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 348	\$ 84
Accrued compensation	666	1,001
Other current liabilities	474	422
<b>Total current liabilities</b>	<b>1,488</b>	<b>1,507</b>
Long-term obligations	575	419
<b>Shareholders' equity:</b>		
Preferred stock; authorized - 100 shares; issued and outstanding - none	—	—
Common stock, no-par value; authorized - 20,000 shares; issued and outstanding – 13,380 shares in 2009 and 5,165 shares in 2008	6,743	4,987
Retained earnings (accumulated deficit)	(4,139)	89
<b>Total shareholders' equity</b>	<b>2,604</b>	<b>5,076</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,667</b>	<b>\$ 7,002</b>

See notes to consolidated financial statements.

**GENERAL EMPLOYMENT ENTERPRISES, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS**

	Year Ended September 30	
(In Thousands, Except Per Share)	2009	2008
<b>Net revenues:</b>		
Contract services	\$ 6,280	\$ 7,476
Placement services	4,114	7,759
Net revenues	10,394	15,235
Cost of contract services	4,374	5,037
Selling, general and administrative expenses	10,198	12,041
Loss from operations	(4,178)	(1,843)
Investment income (loss)	(50)	37
Net loss	\$ (4,228)	\$ (1,806)
Average number of shares -basic and diluted	7,232	5,163
Net loss per share -basic and diluted	\$ (.58)	\$ (.35)
Cash dividends declared per share	\$ —	\$ .10

See notes to consolidated financial statements.

**GENERAL EMPLOYMENT ENTERPRISES, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS**

(In Thousands)	Year Ended September 30	
	2009	2008
<b>Operating activities:</b>		
Net loss	\$ (4,228)	\$ (1,806)
Depreciation and amortization	260	255
Deferred compensation and stock compensation expense	978	65
Other noncurrent items	(26)	5
Changes in current assets and current liabilities -		
Accounts receivable	276	601
Accounts payable	264	(9)
Accrued compensation	(335)	(601)
Other current items, net	116	(60)
Net cash used by operating activities	(2,695)	(1,550)
<b>Investing activities:</b>		
Acquisition of property and equipment	(48)	(122)
<b>Financing activities:</b>		
Exercises of stock options	4	10
Issuance of common stock	1,925	—
Stock issuance costs	(541)	—
Cash dividends paid	—	(517)
Net cash provided (used) by financing activities	1,388	(507)
Decrease in cash and cash equivalents	(1,355)	(2,179)
Cash and cash equivalents at beginning of year	4,165	6,344
Cash and cash equivalents at end of year	\$ 2,810	\$ 4,165

See notes to consolidated financial statements.

**GENERAL EMPLOYMENT ENTERPRISES, INC.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

(In Thousands)	Year Ended September 30	
	2009	2008
<b>Common shares outstanding:</b>		
Number at beginning of year	5,165	5,153
Issuance of common stock	8,200	—
Exercises of stock options	15	12
Number at end of year	13,380	5,165
<b>Common stock:</b>		
Balance at beginning of year	\$ 4,987	\$ 4,912
Issuance of common stock, net of issuance costs of \$541	1,384	—
Stock compensation expense	368	65
Exercises of stock options	4	10
Balance at end of year	\$ 6,743	\$ 4,987
<b>Retained earnings (accumulated deficit):</b>		
Balance at beginning of year	\$ 89	\$ 2,412
Net loss	(4,228)	(1,806)
Cash dividends declared	—	(517)
Balance at end of year	\$ (4,139)	\$ 89

See notes to consolidated financial statements.

**GENERAL EMPLOYMENT ENTERPRISES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**The Company**

General Employment Enterprises, Inc. (the "Company") operates in one industry segment, providing staffing services through a network of branch offices located in major metropolitan areas throughout the United States. The Company specializes in providing information technology, engineering and accounting professionals to clients on either a regular placement basis or a temporary contract basis. The portion of consolidated net revenues derived from the Company's two largest customers together was approximately 21% in fiscal 2009 and 11% in fiscal 2008, and no other customer accounted for more than 4% of net revenues during either year.

**Significant Accounting Policies and Estimates**

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and the rules of the United States Securities and Exchange Commission.

*Principles of Consolidation*

The consolidated financial statements include the accounts and transactions of the Company and its wholly-owned subsidiary. All significant intercompany 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 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 deferred income tax valuation allowances and accounts receivable allowances. Management believes that its estimates and assumptions are reasonable, based on information that is available at the time they are made.

*Revenue Recognition*

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 service revenues are recognized when services are rendered.

*Cost of Contract 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*

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized as a tax benefit in the future.

*Income or Loss Per Share*

Basic income or loss per share is based on the average number of common shares outstanding. Diluted income per share is based on the average number of common shares and the dilutive effect of stock options. Stock options are not considered to be dilutive during loss periods. The diluted net loss per share does not include the effect of 630,000 stock options in fiscal 2009 and 603,000 stock options in fiscal 2008, because including them would have had an anti-dilutive effect.

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### *Cash Equivalents*

Highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

### *Accounts Receivable Allowances*

An allowance for placement falloffs 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.

### *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.

### *Deferred Compensation Plan*

The Company had a rabbi trust agreement to protect the assets of its nonqualified deferred compensation plan, which was terminated during fiscal 2009. The accounts of the rabbi trust were included in the consolidated financial statements. Investments held by the trust were included in other assets, and an offsetting liability was included in long-term obligations. The investments were considered to be trading securities and were reported at fair value, with the realized and unrealized holding gains and losses being recorded in investment income, and an offsetting amount was recorded as compensation in selling, general and administrative expenses.

### *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 amortized over the vesting periods.

### *Subsequent Events*

We have evaluated events occurring between the end of our most recent fiscal year and January 8, 2010, which is the date that these financial statements were issued.

## **Recent Accounting Pronouncements**

The Company adopted the requirements of the Financial Accounting Standards Board (the "FASB") regarding the accounting for uncertainty in income taxes as of October 1, 2007. The guidance specifies how tax benefits for uncertain tax positions are to be measured, recognized and disclosed in financial statements. The adoption of it did not have a material effect on the Company's financial statements.

The Company adopted the requirements of the FASB regarding fair value measurements, as of October 1, 2008. The FASB guidance defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. The adoption of it did not have a material effect on the Company's financial statements.

In May 2009, the FASB issued guidance regarding subsequent events. The FASB guidance modifies the definition of what qualifies as a subsequent event – those events or transactions that occur following the balance sheet date, but before the financial statements are issued, or are available to be issued – and requires companies to disclose the date through which it has evaluated subsequent events and the basis for determining that date. The Company adopted the provisions of this guidance for the third quarter of fiscal 2009, in accordance with the effective date. The adoption of it did not have a material effect on the Company's financial statements.

In December 2007, the FASB issued guidance on business combinations. Under the FASB guidance, an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. The Company will adopt the FASB guidance for business combinations on a prospective basis beginning in the first quarter of fiscal 2010.

### Placement Service Revenues

The provision for falloffs and refunds, reflected in the consolidated statement of operations as a reduction of placement service revenues, was \$412,000 in fiscal 2009 and \$1,116,000 in fiscal 2008.

### Investment Income (Loss)

The components of investment income (loss) are as follows:

(In Thousands)	2009	2008
Interest income	\$ 40	\$ 163
Loss on investments	(90)	(126)
Investment income (loss)	\$ (50)	\$ 37

The losses on investments include unrealized holding gains and losses on trading securities.

### Cash and Cash Equivalents

The Company's primary objective for its investment portfolio is to provide maximum protection of principal and high liquidity. By investing in high-quality securities having relatively short maturity periods, or in money market funds having similar objectives, the Company reduces its exposure to the risks associated with interest rate fluctuations. A summary of cash and cash equivalents as of September 30 is as follows:

(In Thousands)	2009	2008
Cash	\$ 510	\$ 854
Certificate of deposit	2,300	—
Money market funds	—	3,311
Total cash and cash equivalents	\$ 2,810	\$ 4,165

The Company maintains deposits in financial institutions in excess of amounts guaranteed by the Federal Deposit Insurance Corporation. As of September 30, 2009, the balance of cash and cash equivalents in excess of the insured limits was \$2,225,000.

In November 2009, the Company discovered that it did not receive the proceeds from a bank for a \$2,300,000 certificate of deposit that was scheduled to mature in October 2009. Although the Company made a formal inquiry of the bank, it did not receive an adequate explanation for the bank's non-performance related to the deposit. In December 2009, the Company entered into an agreement to assign its interests in the certificate of deposit, without recourse, to an unrelated party that has other business interests with the bank, and the Company was reimbursed for the face value of the deposit.

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**Income Taxes**

The components of the provision for income taxes are as follows:

(In Thousands)	2009	2008
Current tax provision	\$ —	\$ —
Deferred tax provision (credit) related to:		
Temporary differences	(170)	(39)
Loss carryforwards	(1,381)	(607)
Valuation allowances	1,551	646
<b>Provision for income taxes</b>	<b>\$ —</b>	<b>\$ —</b>

The differences between income taxes calculated at the 34% statutory U.S. federal income tax rate and the Company's provision for income taxes are as follows:

(In Thousands)	2009	2008
Income tax provision (credit) at statutory federal tax rate	\$ (1,438)	\$ (614)
Federal valuation allowance	1,437	604
Other	1	10
<b>Provision for income taxes</b>	<b>\$ —</b>	<b>\$ —</b>

The net deferred income tax asset balance as of September 30 related to the following:

(In Thousands)	2009	2008
Temporary differences	\$ 513	\$ 343
Net operating loss carryforwards	2,880	1,499
Valuation allowances	(3,393)	(1,842)
<b>Net deferred income tax asset</b>	<b>\$ —</b>	<b>\$ —</b>

As of September 30, 2009, there were approximately \$7,400,000 of losses available to reduce federal taxable income in future years through 2029, and there were approximately \$6,800,000 of losses available to reduce state taxable income in future years, expiring from 2010 through 2029. Due to the sale of shares of common stock to PSQ, LLC ("PSQ") during fiscal 2009, it is likely that the Company will 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. The Company is currently evaluating the effects of any such limitation.

Future realization of the tax benefits of existing temporary differences and net operating loss carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. As of September 30, 2009, the Company performed an evaluation to determine whether a valuation allowance was needed. The Company considered all available evidence, both positive and negative, which included the results of operations for the current and preceding years. The Company also considered whether there was any currently available information about future years. Because long-term contracts are not a significant part of the Company's business, future results cannot be reliably predicted by considering past trends or by extrapolating past results. Moreover, the Company's earnings are strongly influenced by national economic conditions and have been volatile in the past. Considering these factors, the Company determined that it was not possible to reasonably quantify future taxable income. Based on the weight of available evidence, the Company determined that it is more likely than not that all of the deferred tax assets will not be realized. Accordingly, the Company maintained a full valuation allowance as of September 30, 2009.

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As of September 30, 2009, the Company's federal income tax returns for fiscal 2006 and subsequent years were subject to examination.

### Property and Equipment

Property and equipment consisted of the following as of September 30:

(In Thousands)	2009	2008
Computer equipment and software	\$ 2,311	\$ 2,276
Office equipment, furniture and fixtures	1,155	1,332
Total property and equipment, at cost	3,466	3,608
Accumulated depreciation and amortization	(2,896)	(2,817)
Property and equipment, net	\$ 570	\$ 791

Disposals of property and equipment during fiscal 2009, consisting primarily of fully-depreciated office furniture and equipment, had an original cost of \$190,000, and disposals during fiscal 2008 had an original cost of \$351,000.

### Other Current Liabilities

Other current liabilities consisted of the following as of September 30:

(In Thousands)	2009	2008
Accrued expenses	\$ 113	\$ 200
Accrued rent	213	47
Deferred rent	148	175
Total other current liabilities	\$ 474	\$ 422

### Office Closings

During fiscal 2009, the Company consolidated ten branch offices in four metropolitan areas and closed six of them. As a result, the Company recorded a \$281,000 provision covering the remaining lease obligations of the closed offices and a \$49,000 adjustment of the book value of the related office furniture and equipment. The total provision for the cost of closing branch offices, included in selling, general and administrative expenses, was \$330,000 in 2009 and \$65,000 in 2008. The rent liability, included in other current liabilities, was as follows as of September 30:

(In Thousands)	2009	2008
Balance at beginning of year	\$ 47	\$ —
Provision for office closings	281	65
Payments	(115)	(18)
Balance at end of year	\$ 213	\$ 47

## **Lease Obligations**

The Company leases space for all of its branch offices, which are located either in downtown or suburban business centers, and space for its corporate headquarters. Branch offices are generally leased over periods from three to five years. The corporate office lease expires in 2015, but it may be cancelled by the Company in 2012 under certain conditions. The leases generally provide for payment of basic rent plus a share of building real estate taxes, maintenance costs and utilities.

Rent expense was \$802,000 in fiscal 2009 and \$1,018,000 in fiscal 2008. As of September 30, 2009, future minimum lease payments under noncancelable lease agreements having initial terms in excess of one year, including the closed offices, totaled \$1,351,000, as follows: fiscal 2010 - \$683,000, fiscal 2011 - \$398,000 and fiscal 2012 - \$270,000.

## **Commitments**

As of September 30, 2009, the Company had contractual obligations to purchase approximately \$680,000 of recruitment advertising through December 2011.

## **Long-Term Obligations**

In connection with the completion of the sale of shares of common stock to PSQ, the Company's Chairman, Chief Executive Officer and President (the "former CEO") resigned from those positions and his employment agreement with the Company was replaced by a new consulting agreement. Under the consulting agreement, the Company became obligated to pay an annual consulting fee of \$180,000 over a five-year period and to issue 500,000 shares of common stock to the former CEO for no additional consideration. During fiscal 2009, the Company recorded a provision for additional compensation expense under the consulting agreement in the amount of \$1,070,000, which is included in selling, general and administrative expenses on the consolidated statement of operations. Of that amount, the Company recorded a liability for the net present value of the future payments in the amount of \$790,000 and recorded additional common stock in the amount of \$280,000 based on a quoted market price of \$.56 per share on the date of the award. As of September 30, 2009, the liability for future payments was reflected on the consolidated balance sheet as accrued compensation of \$180,000 and long-term obligations of \$575,000.

The Company had a nonqualified deferred compensation plan for certain officers, which was terminated during fiscal 2009. Under the plan, the Company contributed a percentage of each participant's earnings to a rabbi trust under a defined contribution arrangement. The participants directed the investments of the trust, and the Company did not guarantee investment performance. The investments in the trust as of September 30, 2008 were valued at \$419,000, using quoted market prices, and were reflected on the consolidated balance sheet as deferred compensation plan assets, with an offsetting amount reflected as long-term obligations. All account balances were paid to participants during fiscal 2009 in connection with the termination of the plan, and therefore the balances on the consolidated balance sheet as of September 30, 2009 were zero.

## **Common Stock**

As of June 30, 2009, the Company recorded the sale of 7,700,000 newly-issued shares of common stock to PSQ for \$1,925,000 in cash, pursuant to a Securities Purchase and Tender Offer Agreement that had been entered into by the Company on March 30, 2009. The net proceeds to the Company from the share issuance, after deducting related costs, were \$1,384,000. As further described in "Long-Term Obligations," under a consulting agreement with the former CEO, the Company became obligated during fiscal 2009 to issue 500,000 shares of common stock to the former CEO for no additional consideration.

**Stock Option Plans**

As of September 30, 2009, there were stock options outstanding under the Company's 1995 Stock Option Plan, Second Amended and Restated 1997 Stock Option Plan and 1999 Stock Option Plan. All three plans were approved by the shareholders. The 1995 Stock Option Plan and the 1999 Stock Option Plan have expired, and no further options may be granted under those plans. During fiscal 2009, the Second Amended and Restated 1997 Stock Option Plan was amended to make an additional 592,000 options available for granting. The plans granted specified numbers of options to non-employee directors, and they authorized the Compensation Committee of the Board of Directors to grant either incentive or non-statutory stock options to employees. Vesting periods are established by the Compensation Committee at the time of grant. All stock options outstanding as of September 30, 2009 were non-statutory stock options, had exercise prices equal to the market price on the date of grant, and had expiration dates ten years from the date of grant.

A summary of stock option activity is as follows:

(Number of Options in Thousands)	2009	2008
<b>Number of options outstanding:</b>		
Beginning of year	603	615
Granted	318	—
Exercised	(15)	(12)
Terminated	(276)	—
<b>End of year</b>	<b>630</b>	<b>603</b>
Number of options exercisable at end of year	530	513
Number of options available for grant at end of year	493	98
<b>Weighted average option prices per share:</b>		
Granted during the year	\$ .57	\$ —
Exercised during the year	.30	.86
Terminated during the year	1.43	—
Outstanding at end of year	.94	1.34
Exercisable at end of year	.99	1.21

Stock options outstanding as of September 30, 2009 were as follows (number of options in thousands):

Range of Exercise Prices	Number Outstanding	Weighted Average Price	Number Exercisable	Weighted Average Price	Average Remaining Life (Years)
Under \$1.00	488	\$ .69	388	\$ .69	7.2
\$1.25 to \$2.39	142	1.80	142	1.80	6.4

As of September 30, 2009, the aggregate intrinsic value of outstanding stock options and exercisable stock options was \$45,000.

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No stock options were granted during fiscal 2008. The average fair value of stock options granted was estimated to be \$0.30 per share in fiscal 2009. This estimate was made using the Black-Scholes option pricing model and the following weighted average assumptions:

	2009
Expected option life (years)	5.0
Expected stock price volatility	59%
Expected dividend yield	—%
Risk-free interest rate	2.4%

Stock-based compensation expense attributable to stock options was \$86,000 in fiscal 2009 and \$65,000 in fiscal 2008. As of September 30, 2009, there was \$36,000 of unrecognized compensation expense related to unvested stock options outstanding, and the weighted average vesting period for those options was 2.9 years.

### 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. The rights will become exercisable if any person or affiliated group 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, 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 plan was amended on March 30, 2009 to allow PSQ to hold an unlimited amount of outstanding capital stock of the Company without being treated as an acquiring person under the plan.

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 will expire on February 22, 2010.

### Subsequent Events

On November 20, 2009, the Company completed the execution of a loan and security agreement with Crestmark Bank. Under the agreement, the bank will make advances to the Company upon the request of the Company, subject to certain limitations. The aggregate loan amount outstanding at any one time may not exceed the lesser of \$3,500,000 or 85% of eligible accounts receivable, as defined in the agreement, and the Company granted the bank a security interest in all of its accounts receivable and other property. In addition, the agreement requires the Company to comply with certain financial covenants. Advances will be charged interest at the rate of 1.00 percentage point above the prime rate and are payable on demand. The loan agreement will continue in effect until demand, but if not sooner demanded then for three years from the date of the agreement, and it will be automatically renewed for consecutive two year terms unless terminated by either party. Certain officers of the Company have provided the bank with a guaranty of validity for certain representations and covenants made by the Company.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders  
General Employment Enterprises, Inc.  
Oakbrook Terrace, Illinois

We have audited the accompanying consolidated balance sheets of General Employment Enterprises, Inc. as of September 30, 2009 and 2008 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of General Employment Enterprises, Inc. at September 30, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Seidman, LLP

Chicago, Illinois  
January 8, 2010

**Item 9, Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A(T), Controls and Procedures.**

**Disclosure Controls and Procedures**

As of September 30, 2009, 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 (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 September 30, 2009 to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Despite the control weaknesses described below, management has taken subsequent actions to ensure that the consolidated financial statements included in this Form 10-K fairly present in all material respects the consolidated financial condition and results of operations for the years presented.

**Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act rule 13a-15(f).

Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of the chief executive officer and the chief financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control - Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed below, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the material weaknesses discussed below existed as of September 30, 2009. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on the Company's evaluation, the Company has concluded that its internal control over financial reporting as of September 30, 2009 was not effective.

In July 2009, the Company purchased a \$2,300,000 certificate of deposit ("CD") at a New York bank. When the CD matured in October 2009, the bank did not timely credit the proceeds of the CD to the Company's account. Although the Company has made a formal inquiry of the bank, to date the Company has not received an adequate explanation for the bank's non-performance relating to the CD. In December 2009, the Company was reimbursed in full through a non-recourse assignment of the CD for face value to an unrelated party, who has other business interests with the bank. The purchaser of the CD is neither an employee nor a director of the Company. Management has determined that the certificate of deposit was purchased without adequate documentation and that the investment was not in accordance with the Company's investment policy. Accordingly, management has determined that there was a material weakness in the Company's internal control over financial reporting as of September 30, 2009. In addition, during fiscal 2009, the Company authorized an individual that was neither an employee nor a director as an authorized signor on one of the Company's bank accounts, which was also identified as a material weakness in internal control. In September 2009, we removed this individual as an authorized signor on our bank accounts. Management has also taken the following steps in regards to the CD investment: (i) the CD proceeds have been transferred to a financial institution that meets the criteria of the established investment policy adopted by the Company; (ii) the Chief Executive Officer, Ron Heineman, who authorized the purchase of the CD voluntarily resigned effective December 23, 2009; and (iii) Salvatore Zizza was appointed by the Board of Directors as the Chief Executive Officer of the Company effective December 23, 2009.

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This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B, Other Information.**

Not applicable.

**PART III**

**Item 10, Directors, Executive Officers and Corporate Governance.**

Information set forth in the Company's Proxy Statement for the 2010 annual meeting of shareholders under the headings "Election of Directors," "Directors and Executive Officers" and "Corporate Governance" are incorporated herein by reference.

The Company has a code of ethics that applies to all of its directors and employees, including its principal executive officer, principal financial officer and principal accounting officer. The code of ethics is filed as an exhibit to this annual report.

**Item 11, Executive Compensation.**

Information set forth in the Company's Proxy Statement for the 2010 annual meeting of shareholders under the heading "Executive Compensation" is incorporated herein by reference.

**Item 12, Security Ownership of Certain Beneficial Owners and Management.**

Information set forth in the Company's Proxy Statement for the 2010 annual meeting of shareholders under the heading "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

Securities authorized for issuance under equity compensation plans were as follows as of September 30, 2009 (number of shares in thousands):

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	630	\$ .94	493
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>630</b>	<b>\$ .94</b>	<b>493</b>

**Item 13, Certain Relationships and Related Transactions, and Director Independence.**

Information set forth in the Company's Proxy Statement for the 2010 annual meeting of shareholders under the heading "Director Independence" is incorporated herein by reference.

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**Item 14, Principal Accountant Fees and Services.**

Information set forth in the Company's Proxy Statement for the 2010 annual meeting of shareholders under the heading "Principal Accountant Fees" is incorporated herein by reference.

**PART IV**

**Item 15, Exhibits and Financial Statement Schedules.**

**Documents Filed**

The following documents are filed as part of this report:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	24
Consolidated Balance Sheet as of September 30, 2009 and September 30, 2008	12
Consolidated Statement of Operations for the years ended September 30, 2009 and September 30, 2008	13
Consolidated Statement of Cash Flows for the years ended September 30, 2009 and September 30, 2008	14
Consolidated Statement of Shareholders' Equity for the years ended September 30, 2009 and September 30, 2008	15
Notes to Consolidated Financial Statements	16

All other financial statements schedules are omitted because they are not applicable.

**Exhibits**

The following exhibits are filed as part of this report:

No.	Description of Exhibit
2.01	Securities Purchase and Tender Offer Agreement, dated March 30, 2009, by and among General Employment Enterprises, Inc. and PSQ, LLC. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated March 30, 2009, Commission File No. 1-05707.
3.01	Articles of Incorporation and amendments thereto. Incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1996, Commission File No. 1-05707.
3.02	By-Laws of General Employment Enterprises, Inc., as amended June 30, 2009. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 30, 2009, Commission File No. 1-05707

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4.01	Rights Agreement dated as of February 4, 2000, between General Employment Enterprises, Inc. and Continental Stock Transfer and Trust Company, as Rights Agent. Incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A filed with the Securities and Exchange Commission on February 7, 2000, Commission File No. 1-05707.
4.02	Amendment No. 1 to Rights Agreement, dated as of March 30, 2009, by and between General Employment Enterprises, Inc. and Continental Stock Transfer and Trust Company, as Rights Agent. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A/A filed with the Securities and Exchange Commission on March 31, 2009, Commission File No. 1-05707.
10.01*	Key Manager Plan, adopted May 22, 1990. Incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1990, Commission File No. 1-05707.
10.02*	General Employment Enterprises, Inc. 1995 Stock Option Plan. Incorporated by reference to Exhibit 4.1 to the Company's Form S-8 Registration Statement dated April 25, 1995, Registration No. 33-91550.
<u>10.03*</u>	Second Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan.
10.04*	General Employment Enterprises, Inc. 1999 Stock Option Plan. Incorporated by reference to Exhibit 10 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999, Commission File No. 1-05707.
10.05*	Chief Executive Officer Bonus Plan, adopted September 24, 2001. Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001, Commission File No. 1-05707.
10.06*	Operational Vice President Bonus Plan effective for fiscal years beginning on or after October 1, 2004. Incorporated by reference to Exhibit 10.01 to the Company's Quarterly Report of Form 10-QSB for the quarterly period ended December 31, 2004, Commission File No. 1-05707.
10.07*	Form of stock option agreement under the General Employment Enterprises, Inc. 1997 Stock Option Plan. Incorporated by reference to Exhibit 99.01 to the Company's current report on Form 8-K dated September 25, 2006, Commission File No. 1-05707.
10.08*	Chief Executive Officer Bonus Plan Amendment 1, effective for fiscal years beginning on or after October 1, 2006. Incorporated by reference to Exhibit 10.01 to the Company's quarterly report on Form 10-QSB for the quarterly period ended December 31, 2006, Commission File No. 1-05707.
10.09*	Form of director stock option agreement under the Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan. Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2007, Commission File No. 1-05707.
10.10*	Form of stock option agreement under the General Employment Enterprises, Inc. 1999 Stock Option Plan. Incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2007, Commission File No. 1-05707.
10.11*	Form of indemnity agreement with directors and officers, adopted November 19, 2007. Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2007, Commission File No. 1-05707.
10.12*	Escrow Agreement, dated as of March 30, 2009, by and among General Employment Enterprises, Inc., PSQ, LLC and Park Avenue Bank, as escrow agent. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 30, 2009, Commission File No. 1-05707.
10.13*	Consulting Agreement, dated as of March 30, 2009, by and among Herbert F. Imhoff, Jr., General Employment Enterprises, Inc. and PSQ LLC. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 30, 2009, Commission File No. 1-05707.

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10.14*	Registration Rights Agreement, dated as of March 30, 2009, by and between General Employment Enterprises, Inc., PSQ, LLC and Herbert F. Imhoff, Jr. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated March 30, 2009, Commission File No. 1-05707.
10.15*	Amendment No. 1, dated as of June 22, 2009, to Consulting Agreement, dated as of March 30, 2009, by and among Herbert F. Imhoff, Jr., General Employment Enterprises, Inc. and PSQ LLC. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 22, 2009, Commission File No. 1-05707.
10.16*	Employment Agreement between General Employment Enterprises, Inc. and Kent M. Yauch, dated June 26, 2009. Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated June 22, 2009, Commission File No. 1-05707.
10.17*	Employment Agreement between General Employment Enterprises, Inc. and Marilyn L. White, dated June 26, 2009. Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated June 22, 2009, Commission File No. 1-05707.
<u>10.18*</u>	Form of director stock option under the Second Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan.
<u>10.19*</u>	Form of employee stock option under the Second Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan.
14.01	General Employment Enterprises, Inc. Code of Ethics for Directors, Officers and Employees, adopted as of August 16, 2004. Incorporated by reference to Exhibit 14.01 to the Company's Form 8-K Current Report dated August 16, 2004, Commission File No. 1-05707.
<u>23.01</u>	Consent of Independent Registered Public Accounting Firm.
<u>31.01</u>	Certification of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
<u>31.02</u>	Certification of the principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
<u>32.01</u>	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 Chapter 63 of Title 18 of the United States Code.
<u>32.02</u>	Certifications for the principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

\* Management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: January 8, 2010

By: /s/ Salvatore J. Zizza

Salvatore J. Zizza

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: January 8, 2010

By: /s/ Salvatore J. Zizza

Salvatore J. Zizza

Chief Executive Officer

(Principal executive officer)

Date: January 8, 2010

By: /s/ Kent M. Yauch

Kent M. Yauch

Vice President, Chief Financial

Officer and Treasurer

(Principal financial and accounting officer)

Date: January 8, 2010

By: /s/ Dennis W. Baker

Dennis W. Baker, Director

Date: January 8, 2010

By: /s/ Herbert F. Imhoff, Jr.

Herbert F. Imhoff, Jr., Director

Date: January 8, 2010

By: /s/ Stephen B. Pence

Stephen B. Pence, Director and Chairman of the Board

Date: January 8, 2010

By: /s/ Charles W. B. Wardell III

Charles W. B. Wardell III, Director

Date: January 8, 2010

By: /s/ Thomas C. Williams

Thomas C. Williams, Director

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**Exhibit 10.03**

**SECOND AMENDED AND RESTATED  
GENERAL EMPLOYMENT ENTERPRISES, INC. 1997 STOCK OPTION PLAN**

Section 1. **Purpose.**

The purpose of this Second Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan (the "Plan") is to amend and supersede the Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan and to benefit General Employment Enterprises, Inc. (the "Company") and its Subsidiaries (as defined in Section 2) by recognizing the contributions made to the Company by officers and other key employees (including members of the Board of Directors of the Company ("the Directors") who are also employees) of the Company and its Subsidiaries, to provide such persons with additional incentives to devote themselves to the future success of the Company, and to improve the ability of the Company to attract, retain and motivate individuals, by providing such persons with a favorable opportunity to acquire or increase their proprietary interest in the Company. In addition, the Plan is intended as an additional incentive to members of the Board of Directors of the Company who are not employees of the Company ("Non-Employee Directors") to serve on the Board of Directors of the Company (the "Board") and to devote themselves to the future success of the Company by providing them with a favorable opportunity to acquire or increase their proprietary interest in the Company through receipt of options to acquire common stock of the Company. The Company may grant stock options that constitute "incentive stock options" ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or stock options that do not constitute ISOs ("NSOs") (ISOs and NSOs being hereinafter collectively referred to as "Options").

Section 2. **Eligibility.**

Non-Employee Directors shall participate in the Plan only in accordance with the provisions of Section 5.2 of the Plan. The Committee (as defined in Section 3) shall initially, and from time to time thereafter, select those officers and other key employees (including Directors of the Company who are also employees) (collectively referred to herein as "Key Employees") of the Company or any other entity of which the Company is the direct or indirect beneficial owner of not less than fifty percent (50%) of all issued and outstanding equity interests ("Subsidiaries"), to participate in the Plan on the basis of the special importance of their services in the management, development and operations of the Company or its Subsidiaries (each such Key Employee receiving Options granted under the Plan is referred to herein as an "Optionee"). The determination of whether an individual is an employee shall be made at the time of grant in accordance with Code Section 3401(c) and the regulations there under.

Section 3. **Administration.**

3.1. **The Committee.** The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"). The Committee shall be comprised of two (2) or more members of the Board who are "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934.

3.2. **Authority of the Committee.** No person, other than members of the Committee, shall have any authority concerning decisions regarding the Plan. Notwithstanding the foregoing, the Committee may delegate its non-decision making authority, hereunder, and the person or persons to whom such authority is delegated may in turn make subsequent delegations. Subject to the express provisions of this Plan, the Committee shall have sole discretion concerning matters relating to the Plan and Options granted hereunder. The Committee, in its sole discretion, shall determine the Key Employees of the Company and its Subsidiaries to whom, and the time or times at which Options will be granted, the number of shares to be subject to each Option, the expiration date of each Option, the time or times within which the Option may be exercised, the cancellation of the Option (with the consent of the holder thereof) and the other terms and conditions of the grant of the Option. The terms and conditions of the Options need not be the same with respect to each Optionee or with respect to each Option.

The Committee may, subject to the provisions of the Plan, establish such rules and regulations as it deems necessary or advisable for the proper administration of the Plan, and may make determinations and may take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Notwithstanding the foregoing, (i) with respect to any Option intended to be an ISO, the Plan, and the Option Agreement evidencing said ISO, shall be construed in a manner consistent with Code Section 422 and the regulations there under, and (ii) the Plan and any Option Agreement shall be construed in a manner consistent with Code Section 409A. Each determination or other action made or taken pursuant to the Plan, including interpretation of the Plan and the specific terms and conditions of the Options granted hereunder by the Committee as evidenced in an Option Agreement, shall be final and conclusive for all purposes and upon all persons including, but without limitation, the Company, its Subsidiaries, the Committee, the Board, officers and the affected employees of the Company and/or its Subsidiaries and their respective successors in interest. No member of the Committee shall, in the absence of bad faith, be liable for any act or omission with respect to service on the Committee. Service on the Committee shall constitute service as a Director of the Company so that members of the Committee shall be entitled to indemnification pursuant to the Company's Certificate of Incorporation and By-Laws.

#### Section 4. Shares of Common Stock Subject to Plan.

4.1. The total number of additional shares of common stock, no par value, of the Company (the "Common Stock"), that are available for issuances under the Plan may be issued and sold under the Plan within the Applicable Period (as defined below) shall be 592,000 ("Additional Plan Shares"). For purposes of the preceding sentence, Applicable Period shall be the ten-year period commencing on September 30, 2009 and ending on September 30, 2019 ("Term of Plan"). The aforementioned total number of Additional Plan Shares of Common Stock shall be adjusted in accordance with the provisions of Section 4.2 hereof. Notwithstanding the foregoing, the total number of shares of Common Stock that may be subject to ISOs under the Plan shall be 592,000 Additional Plan Shares of Common Stock, adjusted in accordance with the provisions of Section 4.2 hereof. Any shares of Common Stock subject to issuance upon exercise of Options under the Plan or the General Employment Enterprises, Inc. Amended and Restated 1997 Stock Option Plan but which are not issued because of a surrender (other than pursuant to Sections 7.2 or 7.3 of the Plan), forfeiture, expiration, termination or cancellation of any such Option, to the extent consistent with applicable law, rules and regulations, shall once again be available for issuance pursuant to subsequent Options ("Unissued Option Shares"). Therefore, the total aggregate number of shares available for grant under the Plan shall be the 592,000 Additional Plan Shares plus all Unissued Option Shares. The maximum number of Options that may be granted during a calendar year to any one person is 150,000.

4.2 The number of share of Common Stock subject to the Plan and to Options granted under the plan shall be adjusted as follows: (a) in the event that the number of outstanding shares of Common Stock is changed by any stock dividend, stock split or combination of shares, the number of shares subject to the Plan and to Options previously granted there under shall be proportionately adjusted; (b) in the event of any merger, consolidation or reorganization of the Company with any other corporation or corporations, there shall be substituted on an equitable basis as determined by the Board, in its sole discretion, for each share of Common Stock then subject to the Plan and for each share of Common Stock then subject to an Option granted under the Plan, the number and kind of shares of stock, other securities, cash or other property to which the holders of Common Stock of the Company are entitled pursuant to the transaction; and (c) in the event of any other change in the capitalization of the Company, the Committee, in its sole discretion, shall provide for an equitable adjustment in the number of shares of Common Stock then subject to the Plan and to each share of Common Stock then subject to an Option granted under the Plan. In the event of any such adjustment, the exercise price per share shall be proportionately adjusted.

#### Section 5. Grants of Options.

5.1. Grants of Options to Key Employees. Subject to the terms of the Plan, the Committee may from time to time grant Options, which may be ISOs or NSOs, to Key Employees of the Company or any of its Subsidiaries. Unless otherwise expressly provided at the time of the grant, Options granted under the Plan to Key Employees will be ISOs. An Option shall be considered granted when the Company completes the corporate action constituting an offer of stock for sale provided, however, that notwithstanding the foregoing, corporate action shall not be considered complete until the date on which the maximum number of shares that can be purchased and the minimum Exercise Price are fixed and determined.

5.2. Grants of Options to Non-Employee Directors. All grants of Options to Non-Employee Directors shall be automatic and non-discretionary. Each individual who is a Non-Employee Director on the effective date of the Plan shall be granted automatically a NSO to purchase 15,000 shares of Common Stock on the effective date of the Plan. Each individual who becomes a Non-Employee Director (other than a Non-Employee Director who was previously an employee Director) after the effective date of the Plan shall be granted automatically a NSO to purchase 15,000 shares of Common Stock on the date he or she becomes a Non-Employee Director.

5.3. Option Agreement. Each Option shall be evidenced by a written Option Agreement (in paper or electronic format) specifying the type of Option granted, the Option exercise price, the terms for payment of the exercise price, the expiration date of the Option, the number of shares of Common Stock to be subject to each Option and such other terms and conditions established by the Committee, in its sole discretion, not inconsistent with the Plan. In the event of any inconsistency between the terms of the Plan and the terms of the Option Agreement, the terms of the Plan shall govern.

5.4. Expiration. Except to the extent otherwise provided in or pursuant to Section 6, each Option shall expire, and all rights to purchase shares of Common Stock shall expire, on the tenth (10<sup>th</sup>) anniversary of the date on which the Option was granted.

5.5. Exercise Period. Except to the extent otherwise provided in or pursuant to Section 6, or in the proviso to this sentence, Options shall become exercisable pursuant to the following schedule: with respect to one-fifth of the total number of shares of Common Stock subject to Option on the date twelve months after the date of its grant and with respect to an additional one-fifth of the total number of shares of Common Stock subject to the Option at the end of each twelve-month period thereafter during the succeeding four years; provided, however, that the Committee, in its sole discretion, shall have the authority to shorten or lengthen the exercise schedule with respect to any or all Options, or any part thereof, granted under the Plan.

5.6. Required Terms and Conditions of ISOs. Each ISO granted to a Key Employee shall be in such form and subject to such restrictions and other terms and conditions as the Committee may determine, in its sole discretion, at the time of grant, subject to the general provisions of the Plan, the applicable Option Agreement, and the following specific rules:

(a) Except as provided in Section 5.6(d), the per share exercise price of each ISO shall be the Fair Market Value of the shares of Common Stock on the date such ISO is granted. For all purposes hereunder, Fair Market Value shall be the price at which one share of Common Stock is last sold in the principal United States market for such stock as of the grant date.

(b) The aggregate Fair Market Value (determined with respect to each ISO at the time such Option is granted) of the shares of Common Stock with respect to which ISOs are exercisable for the first time by an individual during any calendar year (under all incentive stock option plans of the Company and its parent and subsidiary corporations) shall not exceed \$100,000. For purposes of this section, an Option is considered to be first exercisable during a calendar year if the Option will become exercisable at any time during the year, assuming that any condition on the Optionee's ability to exercise the Option related to the performance of services is satisfied. If the Optionee's ability to exercise the Option in the year is subject to an acceleration provision, then the Option is considered first exercisable in the calendar year in which the acceleration provision is triggered. If the aggregate Fair Market Value (determined at the time of grant) of the Common Stock subject to an Option that first becomes exercisable in any calendar year exceeds the limitation of this Section 5.6(b), much of the Option that does not exceed the applicable dollar limit shall be an ISO and the remainder shall be a NSO; but in all other respects, the original Option Agreement shall remain in full force and effect.

(c) As used of this Section 5, the words "parent" and "subsidiary" shall have the meanings given to them in Section 424(e) and 424(f) of the Code.

(d) Notwithstanding anything herein to the contrary, if an ISO is granted to an individual who owns, after application of the stock attribution rules of Department of Treasury Regulation § 1.424-1(a), stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations, within the meaning of Section 422(b)(6) of the Code: (i) the purchase price of each share of Common Stock subject to the ISO shall be not less than one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the date the ISO is granted; and (ii) the ISO shall expire and all rights to purchase shares there under shall cease no later than the fifth anniversary of the date the ISO was granted. For purposes of this paragraph: (i) shares of Common Stock that the Optionee may purchase under existing Options are not treated as shares owned by the Optionee; and (ii) the combined voting power of all shares of the Company actually owned and outstanding immediately before the grant of the Option does not include the voting power of treasury shares or shares of Common Stock authorized for issue under outstanding Options held by the Optionee or any other person.

(e) No ISOs may be granted under the Plan after September 30, 2019.

(f) An inadvertent modification of an ISO shall not be treated as a modification to the extent the modification is reversed by the earlier of the date the Option is exercised or the last day of the calendar year during which such change occurred.

5.7. Required Terms and Conditions of NSOs. Each NSO granted shall be in such form and subject to such restrictions and other terms and conditions as the Committee may determine, in its sole discretion, at the time of grant, subject to the general provisions of the Plan, the applicable Option Agreement, and the following specific rule: in no event may the exercise price be less than the Fair Market Value of the shares of Common Stock subject to such NSO.

## Section 6. Effect of Termination.

6.1. Key Employee Termination Generally. Except as provided in Sections 6.2, 6.3 and 11, or by the Committee in its sole discretion, any Option shall terminate on the date of the Key Employee's termination of employment with the Company and its Subsidiaries: (i) for Good Cause (as defined in the Option Agreement); or (ii) voluntarily, for any other reason other than retirement, death, or disability. A Key Employee's transfer of employment from the Company to a Subsidiary, or from a Subsidiary to the Company, or from a Subsidiary to another Subsidiary, shall not constitute a termination of employment for purposes of the Plan. Options granted under the Plan shall not be affected by any change of duties in connection with the employment of the Key Employee or by military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leave does not exceed 3 months or, if longer, so long as the Optionee's right to employment with the Company or a Subsidiary is provided either by statute or by contract. If the period of leave exceeds 3 months, and the Optionee's right to reemployment is not provided by either statute or contract, the Optionee's employment relationship is deemed to terminate on the first day immediately following such three-month period.

6.2. Death and Disability. In the event of an Optionee's death or Disability (as defined below) during employment or service with the Company or any of its Subsidiaries, all Options held by the Optionee shall become fully exercisable on such date of death or Disability. Each of the Options held by such an Optionee shall expire on the earlier of: (a) the first anniversary of the date of the Optionee's death or Disability; and (b) the date that such Option expires in accordance with its terms. For purposes of this Section 6.2, "Disability" shall mean the inability of an individual to engage in any substantial gainful activity by reason of any medical determinable physical or mental impairment which is expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. The Committee, in its sole discretion, shall determine the date of any Disability.

6.3. Retirement of Key Employees. In the event the employment of a Key Employee with the Company and/or its Subsidiaries shall be terminated by reason of Employee Retirement, all Options held by the Key Employee shall become fully exercisable. Each of the Options held by such a Key Employee shall expire on the earlier of: (i) the first anniversary of the date of the Employee Retirement; and (ii) the date that such Option expires in accordance with its terms. For purposes of this Section 6.3, "Employee Retirement" shall mean retirement of a Key Employee after attaining age 55. In the event the employment of a Key Employee with the Company and/or its Subsidiaries shall be terminated by reason of a retirement that is not an Employee Retirement as herein defined, the Committee may, in its sole discretion, determine that the exercisability and exercise periods set forth in this Section 6.3 shall be applicable to Options held by such Key Employee. Notwithstanding the foregoing, in the event the employment of a Key Employee who is also a Director of the Company is terminated by reason of Employee Retirement, all Options held by the Key Employee shall become fully exercisable, but each of the Options held by such a Key Employee shall expire on the earlier of: (i) the first anniversary of the date of the Key Employee's termination of service on the Board for any reason; and (ii) the date that such Option expires in accordance with its terms.

6.4. Retirement of Non-Employee Directors. In the event the service of a Non-Employee Director on the Board shall be terminated by reason of the retirement of such Non-Employee Director of the Company in accordance with the Company's retirement policy for Directors, any Option or Options granted to such Non-Employee Director shall continue to vest and remain exercisable pursuant to Section 5, in the same manner and to the same extent as if such Director had continued his or her service on the Board during such period.

## Section 7. Exercise of Options.

7.1. Notice. A person entitled to exercise an Option may do so by delivery of a written notice to that effect specifying the number of shares of Common Stock with respect to which the Option is being exercised and any other information the Committee may prescribe. The notice shall be accompanied by payment as described in Section 7.2. The notice of exercise shall be accompanied by the Optionee's copy of the writing or writings evidencing the grant of the Option. All notices or requests provided for herein shall be delivered to the Secretary of the Company.

7.2. Exercise Price. Except as otherwise provided in the Plan or in any Option Agreement, the Optionee shall pay the purchase price of the shares of Common Stock upon exercise of any Option: (a) in cash; (b) in cash received from a broker-dealer to whom the Optionee has submitted and exercise notice consisting of a fully endorsed Option (however, in the case of an Optionee subject to Section 16 of the 1934 Act, this payment option shall only be available to the extent such insider complies with Regulation T issued by the Federal Reserve Board); (c) by delivering shares of Common Stock having an aggregate Fair Market Value on the date of exercise equal to the Option exercise price; (d) by directing the Company to withhold such number of shares of Common Stock otherwise issuable upon exercise of such Option having an aggregate Fair Market Value on the date of exercise equal to the Option exercise price; (e) in the case of a Key Employee, by such other medium of payment as the Committee, in its discretion, shall authorize at the time of grant; or (f) by any combination of (a), (b), (c), (d) and (e). In the case of an election pursuant to (a) or (b) above, cash shall mean cash or a check issued by a federally insured bank or savings and loan, and made payable to the Company. In the case of payment pursuant to (b), (c) or (d) above, the Optionee's election must be made on or prior to the date of exercise and shall be irrevocable. In lieu of a separate election governing each exercise of an Option, an Optionee may file a blanket election with the Committee which shall govern all future exercises of Options until revoked by the Optionee. The Company shall issue, in the name of the Optionee, stock certificates representing the total number of shares of Common Stock issuable pursuant to the exercise of any Option as soon as reasonably practicable after such exercise, provided that any shares of Common Stock purchased by an Optionee through a broker-dealer pursuant to clause (b) above shall be delivered to such broker-dealer in accordance with 12 C.F.R. §220.3(e)(4) or other applicable provision of law.

7.3. Taxes Generally. At the time of the exercise of any Option, as a condition of the exercise of such Option, the Company may require the Optionee to pay the Company an amount equal to the amount of the tax the Company or any Subsidiary may be required to withhold to obtain a deduction for federal and state income tax purposes as a result of the exercise of such Option by the Optionee or to comply with applicable law.

7.4. Payment of Taxes. At any time when an Optionee is required to pay an amount required to be withheld under applicable income tax or other laws in connection with the exercise of an Option, the Optionee may satisfy this obligation in whole or in part by: (a) directing the Company to withhold such number of shares of Common Stock otherwise issuable upon exercise of such Option having an aggregate Fair Market Value on the date of exercise equal to the amount of tax required to be withheld; or (b) delivering shares of Common Stock of the Company having an aggregate Fair Market Value equal to the amount required to be withheld. In the case of payment of taxes pursuant to (a) or (b) above, the Optionee's election must be made on or prior to the date of exercise and shall be irrevocable. The Committee may disapprove any election or delivery or may suspend or terminate the right to make elections or deliveries. In lieu of a separate election governing each exercise of an Option, an Optionee may file a blanket election with the Committee which shall govern all future exercises of Options until revoked by the Optionee.

7.5. Attestation. Wherever in this Plan or any Option Agreement an Optionee is permitted to pay the Exercise Price of an Option or taxes relating to the exercise of an Option by delivering shares of Common Stock, the Optionee may, subject to procedures satisfactory to the Committee, satisfy such delivery requirements by presenting proof of beneficial ownership of such shares in which case the Company shall treat the Option as exercised without further payment and shall not withhold such number of shares of Common Stock from the Shares acquired by the exercise of the Option, as appropriate.

#### Section 8. Transferability of Options.

No Option granted pursuant to the Plan shall be transferable otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code. However, if an ISO is transferred incident to a divorce (within the meaning Code Section 1041) or pursuant to a qualified domestic relations order (within the meaning of Code Section 414(p)), it shall cease to qualify as an ISO. Notwithstanding the second preceding sentence, an Optionee, at any time prior to his death, may assign all or any portion of an Option granted to him (other than an ISO) to (i) his spouse or lineal descendant, (ii) the trustee of a trust for the primary benefit of his spouse or lineal descendant, (iii) a partnership of which his spouse and lineal descendants are the only partners, or (iv) a tax exempt organization as described in Code Section 501 (c)(3). In such event, the spouse, lineal descendant, trustee, partnership or tax exempt organization will be entitled to all of the rights of the Optionee with respect to the assigned portion of such Option, and such portion of the Option will continue to be subject to all of the terms, conditions and restrictions applicable to the Option, as set forth herein and in the related Option Agreement immediately prior to the effective date of the assignment. Any such assignment will be permitted only if: (i) the Optionee does not receive any consideration therefore; and (ii) the assignment is expressly permitted by the applicable Option Agreement as approved by the Committee. Any such assignment shall be evidenced by an appropriate written document executed by the Optionee, and a copy thereof shall be delivered to the Company on or prior to the effective date of the assignment. In addition, the transfer of an ISO to a trust shall not disqualify the ISO if, under Code Section 671 and applicable state law, the individual is considered to be the sole beneficial owner of the Option while it is held in trust.

#### Section 9. Rights as Shareholder.

An Optionee or a transferee of an Optionee pursuant to Section 8 shall have no rights as a shareholder with respect to any Common Stock covered by an Option or receivable upon the exercise of an Option until the Optionee or transferee shall have become the holder of record of such Common Stock, and no adjustments shall be made for dividends in cash or other property or other distributions or rights in respect to such Common Stock for which the record date is prior to the date on which the Optionee shall have in fact become the holder of record of the shares of Common Stock acquired pursuant to the Option.

## Section 10. **Change in Control.**

10.1. **Effect of Change in Control.** Notwithstanding any of the provisions of the Plan or any Option Agreement evidencing Options granted hereunder, upon a Change in Control of the Company (as defined in Section 10.2) all outstanding Options shall become fully exercisable and all restrictions thereon shall terminate in order that Optionees may fully realize the benefits there under. Further, in addition to the Committee's authority set forth in Section 3, the Committee, as constituted before such Change in Control, is authorized, and has sole discretion, as to any Option, either at the time such Option is granted hereunder or any time thereafter, to take any one or more of the following actions: (a) provide for the purchase of any such Option, upon the Optionee's request, for an amount of cash equal to the difference between the exercise price and the then Fair Market Value of the Common Stock covered thereby had such Option been currently exercisable; (b) make such adjustment to any such Option then outstanding as the Committee deems appropriate to reflect such Change in Control; and (c) cause any such Option then outstanding to be assumed, by the acquiring or surviving corporation, after such Change in Control.

10.2. **Definition of Change in Control.** A "Change in Control" of the Company is deemed to occur upon:

(a) The receipt by the Company of a Schedule 13D or other statement filed under Section 13(d) of the 1934 Act, indicating that any entity, person, or group has acquired beneficial ownership, as that term is defined in Rule 13d-3 under the 1934 Act, of more than 30% of the outstanding capital stock of the Company entitled to vote for the election of directors ("voting stock");

(b) The commencement by an entity, person, or group (other than the Company or a Subsidiary) of a tender offer or an exchange offer for more than 20% of the outstanding voting stock of the Company;

(c) The effective time of: (i) a merger or consolidation of the Company with one or more other corporations as a result of which the holders of the outstanding voting stock of the Company immediately prior to such merger or consolidation hold less than 80% of the voting stock of the surviving or resulting corporation; or (ii) a transfer of substantially all of the property of the Company other than to an entity of which the Company owns at least 80% of the voting stock; or

(d) The election to the Board, without the recommendation or approval of the incumbent Board, of the lesser of: (i) three directors; or (ii) directors constituting a majority of the number of directors of the Company then in office.

## Section 11. **Postponement of Exercise.**

The Committee may postpone any exercise of an Option for such time as the Committee in its sole discretion may deem necessary in order to permit the Company: (a) to effect, amend or maintain any necessary registration of the Plan or the shares of Common Stock issuable upon the exercise of an Option under the Securities Act of 1933, as amended, or the securities laws of any applicable jurisdiction; (b) to permit any action to be taken in order to (i) list such shares of Common Stock on a stock exchange if shares of Common Stock are then listed on such exchange or (ii) comply with restrictions or regulations incident to the maintenance of a public market for its shares of Common Stock, including any rules or regulations of any stock exchange on which the shares of Common Stock are listed; or (c) to determine that such shares of Common Stock and the Plan are exempt from such registration or that no action of the kind referred to in (b)(ii) above needs to be taken; and the Company shall not be obligated by virtue of any terms and conditions of any Option or any provision of the Plan to recognize the exercise of an Option or to sell or issue shares of Common Stock in violation of the Securities Act of 1933 or the law of any government having jurisdiction thereof. Any such postponement shall not extend the term of an Option and neither the Company nor its directors or officers shall have any obligation or liability to an Optionee, to the Optionee's successor or to any other person with respect to any shares of Common Stock as to which the Option shall lapse because of such postponement.

## Section 12. **Termination or Amendment of Plan.**

The Board or the Committee may terminate, suspend, or amend the Plan, in whole or in part, from time to time, without the approval of the shareholders of the Company to the extent allowed by law, provided, however, that a modification of the maximum aggregate shares of Company Stock that may be issued under the Plan as set forth in Section 4.1 or the class of employees eligible to receive them as set forth in Section 2 shall require shareholder approval. The Committee may correct any defect or supply an omission or reconcile any inconsistency in the Plan or in any Option granted hereunder in the manner and to the extent it shall deem desirable, in its sole discretion, to effectuate the Plan. No amendment or termination of the Plan shall in any manner affect any Option theretofore granted without the consent of the Optionee, except that the Committee may amend the Plan in a manner that does affect Options theretofore granted upon a finding by the Committee that such amendment is in the best interest of holders of outstanding Options affected thereby.

Without limiting the generality of the foregoing, to the extent applicable, notwithstanding anything herein to the contrary, the Plan and Options issued hereunder shall be interpreted in accordance with Code Section 409A and Department of Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or guidance that may be issued after the Effective Date (as defined in Section 13). Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any amounts payable hereunder will be taxed to an Optionee under Code Section 409A and related Department of Treasury guidance, prior to payment to such Optionee of such amount, the Company may (a) adopt such amendments to the Plan and Option Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Option Agreement hereunder and (b) take such other actions as the Committee deems necessary or appropriate to avoid the imposition of an additional tax under Code Section 409A.

#### Section 13. **Effective Date.**

The Plan is to be adopted and authorized by the Board of Directors for submission to the shareholders of the Company at the Board's next meeting scheduled for September 8, 2009. If the Plan as amended and restated is approved by the affirmative vote of a majority of the shares of the voting stock entitled to be voted by the holders of stock represented at a duly held shareholders' meeting, or if the Plan is duly approved by written consent of a majority of the votes entitled to be cast without a duly held shareholders' meeting, the Plan shall be deemed to have become effective as of September 30, 2009 (the "Effective Date"). The Committee may award Options under the Plan at any time after the Effective Date and before the termination of the Plan. The Plan will terminate upon the earliest of (i) the tenth anniversary of the Effective Date, or (ii) the date on which the Board terminates the Plan in accordance with Section 12; provided, however, that upon Plan termination, all Options outstanding under the Plan will continue to have full force and effect in accordance with the terms of the Option Agreement evidencing such Option.

#### Section 14. **Reporting and Disclosure of ISO.**

By January 31 of the year following the year an Optionee exercises an ISO (unless (i) January 31 falls on a Saturday, Sunday, or legal holiday, in which case the date will be adjusted in accordance with Code Section 7503 and the regulations thereunder or (ii) an extension of time for good cause is shown pursuant to Treasury Regulation Section 1.6039-1(a)(2)), an Optionee exercising an ISO shall be provided with a statement pursuant to Code Section 6039. The statement shall include the following information:

- (i) the name, address, and EIN of the Company;
- (ii) the name, address, and identifying number of the Optionee;
- (iii) the date the ISO was granted;
- (iv) the date the shares of Common Stock were transferred to the Optionee;
- (v) the fair market value of the shares of Common Stock at the time the ISO is exercised;
- (vi) the number of shares of Common Stock transferred pursuant to the ISO;
- (vii) the type of option under which the shares of Common Stock were acquired; and
- (viii) the total cost of all of the shares of Common Stock.

If the Company provides this statement by mail, it will be deemed to be furnished to an Optionee if it is mailed to his/her last known address. With the written consent of the Optionee the statement described in this paragraph can be furnished electronically rather than in a paper format. The Company shall identify any share of the Common Stock acquired through the exercise of an ISO in a manner sufficient to enable the accurate reporting of the transfer of record title of such shares. Such identification may be accomplished by assigning to the certificates of stock issued pursuant to such Option a special serial number or color.

#### Section 15. **Beneficiary Designation.**

Each Optionee may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively and who need not be a natural person) to whom any benefit under the Plan is to be paid in case the Optionee should die before receiving any or all of his or her Plan benefits. Each beneficiary designation, which will become effective upon receipt by the Committee, will revoke all prior designations by the same Optionee, must be in a form prescribed by the Committee, and must be made during the Optionee's lifetime. If the Optionee's designated beneficiary predeceases the Optionee or no beneficiary has been designated, benefits remaining unpaid at the Optionee's death will be paid to the Optionee's estate or other entity described in the Optionee's Option Agreement in a manner consistent with Code Section 2518.

In the event of any conflict between a designation of beneficiary hereunder and a designation under an Optionee's will, the designation hereunder shall prevail. A designated beneficiary may disclaim any Options hereunder.

Section 16. **409A Compliance.**

Notwithstanding any other provisions of this Plan or any Option Agreement hereunder, no Option shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Code Section 409A upon an Optionee. In the event it is reasonably determined by the Committee that, as a result of Code Section 409A, payment in respect of any Option under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Option Agreement, as the case may be, without causing the Optionee holding such award to be subject to taxation under Code Section 409A, the Company will make such payment on the first day that would not result in the Optionee incurring any tax liability under Code Section 409A.

To Become Effective on the 30<sup>th</sup> day of September, 2009.

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**Exhibit 10.18**

**GENERAL EMPLOYMENT ENTERPRISES, INC.  
Director Stock Option Agreement  
Under The Second Amended and Restated  
General Employment Enterprises, Inc. 1997 Stock Option Plan**

A Stock Option ("Option") is hereby granted by General Employment Enterprises, Inc., an Illinois corporation ("Company"), to the director of the Company named below ("Optionee"), for and with respect to common stock of the Company, no par value ("Common Stock"), in accordance with the provisions for grants to non-employee directors, under the Second Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan, as approved by the majority of shareholders on September 30, 2009, subject to the following terms and conditions:

1 . Grant. Subject to the provisions set forth herein and the terms and conditions of the Second Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan ("Plan"), the terms of which are hereby incorporated by reference, and in consideration of the agreements of Optionee herein provided, the Company hereby grants to Optionee an option to purchase from the Company the number of shares of Common Stock, at the purchase price per share, and on the schedule, set forth below. At the time of exercise of the Option, payment of the entire purchase price shall be made pursuant to terms of the Plan.

**Name of Optionee:**

**Type of Option:**

**Number of Shares**

**Subject to Option:**

**Option Price Per Share:** \$ \_\_\_\_\_ (Fair Market Value as of \_\_\_\_\_)

**Date of Grant:**

**Exercise Schedule:**

Number of Shares <u>Subject to Option</u>	Commencement <u>Date</u>	Expiration <u>Date</u>
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The grant of the Option is conditioned upon the acceptance by Optionee of the terms hereof as evidenced by his execution of this Agreement in the space provided therefor at the end hereof and the return of an executed copy to the Secretary of the Company no later than \_\_\_\_\_.

2 . Prior Termination. Except as provided in Section 2(b) below, the Option shall not be exercisable prior to the Commencement Date set forth in Section 1 above. Notwithstanding the Expiration Date set forth in Section 1 above:

(a) if Optionee's directorship with the Company (i) is terminated by the Company and/or its shareholders for any reason; or (ii) is voluntarily terminated by the Optionee for any reason other than; (I) termination on or after attaining age 55, (II) death or (III) disability, the Option shall expire on the ninetieth (90) day after such termination of directorship.

(b) if Optionee's directorship with the Company terminates on or after attaining age 55; or by reason of disability or death, the Option, if not already exercisable on the date of such termination of directorship, shall become exercisable and shall expire on the earlier of the first anniversary of the date of such termination of directorship or the date the Option expires in accordance with Section 1 above. During such period the Option may be exercised by Optionee with respect to the same number of shares of Common Stock, in the same manner, and to the same extent, as if Optionee had continued directorship during such period; provided that if such termination occurs by reason of death, the Option shall be exercisable, in whole or in part, by a legatee or legatees of the Option under Optionee's will, or by his executors, personal representatives or distributees.

3 . Transferability. The Option may be exercised only by Optionee during his lifetime, except as provided in Section 2, above, and may not be transferred other than by will or the applicable laws of descent or distribution. The Option shall not otherwise be transferred, assigned, pledged or hypothecated for any purpose whatsoever and is not subject, in whole or in part, to execution, attachment, or similar process. Any attempted assignment, transfer, pledge or hypothecation or other disposition of the Option, other than in accordance with the terms set forth herein, shall be void and of no effect.

4 . Notice of Exercise. Written notice of an election to exercise any portion of the Option, specifying the portion thereof being exercised, in 1,000 share increments, (or in such smaller number representing all of the shares subject to the unexercised portion of the Option) and the exercise date, shall be given by Optionee, or his personal representative in the event of Optionee's death (i) by delivering such notice at the principal executive offices of the Company no later than the exercise date, or (ii) by mailing such notice, postage prepaid, addressed to the Secretary of the Company at the principal executive offices of the Company at least three business days prior to the exercise date.

5. Shareholder Status. Neither Optionee nor any other person entitled to exercise the Option under the terms hereof shall be, or have any of the rights or privileges of, a shareholder of the Company in respect of any of the shares of Common Stock issuable on exercise of the Option, unless and until the purchase price for such shares shall have been paid in full pursuant to the terms of the Plan. It shall be the Optionee's sole responsibility to timely comply with any and all beneficial ownership disclosure rules and regulations promulgated by the Securities and Exchange Commission ("Commission") in accordance with § 16 of the Securities Exchange Act of 1934, including the Optionee's obligations (if any) to file Forms 3, 4 or 5 with the Commission as a result of receiving Options and/or Common Stock under the Plan. It shall further be the Optionee's sole responsibility to comply with applicable State and Federal tax laws, rules and regulations which may govern the Optionee's receipt of Options and/or Common Stock in accordance with the Plan.

6 . Cancellation or Adjustment. In the event the Option shall be exercised in whole, this Agreement shall be surrendered to the Company for cancellation. In the event the Option shall be exercised in part, or a change in the number or designation of the Common Stock shall be made, this Agreement shall be delivered by Optionee to the Company for the purpose of making the appropriate notation thereon, or of otherwise reflecting, in such manner as the Company shall determine, the partial exercise or the change in the number or designation of the Common Stock. In the event of any Common Stock dividend, split up, recapitalization, merger, consolidation, combination, or exchange of shares of Common Stock, separation, reorganization or liquidation occurring after the date of this Agreement, the Committee will adjust the aggregate price to be paid or the aggregate number and class of shares of Common Stock to be received by Optionee pursuant to an Option.

7 . Administration. The Option shall be exercised in accordance with such administrative regulations as the Committee established by the Plan to administer the Plan, shall from time to time adopt.

8. Governing Law. The Option, and this Agreement shall be construed, administered and governed in all respects under and by the laws of the State of Illinois. The Company and the Optionee agree that the jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to) this Agreement shall be exclusively in the courts in the State of Illinois, County of DuPage, including the Federal Courts located therein (should Federal jurisdiction exist), and the Company and the Employee hereby submit and consent to said jurisdiction and venue.

9. No Guaranty of Directorship. Nothing herein confers or shall confer on Optionee any right to continue in the directorship of the Company nor shall interfere with the Company's and/or its shareholders' right to terminate the directorship of Optionee at any time.

10 . Notices to Optionee. Any notices by the Company to Optionee shall be deemed given when personally delivered to Optionee, or three business days after mailed to Optionee by first-class mail, postage prepaid, to Optionee's last address on the employee records of the Company.

11. The Plan. The terms of this Agreement shall be subject to the terms of the Plan. In the case of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

12. Counterparts. The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

GENERAL EMPLOYMENT ENTERPRISES, INC.

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

Chief Executive Officer

The undersigned hereby accepts the foregoing Option and the terms and conditions hereof.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Optionee

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**Exhibit 10.19**

**GENERAL EMPLOYMENT ENTERPRISES, INC.  
Employee Stock Option Agreement  
Under The Second Amended and Restated  
General Employment Enterprises, Inc. 1997 Stock Option Plan**

A Stock Option ("Option") is hereby granted by General Employment Enterprises, Inc., an Illinois corporation ("Company"), to the employee of the Company named below ("Optionee"), for and with respect to common stock of the Company, no par value ("Common Stock"), subject to the following terms and conditions:

1 . Grant. Subject to the provisions set forth herein and the terms and conditions of the Second Amended and Restated General Employment Enterprises, Inc. 1997 Stock Option Plan ("Plan"), the terms of which are hereby incorporated by reference, and in consideration of the agreements of Optionee herein provided, the Company hereby grants to Optionee an option to purchase from the Company the number of shares of Common Stock, at the purchase price per share, and on the schedule, set forth below. At the time of exercise of the Option, payment of the entire purchase price shall be made pursuant to terms of the Plan.

**Name of Optionee:**

**Type of Option:**

**Number of Shares**

**Subject to Option:**

**Option Price per Share:** \$ \_\_\_\_\_ (Fair Market Value as of \_\_\_\_\_)

**Date of Grant:**

**Exercise Schedule:**

Number of Shares <u>Subject to Option</u>	Commencement <u>Date</u>	Expiration <u>Date</u>
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The grant of the Option is conditioned upon the acceptance by Optionee of the terms hereof as evidenced by Optionee's execution of this Agreement in the space provided therefor at the end hereof and the return of an executed copy to the Secretary of the Company no later than \_\_\_\_\_.

2 . Prior Termination. Except as provided in Section 2(b) below, the Option shall not be exercisable prior to the Commencement Date set forth in Section 1 above. Notwithstanding the Expiration Date set forth in Section 1 above:

(a) if Optionee's employment with the Company (i) is terminated by the Company for any reason; or (ii) is voluntarily terminated by the Optionee for any reason other than; (I) termination on or after attaining age 55, (II) death or (III) disability, the Option shall expire on the ninetieth (90) day after such termination of employment.

(b) if Optionee's employment with the Company terminates on or after attaining age 55; or by reason of disability or death, the Option, if not already exercisable on the date of such termination of employment, shall become exercisable and shall expire on the earlier of the first anniversary of the date of such termination of employment or the date the Option expires in accordance with Section 1 above. During such period the Option may be exercised by Optionee with respect to the same number of shares of Common Stock, in the same manner, and to the same extent, as if Optionee had continued employment during such period; provided that if such termination occurs by reason of death, the Option shall be exercisable, in whole or in part, by a legatee or legatees of the Option under Optionee's will, or by Optionee's executors, personal representatives or distributees.

3 . Transferability. The Option may be exercised only by Optionee during Optionee's lifetime, except as provided in Section 2, above, and may not be transferred other than by will or the applicable laws of descent or distribution. The Option shall not otherwise be transferred, assigned, pledged or hypothecated for any purpose whatsoever and is not subject, in whole or in part, to execution, attachment, or similar process. Any attempted assignment, transfer, pledge or hypothecation or other disposition of the Option, other than in accordance with the terms set forth herein, shall be void and of no effect.

4 . Notice of Exercise. Written notice of an election to exercise any portion of the Option, specifying the portion thereof being exercised, in 1,000 share increments, (or in such smaller number representing all of the shares subject to the unexercised portion of the Option) and the exercise date, shall be given by Optionee, or Optionee's personal representative in the event of Optionee's death (i) by delivering such notice at the principal executive offices of the Company no later than the exercise date, or (ii) by mailing such notice, postage prepaid, addressed to the Secretary of the Company at the principal executive offices of the Company at least three business days prior to the exercise date.

5 . Shareholder Status. Neither Optionee nor any other person entitled to exercise the Option under the terms hereof shall be, or have any of the rights or privileges of, a shareholder of the Company in respect of any of the shares of Common Stock issuable on exercise of the Option, unless and until the purchase price for such shares shall have been paid in full pursuant to the terms of the Plan. It shall be the Optionee's sole responsibility to timely comply with any and all beneficial ownership disclosure rules and regulations promulgated by the Securities and Exchange Commission ("Commission") in accordance with § 16 of the Securities Exchange Act of 1934, including the Optionee's obligations (if any) to file Forms 3, 4 or 5 with the Commission as a result of receiving Options and/or Common Stock under the Plan. It shall further be the Optionee's sole responsibility to comply with applicable State and Federal tax laws, rules and regulations which may govern the Optionee's receipt of Options and/or Common Stock in accordance with the Plan.

6 . Cancellation or Adjustment. In the event the Option shall be exercised in whole, this Agreement shall be surrendered to the Company for cancellation. In the event the Option shall be exercised in part, or a change in the number or designation of the Common Stock shall be made, this Agreement shall be delivered by Optionee to the Company for the purpose of making the appropriate notation thereon, or of otherwise reflecting, in such manner as the Company shall determine, the partial exercise or the change in the number or designation of the Common Stock. In the event of any Common Stock dividend, split up, recapitalization, merger, consolidation, combination, or exchange of shares of Common Stock, separation, reorganization or liquidation occurring after the date of this Agreement, the Committee will adjust the aggregate price to be paid or the aggregate number and class of shares of Common Stock to be received by Optionee pursuant to an Option.

7 . Administration. The Option shall be exercised in accordance with such administrative regulations as the Committee established by the Plan to administer the Plan, shall from time to time adopt.

8 . Governing Law. The Option, and this Agreement shall be construed, administered and governed in all respects under and by the laws of the State of Illinois. The Company and the Optionee agree that the jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to) this Agreement shall be exclusively in the courts in the State of Illinois, County of DuPage, including the Federal Courts located therein (should Federal jurisdiction exist), and the Company and the Employee hereby submit and consent to said jurisdiction and venue.

9 . No Guaranty of Employment. Nothing herein confers or shall confer on Optionee any right to continue in the employment of the Company nor shall interfere with the Company's right to terminate the employment of Optionee at any time.

10 . Notices to Optionee. Any notices by the Company to Optionee shall be deemed given when personally delivered to Optionee, or three business days after mailed to Optionee by first-class mail, postage prepaid, to Optionee's last address on the employee records of the Company.

11. The Plan. The terms of this Agreement shall be subject to the terms of the Plan. In the case of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

12. Counterparts. The parties may execute this Agreement in one or more counterparts, all of which together shall constitute but one Agreement.

GENERAL EMPLOYMENT ENTERPRISES, INC.

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

Chief Executive Officer

The undersigned hereby accepts the foregoing Option and the terms and conditions hereof.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Optionee

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EXHIBIT 23.01

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-91550, 333-25129, and 333-76879) of General Employment Enterprises, Inc. of our report dated January 8, 2010, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ BDO Seidman, LLP

Chicago, Illinois  
January 8, 2010

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EXHIBIT 31.01

**CERTIFICATION**

I, Salvatore J. Zizza, certify that:

1. I have reviewed this Form 10-K annual report for the year ended September 30, 2009 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. The registrant's other certifying officer(s) and I are 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: January 8, 2010

/s/ Salvatore J. Zizza  
Salvatore J. Zizza  
Chief Executive Officer  
(Principal executive officer)

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CERTIFICATION

I, Kent M. Yauch, certify that:

1. I have reviewed this Form 10-KSB annual report for the fiscal year ended September 30, 2009 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. The registrant's other certifying officer(s) and I are 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: January 8, 2010

/s/ Kent M. Yauch  
Kent M. Yauch  
Vice President, Chief Financial  
Officer and Treasurer  
(Principal financial 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 Annual Report of General Employment Enterprises, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2009 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: January 8, 2010

By: /s/ Salvatore J. Zizza

Salvatore J. Zizza  
Chief Executive Officer  
(Chief executive officer)

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EXHIBIT 32.02

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

In connection with the Annual Report of General Employment Enterprises, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2009 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: January 8, 2010

By: /s/ Kent M. Yauch  
Kent M. Yauch  
Vice President, Chief Financial  
Officer and Treasurer  
(Chief financial officer)

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