UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

OR

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

Commission File Number 1-05707

GENERAL EMPLOYMENT ENTERPRISES, INC

(Exact name of registrant as specified in its charter)

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

One Tower Lane, Suite 2200, Oakbrook Terrace, Illinois 60181

(Address of principal executive offices)

(630) 954-0400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

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

The number of shares outstanding of the registrant's common stock as of May 12, 2011 was 20,449,675.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEETS

(In Thousands)		March 31 2011 (unaudited)		September 30 2010
ASSETS				
Current assets:				
Cash and cash equivalents	$	599	$	945
Accounts receivable, less allowances (March - 2011- $ 125; September - 2010 - $86)		4,017		1,419
Other		206		216
Total current assets		4,822		2,580
Property and equipment, net		292		383
Goodwill		1,256		172
Intangible assets, net		3,519		259
Total assets	$	9,889	$	3,394
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	135	$	107
Accrued compensation		1,527		769
Short-Term Debt		1,266		—
Other		1,015		495
Total current liabilities		3,943		1,371
Long-term obligations		2,035		431
Shareholders' equity:				
Preferred stock; authorized - 100 shares; issued and outstanding - none		—		—
Common stock, no-par value; authorized - 50,000 shares; issued and outstanding – 20,449 shares in 2011 and 14,856 shares in 2010		9,696		7,287
Accumulated deficit		(5,785)		(5,695)
Total shareholders' equity		3,911		1,592
Total liabilities and shareholders' equity	$	9,889	$	3,394

See notes to consolidated financial statements.

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

(In Thousands, Except Per Share Amounts)		Three Months Ended March 31 2011	Three Months Ended March 31 2010	Six Months Ended March 31 2011	Six Months Ended March 31 2010
Net revenues:					
Contract services	$	6,626	1,456	11,512	2,858
Placement services		990	572	1,913	1,142
Management Services		288	—	450	—
Net revenues		7,904	2,028	13,875	4,000
Cost of contract services		5,803	1,059	9,918	2,055
Selling, general and administrative expenses		2,025	1,660	3,760	3,207
Amortization of intangible assets		155	—	249	—
Loss from operations		(79)	(691)	(52)	(1,262)
Other expense, net		(25)	(9)	(38)	(27)
Net loss	$	(104)	(700)	(90)	(1,289)
Average number of shares – basic and diluted		20,447	13,380	17,652	13,380
Net loss per share - basic and diluted	$	(.01)	(.05)	(.01)	(.10)

See notes to consolidated financial statements.

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

(In Thousands)	Six Months Ended March 31 2011	Six Months Ended March 31 2010
Operating activities:		
Net loss	$ (90)	$ (1,289)
Adjustments to reconcile net loss to net cash used in operating activities - Depreciation and amortization	345	100
Stock compensation expense	4	6
Expenses paid by principal stockholder	—	46
Non-cash interest expense	18	19
Changes in assets and liabilities -		
Accounts receivable	(2,597)	174
Accounts payable	28	(137)
Accrued compensation	758	(126)
Other current items, net	284	(80)
Long-term obligations	(90)	(90)
Net cash used in operating activities	(1,616)	(1,377)
Investing activities:		
Acquisition of property and equipment	(1)	—
Financing activities:		
Proceeds from short-term debt	1,266	—
Exercises of stock options	5	
Net cash provided by financing activities	1,271	—
Decrease in cash and cash equivalents	(346)	(1,377)
Cash and cash equivalents at beginning of period	945	2,810
Cash and cash equivalents at end of period	$ 599	$ 1,433
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 25	$ —

Supplemental Disclosure of Non-Cash Investing Activities:
In November 2010, the Company purchased certain assets of DMCC Staffing, LLC and RFFG of Cleveland, LLC through the issuance of 5,581 shares of common stock.

See notes to consolidated financial statements.

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

(In Thousands)	Six Months Ended March 31 2011		Six Months Ended March 31 2010	
Common shares outstanding:				
Number at beginning of period		14,856		13,380
Issuance of common stock for acquisition		5,581		—
Issuance of common stock for options		12		—
Number at end of period		20,449		13,380
Common stock:				
Balance at beginning of period	$	7,287	$	6,743
Stock compensation expense		4		6
Issuance of common stock for options		5		—
Issuance of common stock for acquisition		2,400		—
Administrative compensation paid by principal stockholder		—		46
Balance at end of period	$	9,696	$	6,795
Accumulated deficit:				
Balance at beginning of period	$	(5,695)	$	(4,139)
Net loss		(90)		(1,289)
Balance at end of period	$	(5,785)	$	(5,428)

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Basis of Presentation

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim information and the rules of the United States Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. Interim results are not necessarily indicative of results for a full year. The September 30, 2010 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the financial statements included in the annual report on Form 10-K for the year ended September 30, 2010 of General Employment Enterprises, Inc. (the "Company").

Entry into Asset Purchase Agreements

Acquisition of DMCC Staffing, LLC and RFFG of Cleveland,LLC

Effective November 1, 2010, the Company and its wholly-owned subsidiary, Triad Personnel Services, Inc., entered into an asset purchase agreement, dated as of October 29, 2010, with DMCC Staffing, LLC, ("DMCC"), RFFG of Cleveland, LLC, ("RFFG of Cleveland"), and Thomas J. Bean (the "Asset Purchase Agreement"), for the purchase of certain assets of DMCC and RFFG of Cleveland, including customer lists, comprising DMCC and RFFG of Cleveland's services business. Thomas Bean was the beneficial owner of approximately 9.9% of the Company's outstanding shares prior to acquisition. The business is operated from offices in Ohio and provides labor and human resource solutions, including temporary staffing, human resources and payroll outsourcing services, labor and employment consulting and workforce solutions. The business of RFFG of Cleveland acquired by the Company has one customer.

The closing of the Asset Purchase Agreement was subject to certain conditions, including entry into a definitive management and services agreement for the management of the businesses of certain affiliates of DMCC, RFFG of Cleveland and Mr. Bean (the "Management Agreement") by the Company. On November 30, 2010, Business Management Personnel, Inc. ("BMP"), a wholly-owned subsidiary of the Company, entered into the Management Agreement, effective as of November 1, 2010, with RFFG, LLC ("RFFG"). (Refer to *Entry into Management Agreement* footnote below for further description).

The assets purchased from RFFG of Cleveland and DMCC constitute businesses and as such the acquisition of these assets were accounted for as a business combination. Pursuant to the Asset Purchase Agreement, the Company will issue $2,400,000 in shares of its common stock (5,581,395 shares based on the December 30, 2010 closing date) to DMCC and RFFG of Cleveland upon receipt of (a) stockholder approval of the transaction and of an increase to the Company's authorized Common Stock and (b) approval of an additional listing application by the NYSE Amex Stock Exchange. On March 24, 2011, the Company received written consents in lieu of a meeting of shareholders from the holders of 71.8% of the shares of Common Stock, (i) approving the issuance of 5,581,395 shares of the Common Stock to DMCC Staffing and RFFG of Cleveland pursuant to the Asset Purchase Agreement and the issuance of any additional shares of Common Stock to DMCC and RFFG of Cleveland as may be necessary pursuant to certain earn-out payment provisions under the Asset Purchase Agreement; and (ii) approving an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of capital stock from 20,100,000 shares to 50,100,000 shares and to increase the number of authorized shares of Common Stock from 20,000,000 shares to 50,000,000 shares.

Commencing in 2011, if the aggregate EBITDA of the business acquired, including any management fees paid to the Company under the Management Agreement meets certain targets (each, an "EBITDA Target") over a four-year period ending December 31, 2014 (the "Earnout Period"), the Company will be required to make earn-out payments to DMCC and RFFG of Cleveland, each payable in three equal installments. In the event that an EBITDA Target for a certain period is not met, the earn-out payment in respect to such period will be reduced proportionately. The EBITDA Targets are $300,000, $600,000, $900,000 and $1,200,000 for each of the three-, six-, nine- and twelve-month periods, respectively, in the fiscal year ending December 31, 2011, and earn-out payments will consist of quarterly payments of $150,000, payable in three equal monthly installments, if the relevant EBITDA Targets are met. Starting in the fiscal year ending December 31, 2012, the EBITDA Targets will be adjusted annually to reflect the EBITDA for the twelve-month period ending on December 31st of the most recently completed fiscal year (each, an "Annual EBITDA Target") and earn-out payments for the year will be adjusted to equal 50% of the relevant Annual EBITDA Target divided by four. At the end of each fiscal year during the Earnout Period, if the aggregate EBITDA for the 12-month period then ended is greater than the Annual EBITDA Target for such year, then the Company will pay to DMCC and RFFG of Cleveland the amount of such excess, 50% in cash and 50% in shares of common stock.

The accounting guidance requires that contingent consideration be added to the purchase price and the resultant liability be recorded at fair value. Given the terms of the earn-out provisions of the Asset Purchase Agreement, the Company believes that the earn-out will be paid and accordingly, has included the fair value of the projected total earn-out payments in the total consideration paid for the acquisition. Through March 31, 2011, there has been no change in the estimated fair value of the earnout consideration to be paid. The total consideration paid is summarized as follows:

In Thousands		
Stock consideration	$	2,400
Earn-out consideration		2,198
Total consideration for acquisition	$	4,598

The following table summarizes the approximate fair value of the assets acquired and liabilities assumed at the date of closing.

In Thousands		
Fixed assets	$	5
Intangible assets - management agreement		1,396
Intangible assets - customer relationships		2,113
Goodwill		1,084
Total fair value of assets acquired	$	4,598

The purchase price allocation is preliminary and subject to further refinement based upon completion of asset valuations. The results of operations of DMCC and RFFG of Cleveland are included in the Company's statement of operations from the effective date of the acquisition, November 1, 2010.

In connection with the application of purchase accounting, the Company recorded its identifiable intangible assets at fair value. Fair value of the intangible assets was determined primarily through the use of a discounted cash flow analysis. The discounted cash flow analysis projected the estimated future cash flows to be generated by the underlying assets and discounted these at a rate reflecting perceived business and financial risks. The projected cash flow estimates used in the discounted cash flow analysis are based on management's best estimate and actual results may differ. The valuation of these intangible assets is based predominately on Level 3 inputs. The levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets.

Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, included quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are both significant to the fair value measurement and unobservable.

Acquisition of On-Site Services, Inc.

On June 1, 2010, the Company, through its wholly-owned subsidiary Triad Personnel Services, Inc., entered into an Asset Purchase Agreement (the "On-Site Asset Purchase Agreement") with On-Site Services, Inc. ("On-Site") and Thomas J. Bean. On-Site is located in Florida and provides labor and human resource solutions, including temporary staffing, human resources, labor and employment consulting and workforce solutions to the agricultural industry. Pursuant to the On-Site Asset Purchase Agreement, upon On-Site's direction, the Company issued 1,476,015 shares of its Common Stock (no par value) to Big Red Investments Partnership, Ltd, an affiliate of On-Site (based on a stated value of $600,000 divided by the average share price of the 20 consecutive trading days prior to the second trading day prior to the closing of the On-Site Asset Purchase Agreement). For accounting purposes, the shares of Common Stock issued were valued at approximately $487,000 based on the quoted market price on the closing date. Under the On-Site Asset Purchase Agreement, if the aggregate EBITDA of the business acquired meets certain targets over a period of four years, the Company will be required to make earn-out payments to On-Site totaling up to $1,020,000, $600,000 of which is payable in cash and $420,000 of which is payable in cash or Common Stock, or any combination thereof, in the Company's sole discretion. The Company has determined the fair value of the contingent consideration that could be paid under the earn-out provisions of the On-Site Asset Purchase Agreement is zero based on the estimated probability of any payment being made under this earn-out arrangement. Therefore, at the date of the acquisition, no value has been assigned to the contingent consideration. Any subsequent changes in the estimated fair value of this contingent consideration will be recorded in the Company's statement of operations. Through March 31, 2011, there have been no changes in the estimated fair value of the potential earn-out consideration. In addition, the Company also provided the principal, Thomas J. Bean, of On-Site a non-interest bearing advance of $300,000 on June 1, 2010, which was fully repaid by June 30, 2010.

The following table summarizes the approximate fair value of the assets acquired at the date of the closing.

In Thousands		
Fixed assets	$	2
Intangible assets - non-compete agreement		89
Intangible assets - customer relationships		223
Goodwill		173
Total fair value of assets acquired	$	487

The results of operations of On-Site are included in the Company's statement of operations from the date of the acquisition.

Pro Forma Information

The following unaudited pro forma information represents the Company's results of operations as if the acquisitions described above had occurred on the first day of the earliest period presented.

	Three Months Ended March 31				Six Months Ended March 31			
(In thousands)		2011		2010		2011		2010
Net sales	$	7,904	$	5,933	$	14,466	$	11,688
Net loss	$	(104)	$	(568)	$	(49)	$	(1,186)
Basic and diluted loss per share	$	(.01)	$	(.04)	$	(.01)	$	(.09)

Entry into Management Service Agreement

In conjunction with the Asset Purchase Agreement for DMCC and RFFG of Cleveland, BMP, an Ohio corporation and a wholly-owned subsidiary of the Company, BMP entered into the Management Agreement with RFFG. The Management Agreement became effective on November 1, 2010.

Pursuant to the Management Agreement, BMP agreed to provide services to RFFG to operate its day-to-day business, including services related to accounting, sales, finance, workers' compensation, benefits, physical locations, IT and employees. The Management Agreement provides that additional services may be added if BMP and RFFG mutually agree to the cost to be charged by BMP for such services and as long as BMP has the resources to provide such services.

In consideration of the services provided under the Management Agreement, RFFG will pay BMP monthly fees that will approximate 6% of its gross revenues on an annual basis. Fees may be adjusted up or down by mutual agreement of the parties to accommodate seasonal trends in revenues of RFFG. The Management Agreement may be terminated by either BMP or RFFG upon 180 days' prior written notice. The Company added employees to provide the services required under the Management Agreement.

For the six months and quarter ending March 31, 2011, the Company recorded approximately $450,000 and $288,000 of revenue related to this agreement, respectively.

Segment Data

As a result of the acquisition of certain of the assets of DMCC and RFFG of Cleveland and entry into the Management Agreement discussed above, the Company's internal reporting was adjusted and as a result, the Company re-assessed its segment presentation. Accordingly, the Company's segment disclosures were revised in the current year.

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

	Three Months Ended March 31		Six Months Ended March 31	
(In Thousands)	2011	2010	2011	2010
Placement Services				
Revenue	$ 990	$ 572	$ 1,913	$ 1,142
Operating loss	(108)	(616)	(260)	(1,045)
Depreciation & amortization	49	44	96	91
Accounts receivable – Net	599	223	599	223
Management Services				
Revenue	$ 288	$ —	$ 450	$ —
Fee Receivable	371	—	371	—
Contract Services				
Agricultural Services Revenue	$ 3,035	$ —	$ 5,412	$ —
Professional Services Revenue	1,600	1,456	3,175	2,858
Industrial Services Revenue	1,991	—	2,925	—
Agricultural Services Gross Margin	4.4%	—	4.2%	—
Industrial Services Gross Margin	13.0%	—	14.4%	—
Professional Services Gross Margin	26.9%	27.3%	29.9%	28.1%
Operating loss	$ (171)	$ (84)	$ (155)	$ (244)
Depreciation and amortization	164	6	249	9
Accounts receivable - agricultural services	868	—	868	—
Accounts receivable - industrial services	1,221	—	1,221	—
Accounts receivable - professional services	897	641	897	641
Consolidated				
Operating loss	(104)	(700)	(90)	(1,289)
Depreciation and amortization	$ 203	$ 50	$ 345	$ 100

Placement Service Revenues

The provision for falloffs and refunds, reflected in the consolidated statement of operations as a reduction of placement service revenue, was $362,000 and $144,000 for the six-month periods ended March 31, 2011and 2010, respectively, and $170,000 and $77,000 for the three-month periods ended March 31, 2011 and 2010, respectively.

Customer Concentration

The portion of consolidated net revenues derived from the Company's largest customer was approximately 21.4 % for the quarter ending March 31, 2011. The second largest customer accounted for 15.2% for the quarter ending March 31, 2011. No other customer accounted for more than 10% of net revenues during the quarter ending March 31, 2011 or 2010. The Company's largest customer for the six months ending March 31, 2011 was approximately 18.1% of revenue with the second largest accounting for 12.2%. No other customer accounted for more than 10% of net revenues during the six months ending March 31, 2011 or 2010.

Other Expense, Net

The components of other expense, net are as follows:

	Three Months Ended March 31		Six Months Ended March 31	
(In Thousands)	2011	2010	2011	2010
Interest expense	$ (25)	$ (9)	$ (38)	$ (19)
Interest income	—	—	—	3
Loss on investments	—	—	—	(11)
Other expense, net	$ (25)	$ (9)	$ (38)	$ (27)

The loss on investments includes realized and unrealized holding gains and losses on trading securities.

Income Taxes

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

Property and Equipment

Property and equipment consisted of the following:

(In Thousands)	March 31 2011	September 30 2010
Computer software	$ 1,447	$ 1,447
Office equipment, furniture and fixtures	1,874	1,886
Total property and equipment, at cost	3,321	3,333
Accumulated depreciation and amortization	(3,029)	(2,950)
Property and equipment, net	$ 292	$ 383

Intangible Assets – finite life

As of March 31, 2011

(In Thousands)	Cost	Accumulated Amortization	Net Book Value
Non-Compete Agreement	$ 89	$ 15	$ 74
Customer Relationships	2,336	152	2,184
Management Agreement	1,396	135	1,261
	$ 3,821	$ 302	$ 3,519

Finite life intangible assets are comprised of a non-compete agreement, the Management Agreement and customer relationships. The non-compete agreement is amortized on a straight – line basis over its estimated life of 5 years. The customer relationships are amortized based on the estimated future undiscounted cash flows over the next ten years. The Management Agreement is amortized over the next four years based on the estimated future undiscounted cash flows. The future amortization expense for these finite life intangibles is as follows: $348,000 for 2011, $615,000 in 2012, $615,000 in 2013, $616,000 in 2014, $222,000 in 2015, and $1,103,000 thereafter.

Commitments

As of March 31, 2011, the Company had contractual obligations to purchase approximately $413,000 of recruitment advertising through December 31, 2011.

Line of Credit

Through December 2010, the Company had a loan and security agreement with Crestmark Bank for financing of its accounts receivable. Under the terms, the Company could borrow up to 85% of its eligible accounts receivable, not to exceed $3,500,000. The loan was secured by accounts receivable and other property of the Company. Interest was charged at the rate of 1% above the prime rate. Interest expense under this agreement was $4,500 for the six months end March 31, 2011. In addition, the agreement required a maintenance fee of $3,500 per month and an annual loan fee of 1% of the maximum borrowing amount under the agreement. The Company incurred $29,000 of fees related to this agreement during the six months ended March 31, 2011. The term of the agreement was for three years or earlier upon demand by Crestmark, and was to be renewed automatically for consecutive two year terms unless terminated by either party.

In December 2010, the Company terminated its agreement with Crestmark Bank and entered into a two year $3,000,000 account purchase agreement (“AR Credit Facility”) with Wells Fargo Bank N.A. (“Wells Fargo”). The AR Credit Facility provides for borrowings, on a revolving basis, of up to 85% of the Company’s eligible accounts receivable less than 90 days old and bears interest at a rate equal to the three month LIBOR plus 5.25% (effective rate was 6.59% as of March 31, 2011.) Under the terms and subject to the conditions in the agreement, Wells Fargo may determine which receivables are eligible receivables, may determine the amount it will advance on any such receivables, and may require the Company to repay advances made on receivables and thereby repay amounts outstanding under the AR Credit Facility. Wells Fargo also has the right to require the Company to repurchase receivables that remain outstanding 90 days past their invoice date. The Company continues to be responsible for the servicing and administration of the receivables purchased. The Company will carry the receivables and any outstanding borrowings on its consolidated balance sheet.

The Company believes that the borrowing availability provided by the Wells Fargo agreement will be adequate to fund the increase in working capital needs resulting from the acquisitions of certain assets of On-Site, RFFG of Cleveland, and DMCC.

As of March 31, 2011, the borrowing base availability under this agreement was $336,000 and the outstanding borrowings approximated $1,266,000. Total interest expense for the quarter and six months ending March 31, 2011 approximated $18,000 and $19,000, respectively.

The loan and security agreement with Wells Fargo Bank includes certain covenants which require compliance until termination of the agreement. As of March 31, 2011, the Company was in compliance with all such covenants.

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

Overview

General Employment Enterprises, Inc. (the "Company") provides contract and placement staffing services for business and industry, primarily specializing in the placement of information technology, engineering and accounting professionals. With the acquisition of certain of the assets of On-Site Services, Inc. ("On-Site") in June 2010, the Company also began to provide contract staffing services for the agricultural industry. This business is located in Florida and provides labor and human resource solutions, including temporary staffing, to the agricultural industry. On November 1, 2010, the Company and its wholly-owned subsidiary, Triad Personal Services, Inc. an Illinois corporation, entered into an asset purchase agreement, dated as of October 29, 2010, with DMCC Staffing, LLC, an Ohio limited liability company ("DMCC"), RFFG of Cleveland, LLC, an Ohio limited liability company ("RFFG of Cleveland"), and Thomas J. Bean (the "Asset Purchase Agreement"), for the purchase of certain assets of DMCC and RFFG of Cleveland, including customer lists, comprising DMCC and RFFG of Cleveland's services business. This business is operated from offices in Ohio and provides labor and human resource solutions, including temporary staffing, human resources and payroll outsourcing services, labor and employment consulting and workforce solutions. The business of RFFG of Cleveland acquired by the Company has one customer.

The closing of the Asset Purchase Agreement was subject to certain conditions, including entry into a definitive management and services agreement for the management by the Company of the businesses of certain affiliates of DMCC, RFFG of Cleveland and Mr. Bean (the "Management Agreement"). On November 30, 2010, Business Management Personnel, Inc. ("BMP"), an Ohio corporation and an wholly-owned subsidiary of the Company, entered into the Management Agreement, effective as of November 1, 2010, with RFFG, LLC ("RFFG").

As of March 31, 2011, the Company operated fourteen offices located in eight states.

Results of Operations – Six Months Ended March 31, 2011 Compared to the Six Months Ended March 31, 2010

Net Revenues

Consolidated net revenues are comprised of the following:

	Six Months Ended March 31	
(In thousands)	2011	2010
Placement Services	$ 1,913	$ 1,142
Management Services	450	—
Professional Contract Services	3,175	2,858
Agricultural Contract Services	5,412	—
Industrial Contract Services	2,925	—
Consolidated Net Revenues	$ 13,875	$ 4,000

Consolidated net revenues increased by approximately $9,875,000 (246.8%) from the same period last year and the increase was primarily due to the acquisition of certain assets of On-Site ($5,412,000), RFFG of Cleveland ($1,689,000), DMCC ($1,236,000) and fees earned under the Management Agreement ($450,000), which contributed approximately $8,787,000 in revenue for the period. Professional contract and placement services increased by approximately $317,000 (11.6%) and $771,000 (39.6%) from the same period last year, respectively. The increase in placements and professional contract services was due to the improvement in the economy and the job market.

Cost of Services
The cost of services includes wages and the related payroll taxes and employee benefits of the Company's employees while they work on contract assignments. The cost of contract services for the six months ended March 31, 2011 increased by approximately $7,863,000 (383%) due to the acquisition of certain assets of On-Site ($5,186,000), RFFG of Cleveland ($1,451,000), and DMCC ($1,054,000) which contributed approximately $7,691,000 in cost of services for the period. Due to competitive pricing pressures, the gross profit margin on the professional contract services business decreased from 27.3% in the quarter ended March 31, 2010 to 26.9% in the quarter ended March 31, 2011. For the six months ended March 31, 2011, the gross profit margin of the On-Site business was 4.2%, the gross profit margin of the RFFG of Cleveland business was 14.1%, and the gross profit margin of the DMCC business was14.7%. The decrease in the consolidated contract service gross profit margin from 27.3% for the six months ended March 31, 2010 to 13.9% for the six months ended March 31, 2011 is primarily due to the lower margin's earned on On-Site services.

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 six months ended March 31, 2011 increased by approximately $560,000 (17.5%) compared to the same period last year. Compensation in the operating divisions increased by approximately $359,000 (66.7%) from the same period last year, reflecting a higher commission on greater volume of placement business. Administrative compensation and branch occupancy costs were relatively consistent with the same period last year. Recruitment advertising increased by approximately $57,000 (31.6%) due to higher utilization of job board posting services. Legal and accounting fees decreased by approximately $256,000 (65.8%) over the same period last year due to fewer fees related to both the GT Systems and other acquisitions and the Park Ave bank inquiry.

Amortization
The amortization expense of approximately $249,000 recorded for the six months ended March 31, 2011 includes the amortization associated with the identifiable intangibles recorded for the Company's acquisitions of certain assets of On-Site, RFFG of Cleveland, and DMCC. As these acquisitions were consummated in June 2010 and November 2010, there was no amortization expense associated with identifiable intangible assets in the six months ended March 31, 2010.

Other
Other expense, net for the six months ended March 31, 2011 increased by approximately $11,000, or 40.7% from the same period last year primarily due to additional interest expense incurred related to the Wells Fargo bank agreement.

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.

Interest expense was approximately $38,000 for the six months ended March 31, 2011.

Results of Operations – Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

Net Revenues
Consolidated net revenues for the three months ended March 31, 2011 increased by approximately $5,876,000 (289.7%) from the prior year. Contract service revenues increased by approximately $5,170,000 (355.1%) primarily due to approximately $3,035,000 of revenue from the On-Site business acquisition, $1,204,000 of revenue from the RFFG of Cleveland business and $787,000 of revenue from the DMCC acquisition. Placement service revenues increased by approximately $418,000 (73.1%) due to a 70.7% increase in the number of placements.

Cost of Contract Services
The cost of contract services for the three months ended March 31, 2011 increased by approximately $4,744,000 (448%) as a result of an increase in the volume of contract business due to the acquisition of certain assets of On-Site, RFFG of Cleveland and DMCC. The gross profit margin on contract business was 12.4% for the three months ended March 31, 2011 compared to 27.3% for the three months ended March 31, 2010. The decrease in the gross profit margin was due to an increase in the Ohio unemployment and sales tax, an increase in the professional contract wages and the addition of On-Site services gross profit margin of 4.4%.

Selling, General and Administrative Expenses
Selling, general and administrative expenses for the three months ended March 31, 2011 increased by approximately $365,000 (22%). Compensation in the operating divisions increased by approximately $192,000, reflecting higher commission expense on the greater volume of permanent placement business. Administrative compensation decreased by approximately $19,000, reflecting executive pay reductions. Occupancy costs increased by approximately 37.9% for the period because of operating more branch offices than last year. All other selling, general and administrative expenses together increased 29.3% due to $249,000 of amortization expense and the addition of RFFG of Cleveland, DMCC and Business Management Personnel which contributed $165,000, $99,000 and $87,000 in expenses, respectively.

Other
Other expense, net for the three months ended March 31, 2011increased by approximately $16,000, or 177.8%,from the same period last year due to the interest expense incurred on the Wells Fargo bank agreement this year.

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 March 31, 2011, the Company had cash and cash equivalents of approximately $599,000, which was a decrease of approximately $346,000 from September 30, 2010. Net working capital at March 31, 2011 was approximately $879,000, which was a decrease of approximately $330,000 from September 30, 2010, and the current ratio was 1.2 to 1.

During the six months ended March 31, 2011, net cash used by operating activities was approximately $1,616,000. The net income for the period, adjusted for depreciation and other non-cash charges, was approximately $49,000, while working capital items used approximately $1,665,000 and financing activities provided an additional $1,271,000 from borrowings under the Company's credit facility with Wells Fargo. The large increase in the contract business, approximately $8,667,000, and the corresponding increase in payroll for the six months ending March 31, 2011 has resulted in a significant amount of additional borrowings under the credit facility.

Information about future minimum lease payments, purchase commitments and long-term obligations is presented in the notes to consolidated financial statements contained in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2010.

In November 2010, the Company purchased certain assets of RFFG of Cleveland and DMCC and entered into the Management Agreement with RFFG (the parent company of RFFG of Cleveland and DMCC) to provide services to RFFG to operate its day-to-day business, including services related to accounting, sales, finance, workers compensation, benefits, physical locations, IT, and employees.

In consideration of the services provided under the Management Agreement, RFFG will pay the Company approximately 6% of its gross revenues. Gross revenues of RFFG are expected to approximate $18 million on an annual basis, resulting in an expected management fee of approximately $1 million per year. The Company has added employees to provide the services required under the Management Agreement.

The assets purchased related to RFFG of Cleveland and DMCC constitute businesses and as such the acquisition of these assets were accounted for as a business combination. Pursuant to the Asset Purchase Agreement, the Company will issue $2,400,000 in shares of its Common Stock to DMCC and RFFG of Cleveland upon receipt of (a) stockholder approval of the transaction and of an increase to the Company's authorized Common Stock and (b) approval of an additional listing application by the NYSE Amex Stock Exchange. On March 24, 2011, the Company received written consents in lieu of a meeting of shareholders from the holders of 71.8% of the shares of Common Stock, (i) approving the issuance of 5,581,395 shares of the Common Stock to DMCC Staffing and RFFG of Cleveland pursuant to the Asset Purchase Agreement and the issuance of any additional shares of Common Stock to DMCC and RFFG of Cleveland as may be necessary pursuant to certain earn-out payment provisions under the Asset Purchase Agreement; and (ii) approving an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of capital stock from 20,100,000 shares to 50,100,000 shares and to increase the number of authorized shares of Common Stock from 20,000,000 shares to 50,000,000 shares.

Commencing in 2011, if the aggregate EBITDA of the business acquired. including any management fees paid to the Company under the Management Agreement meets certain targets (each, an "EBITDA Target") over a four-year period ending December 31, 2014 (the "Earnout Period"), the Company will be required to make earn-out payments to DMCC and RFFG of Cleveland, each payable in three equal installments.   In the event that an EBITDA Target for a certain period is not met, the earn-out payment in respect of such period will be reduced proportionately. The EBITDA Targets will be $300,000, $600,000, $900,000 and $1,200,000 for each of the three-, six-, nine- and twelve-month periods, respectively, in the fiscal year ending December 31, 2011, and earn-out payments will consist of quarterly payments of $150,000, payable in three equal monthly installments, if the relevant EBITDA Targets are met. The Company has not made any earnout payments through March 31, 2011 and still expects the cumulative targets to be met. Starting in the fiscal year ending December 31, 2012, the EBITDA Targets will be adjusted annually to reflect the EBITDA for the twelve-month period ending on December 31st of the most recently completed fiscal year (each, an "Annual EBITDA Target") and earn-out payments for the year will be adjusted to equal 50% of the relevant Annual EBITDA Target divided by four. At the end of each fiscal year during the Earnout Period, if the aggregate EBITDA for the 12-month period then ended is greater than the Annual EBITDA Target for such year, then the Company will pay to DMCC and RFFG of Cleveland the amount of such excess, 50% in cash and 50% in shares of common stock.

In connection with the completion of the sale of shares of Common Stock to PSQ, LLC ("PSQ") in fiscal 2009, the Company's then 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 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 March 31, 2011, $357,000 remains payable under this agreement and is included in accrued expenses on the Company's balance sheet.

In December 2010, the Company terminated its agreement with Crestmark Bank and entered into a two year $3,000,000 account purchase agreement ("AR Credit Facility") with Wells Fargo Bank N.A. ("Wells Fargo"). The AR Credit Facility provides for borrowings on a revolving basis, of up to 85% of the Company's eligible accounts receivable less than 90 days old and bears interest at a rate equal to the three month LIBOR plus 5.25%. Under the terms and subject to the conditions in the agreement, Wells Fargo may determine which receivables are eligible receivables, may determine the amount it will advance on any such receivables, and may require the Company to repay advances made on receivables and thereby repay amounts outstanding under the AR Credit Facility. Wells Fargo also has the right to require the Company to repurchase receivables that remain outstanding 90 days past their invoice date. The Company continues to be responsible for the servicing and administration of the receivables purchased. The Company will carry the receivables and any outstanding borrowings on its consolidated balance sheet.

The Company believes that the borrowing availability under its AR Credit Facility will be adequate to fund continuing operations and the increase in working capital needs resulting from the acquisitions of certain assets of On-Site, RFFG of Cleveland, and DMCC.

Off-Balance Sheet Arrangements

As of March 31, 2011, 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.

Forward-Looking Statements

As a matter of policy, the Company does not provide forecasts of future financial performance. The statements made in this Form 10-Q Quarterly Report which are not historical facts are forward-looking statements. 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 the Company's actual results to differ materially from those in the forward-looking statements include, without limitation, general business conditions, the demand for the Company's services, competitive market pressures, the ability of the Company to attract and retain qualified personnel for regular full-time placement and contract assignments, the possibility of incurring liability for the Company's business activities, including the activities of its contract employees and events affecting its contract employees on client premises, and the ability to attract and retain qualified corporate and branch management. 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 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures.

As of March 31, 2011, the Company's management evaluated, with the participation of its principal executive officer and its principal financial officer, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act"). Based on that evaluation, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2011 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

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting or in any other factors that could significantly affect these controls, during the Company's second quarter ended March 31, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

[None.]

Item 1A. Risk Factors

[None.]

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

[None.]

Item 3. Defaults Upon Senior Securities

[None.]

Item 4. (Removed and Reserved).

Item 5. Other Information

For a description of the Company's AR Credit Facility entered into with Wells Fargo on December 10, 2010, please see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources. The AR Credit Facility is filed herewith as Exhibit 10.1.

Item 6. Exhibits.

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

No.	Description of Exhibit
10.01	Wells Fargo National Association – Account Purchase Agreement
31.01	Certifications of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.02	Certifications of the principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.01	Certifications of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act and Section 1350 of Title 18 of the United States Code.
32.02	Certifications of the principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act and Section 1350 of Title 18 of the United States Code..

SIGNATURES

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

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Registrant)

Date: May 16, 2011

By: /s/ James R. Harlan
James R. Harlan
Chief Financial Officer and Treasurer (Principal financial and accounting officer and duly authorized officer)

Exhibit 10.01

ACCOUNT PURCHASE AGREEMENT

This Agreement, dated as of the Acceptance Date, is entered into between Wells Fargo Bank, National Association, acting through its Wells Fargo Business Credit operating division ("WFBC"), and **Triad Personnel Services, Inc.** an Illinois corporation ("TRIAD"), **General Employment Enterprises, Inc.** an Illinois corporation ("GEE") both with their respective places of business at One Tower Lane, Suite 2200, Oakbrook Terrace, IL 60181 and **BMPS, Inc.** an Ohio corporation ("BMPS") with its place of business at 6100 Rockside Woods Boulevard, Independence, OH 44131 (collectively "Customer"). The Customer and WFBC collectively and severally agree as follows:

ARTICLE I
Purpose of Agreement

1.01 Purpose of Agreement. The Customer desires to sell and assign to WFBC acceptable accounts receivable and WFBC desires to purchase such accounts on the terms and conditions set forth herein. The purchase of accounts hereunder shall be on a full recourse basis. The purpose of this Agreement is commercial in nature and not for household, family and/or personal use. This Agreement sets forth the terms and conditions on which WFBC will consider purchasing accounts receivable from the Customer.

ARTICLE II
Definitions

2.00 "Acceptance Date" means the date signed and accepted by a duly authorized officer of WFBC.

2.01 "Account" means any right of payment of the net amount for goods sold, or leased and delivered or services rendered in the ordinary course of Customer's business which is not evidenced by an instrument or chattel paper.

2.02 "Acceptable Account" means an Account, in any amount acceptable to WFBC, which conforms to the representations, warranties and terms set forth herein, net of any credits or allowances of any nature and is not an Unacceptable Account as defined below.

2.03 "Account Debtor" means Customer's customer or any other person or entity owing money to the Customer with respect to the Account.

2.04 "Advance" shall mean with respect to a given Account an amount equal to eighty-five percent (85%) of the gross face amount of such Account less stated trade discounts offered by the Customer to the Account Debtor and less the Dilution Reserve. This percentage may be adjusted by WFBC at any time at WFBC's sole discretion.

2.05 "Collateral" means the intangible or tangible property given as security to WFBC by Customer for any obligations and liabilities of Customer to WFBC under this Agreement and includes, without limitation, the property and assets described in Section 5.01 of this Agreement.

2.06 "Collected Reserve" means the internal general ledger account which credits, debits and disbursements will be made in accordance with this Agreement. Provided there is no Event of Default hereunder, or any event which with the passage of time or notice would be an Event of Default, any available balance held in the Collected Reserve shall be released to the Customer, or to any third party at Customer's written direction to WFBC, on a weekly basis. Any fee, charge or other obligation of the Customer under this Agreement may be charged against this account in WFBC's sole discretion. Upon the occurrence of an Event of Default, or an event which with the passage of time or notice would become an Event of Default, WFBC may hold any balance in the Collected Reserve as Collateral for any obligations of the Customer to WFBC and WFBC may charge any such obligations against the Collected Reserve in its sole discretion.

2.07 **“Commercial Dispute”** means any dispute or claim, other than a Credit Loss, in any respect (including, without limitation, any alleged dispute as to price, invoice terms, quantity, quality or late delivery and claims of release from liability, counterclaim or any alleged claim of deduction, offset, or counterclaim or otherwise) arising out of or in connection with an Account or any other transaction related thereto, which dispute relates to an Account. Any dispute which is a combination of a Credit Loss and a Commercial Dispute shall be deemed to be a Commercial Dispute for purposes of this Agreement.

2.08 **“Event of Default”** shall mean the existence of a default pursuant to Article VII hereunder, or a default under any documents given to WFBC in connection with this Agreement.

2.09 **“Facility Fee”** shall mean the fee payable on closing of this Agreement, *and on each renewal of this Agreement,* as set forth in Section 6.07 below.

2.10 **“Facility Maximum”** means $3,000,000.00 subject to the availability of Acceptable Accounts and the exercise of WFBC’s discretion as provided herein.

2.11 **“Insolvency Proceeding”** shall mean any proceeding under Title 11 of the United States Code or a proceeding in which a receiver is appointed for substantially all assets in accordance with applicable state law; provided, however, if the proceeding is terminated within sixty (60) days of its initiation, such proceeding shall not be an Insolvency Proceeding for purposes of this Agreement.

2.12 **“Lien”** shall mean any security interest, mortgage, assignment (whether absolute or by way of security), tax lien or other lien (statutory or otherwise) or any other encumbrance of any kind or nature whatsoever.

2.13 **“Minimum Fee”** shall mean the minimum fee paid as stated in Section 6.07 below.

2.14 **“Net Purchase Price”** for any Account means an amount equal to the gross face amount of such Account less (i) the WFBC’s Discount and (ii) any other charges with respect to such Account and less any amount of any trade discounts, credits or allowances, or any other reductions or adjustments to such Account taken by the Account Debtor.

2.15 **“Prime Rate”** shall mean the highest of the Prime Rate published by *Wells Fargo Bank, N.A.* as the base rate on corporate loans. In the event the Prime Rate as published by *Wells Fargo Bank, N.A.* ceases to exist or *Wells Fargo Bank, N.A.* ceases publishing a Prime Rate, the holder hereof will substitute a comparable index which is outside the control of the holder. In the event of an error by *Wells Fargo Bank, N.A.,* the “Prime Rate” will be based upon the Prime Rate as corrected.

2.16 **“Purchase Limit”** shall mean the limit WFBC sets from time to time establishing the maximum gross face amount of purchased Accounts which are approved to be outstanding at any given time by a particular Account Debtor.

2.17 **“Repurchase Price”** for any Account means the Advance less any amounts collected from the Account Debtor on the Account plus the WFBC Discount and all fees, costs or expenses associated with the repurchase or collection of such Account. In any event where repurchase is required under this Agreement, WFBC, at its discretion, may charge the Repurchase Price to Customer’s Collected Reserve which may create a deficit balance under Section 3.06 below.

2.18 **“Term”** shall mean two (2) years from the Acceptance Date. This Agreement shall automatically continue for renewal terms of twenty-four (24) months unless sixty (60) days prior to the end of the current Term, either party notifies the other in writing that the party wishes to terminate this Agreement.

2.19 **"Unacceptable Account"** shall mean an Account which is not acceptable in WFBC's sole discretion including but not limited to the following:

2.19(a) Accounts owed by any unit of government, whether foreign or domestic (provided, however, that there shall be included in Acceptable Accounts that portion of Accounts owed by such units of government for which the Customer has provided evidence satisfactory to WFBC that (i) WFBC has a first priority perfected security interest and (ii) such Accounts may be enforced by WFBC directly against such unit of government under all applicable laws);
2.19(b) Accounts not payable in United States dollars;
2.19(c) Accounts owed by an Account Debtor located outside the United States or Canada which are not (i) backed by a bank letter of credit naming WFBC as beneficiary, which bank letter of credit must be in WFBC's possession and acceptable to WFBC in all respects, in its sole discretion, (ii) covered by a foreign receivables insurance policy acceptable to WFBC in its sole discretion;
2.19(d) Accounts owed by an Account Debtor that is insolvent, the subject of an Insolvency Proceeding or has ceased doing business;
2.19(e) Accounts owed by an owner, shareholder, subsidiary, affiliate, officer or employee of the Customer;
2.19(f) Accounts which are not subject to a duly perfected security interest in WFBC's favor or which are subject to any Lien in favor of any entity other than WFBC, including without limitation any payment or performance bond;
2.19(g) Accounts that have been restructured, extended, amended or modified;
2.19(h) Any Account whose sale, transfer or assignment (whether absolutely or by way of security) is limited or restricted by the terms of the contract evidencing or relating to such Account (unless such limitation or restriction has been complied with and WFBC is satisfied in its sole discretion that the sale, transfer or assignment of such Account hereunder is valid and effective);
2.19(i) That portion of Accounts that constitutes allowances, finance charges, service charges or sales or excise taxes;
2.19(j) Accounts that have been invoiced, paid or partially paid in advance of the full delivery and acceptance of goods or the performance and acceptance of services or in advance of the submission of the Account to WFBC.
2.19(k) Accounts, or portions thereof, that fail to conform to the representation and warranties contained herein or are otherwise deemed unacceptable by WFBC in its sole discretion;
2.19(1) Accounts which would cause the Purchase Limit for such Account Debtor to be exceeded;
2.19(m) Accounts which would cause the total face amount of Accounts purchased hereunder to exceed the Facility Maximum.

2.20 **(i) "WFBC Discount"** The WFBC Discount shall be charged together with a fee which shall be equal to the advanced amount of the Account multiplied by the lesser of (i) the rate designated by *Wells Fargo Bank, N.A.* as the three month "London interbank offered rate, or Libor" plus 5.25% (the "Libor Rate") plus the Margin or (ii) the lawful maximum, if any, in effect from time to time for advances of the type, in the amount, for the purposes and otherwise of the kind herein contemplated. In no event shall such Libor be less than one-half of one percent (0.50%). Such fee shall be computed on a daily basis beginning on the date of the advance for a purchased Account through and including three (3) days after the date of receipt of good funds paying each Account in full. Any increase or decrease in the Libor Rate shall be effective as of the next business day following such adjustment and such adjusted Libor Rate shall be the applicable Libor Rate in determining the fee payable hereunder. The fee shall be calculated on the basis of a three hundred and sixty (360) day year for the actual number of days elapsed.

2.20 **(ii) "WFBC Discount"** Additionally, for all Accounts outstanding over 60 days from day of invoice (as days are calculated below) WFBC shall be paid an additional discount equal to the gross face amount of each Account purchased by WFBC, based on the days outstanding inclusive of the invoice date indicated on the Account and the date paid, multiplied by the applicable discount according to the following schedule:

Discount Fee Schedule

DAYS	INCREMENTAL RATE
0-60	.0%
61-90	.50%

2.20(a) If any Event of Default exists, the WFBC Discount may increase in an amount up to fifty percent (50%) to be determined by WFBC at its sole discretion (but in no event shall such fee be more than the lawful maximum, if any, in effect from time to time for advances of the type, in the amount, for the purposes and otherwise of the kind herein contemplated).
2.20(b) WFBC may increase the WFBC Discount if WFBC's cost of funds increases for any reason. Such change shall be effective upon the actual change in WFBC's cost of funds.
2.20(c) WFBC may, upon prior written notice to Customer, change the amount of any fee or charge provided for herein at its sole discretion.

2.21 **"Dilution Reserve"** means the Dilution Percentage less the Base Dilution.

2.22 **"Dilution Percentage"** means: (i) uncollected sales (as determined by WFBC in its sole discretion, exercised in a commercially reasonable manner) excluding Accounts that remain unpaid but are collectable, divided by (ii) total sales and (iii) stated as a percentage.

2.23 **"Base Dilution"** means: Five percent (5%).

2.24 **"Monthly Monitoring Fee"** means the monthly monitoring fee as stated in Section 6.07 below.

2.25 **"Early Termination Fee"** means the early termination fee as stated in Section 6.07 below.

ARTICLE III
Purchase and Assignment of Accounts

3.01 **Assignment of Accounts:** Pursuant to the terms herein, Customer hereby sells, transfers and assigns to WFBC, its successors and assigns, as absolute owner, and WFBC hereby accepts from the Customer all of the Customer's right, title and interest in and to:

3.01(a) All of the Customer's Accounts together with all rights of action accrued or to accrue thereon, including, without limitation, full power to collect, sue for, compromise, assign, in whole or in part, or in any other manner enforce collection thereof in Customer's name or otherwise; and
3.01(b) All right, title and interest of the Customer in and to the books and records evidencing or relating to the Accounts, all deposits, or other security for the obligation of any person under or relating to the Accounts, all goods relating to, or which by sale have resulted in, the Accounts, including goods returned by any Account Debtor, debtor or obligor in any way obligated on or in connection with the Account including, without limitation, the Account Debtor, all rights of stoppage in transit, replevin, repossession and reclamation and all other rights of action of an unpaid vendor or lienor; and
3.01(c) All proceeds of the foregoing in any form.

3.02 **Approval:** WFBC shall not purchase an Account unless such Account is first submitted to WFBC by Customer for approval. WFBC is not obligated to buy any Account from a Customer that WFBC does not deem acceptable in its sole discretion.

3.03 **Required Forms:** When Customer offers an Account to WFBC for sale, WFBC shall receive (a) an assignment of Accounts, in a form satisfactory to WFBC and signed by an authorized representative of Customer, (b) an original invoice or an electronic equivalent thereof, either of which must be in a form acceptable to WFBC in its sole discretion, (c) a copy of the Bill of Lading if applicable, (d) proof of delivery, (e) contract, purchase order, or purchase order number which corresponds with such invoice, as appropriate to the business of Customer and (f) any other document which WFBC may require.

3.04 **Purchase:** Upon approval and acceptance by WFBC of an Account for the assignment and sale of an Account to WFBC, WFBC shall purchase and Customer shall assign and sell to WFBC such Account.

3.05 **Purchase Price:** As consideration for the assignment and sale of an Account to WFBC, WFBC shall pay to the Customer the Net Purchase Price for such Account on the terms and conditions as stated in Section 3.06 herein.

3.06 **Payment of Purchase Price**: If no Default exists hereunder, WFBC shall pay for each Account purchased hereunder the Net Purchase Price for such Account to Customer as follows:

> **3.06(a)** Upon assignment or sale of an Account to WFBC, and receipt of all documents and forms described in Section 3.03 herein and upon fulfillment of all terms precedent to such sale or assignment as more fully set forth herein, WFBC shall (i) pay to the Customer, or (ii) advance to the Collected Reserve, the Advance with respect to such Account.
> **3.06(b)** After collection of an Account by WFBC, WFBC shall credit the Customer's Collected Reserve with the amount collected on the Account less: (i) the Advance, (ii) the WFBC Discount, and (iii) any fees, expenses or charges owed to WFBC as more fully described herein.
> **3.06(c)** In the event WFBC receives payment on an Account which has not been purchased by WFBC, such payment will be credited to the Customer's Collected Reserve and released in accordance with this Agreement.

3.07 **Sole Property**: Once WFBC has purchased an Account, any and all payments from the Account Debtor as to that Account are the sole property of WFBC.

3.08 **Book Entry:** Customer shall, immediately upon sale of Accounts to WFBC, make proper entries on its books and records disclosing the absolute sale of said Accounts to WFBC on said books and records and other documents as so directed by WFBC.

3.09 **Reporting and Statement of Account**: On a weekly basis, or as otherwise determined by WFBC at its sole discretion, WFBC shall prepare, and make available to the Customer, an accounting of the purchases, collections, and amounts credited to and/or charged against the Collected Reserve during that week or other period. Should such a statement of account indicate a deficit balance, such balance shall be due and payable and the Customer shall immediately pay to WFBC the amount of such deficit plus accrued interest on such deficit balance. Interest shall accrue on any deficit balance at the annual rate of eighteen percent (18%), calculated on a daily basis, not to exceed the applicable legal limit, until such deficit is paid in full.

3.10 Remittance Information: Customer shall make a notation on each original invoice (or the electronic equivalent of an invoice) or other such documentation accepted by WFBC for each Account purchased hereunder which indicates that such Account should be paid in accordance with the following address instructions:

Mail instructions:

Triad Personnel Services, Inc.
or BMPS, Inc.
PO Box 823424
Philadelphia, PA 19182-3424

Wire Instructions:

Wells Fargo Bank, N.A.
San Francisco, CA
For the account of
Wells Fargo/Wells Fargo Business Credit
Account #4121894000
ABA #121000248 for wires
ABA #121000248 for ACH transfers
For Further Credit (Triad Personnel Services, Inc.
or BMPS, Inc. as the case may be)

In the event any invoice (or the electronic equivalent of an invoice) is sent or transmitted to any Account Debtor without the required notation, a fee equal to two and one half percent (2.5%) of the face amount of such invoice shall be assessed.

ARTICLE IV
Customer's Representations, Warranties and Covenants

4.01 Representations and Warranties. Customer hereby represents and warrants and as follows:

4.01(a) Customer is properly licensed, qualified and authorized to operate its business and Customer's trade name(s), all of which are disclosed on Customers application provided to WFBC, have been properly filed and published as required by applicable law. Customer, and the persons executing this document, are duly authorized to execute and deliver this Agreement and all other documents required to be executed and delivered hereunder. Customer's chief executive office and all other places of business have been disclosed on the application provided to WFBC.
4.01(b) Customer is solvent and is not subject to any Insolvency Proceeding.
4.01(c) Customer has made and shall continue to make timely payment and remittance to applicable governmental authorities of all taxes and other amounts required to be paid and remitted by Customer pursuant to applicable law.
4.01(d) Customer is, at the time of purchase of each Account by WFBC, the lawful owner of and has good and undisputed title to such Account. Each Account, at the time of purchase is free from any Liens, mortgages, restrictions or encumbrances that have not been previously disclosed to WFBC. Each Account offered for sale to WFBC is an Acceptable Account as defined in Section 2.02 herein.
4.01(e) Each Account Debtor's business is solvent to the best of Customer's information and knowledge at the time of this Agreement and at the time each Account of such Account Debtor is presented to WFBC for purchase.

4.01(f) Each Account offered for sale to WFBC is an accurate and undisputed statement of indebtedness owed by Account Debtor to Customer for a certain sum which is due and payable in thirty (30) days or less or within such term as is agreed to by WFBC and Customer, is for a bona fide sale, delivery and acceptance of merchandise or performance of services which have been received and finally accepted by the Account Debtor. Customer has all rights to transfer or sell such Accounts to WFBC and such Accounts are payable by Account Debtor without offset, deduction or counterclaim.
4.01(g) Customer does not own, control or exercise dominion over, in any way whatsoever, the Account Debtor or the business of any Account Debtor for whom Accounts are to be sold by Customer to WFBC.
4.01(h) All financial records, statements, books or other documents shown to WFBC by Customer at anytime, either before or after the signing of this Agreement, are true and accurate.
4.01(i) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or to the knowledge of Customer, threatened against or affecting Customer, which if adversely determined, would have a material adverse effect on the business, operations, property, assets or condition, financial or otherwise, of Customer.
4.01(j) The execution and performance by Customer of the terms and provisions of this Agreement, and the execution and delivery of any other documents required to be executed and delivered hereunder, have been duly authorized by all requisite company action, and neither the execution nor the performance of this Agreement or any other documents required to be delivered hereunder, will violate any provision of law, any order of any court or other agency of government, the governing documents of Customer, or any agreement or other instrument to which Customer is a party, or by which Customer is bound, or be in conflict with, result in breach of, or constitute (with due notice or lapse of time or both) a default under, or result in the creation or imposition of any Lien upon any of the property or assets of Customer, pursuant to any such agreement or instrument, except as provided hereunder. Customer agrees that it will execute and perform all terms hereunder.

4.02 Negative Covenants. Customer agrees as follows:

4.02(a) Customer will not under any circumstances or in any manner whatsoever, interfere with any of WFBC's rights under this Agreement.
4.02(b) For the duration of this Agreement and for any period thereafter for as long as any obligation to repurchase or indebtedness whatsoever remains owing by Customer to WFBC, Customer will not sell or assign Accounts to any party other than WFBC.
4.02(c) Customer shall not pledge, transfer or grant any additional consensual Lien in any personal property or Accounts of Customer nor shall Customer consent to the placement of any additional Lien by any other party on any Collateral for the term of this Agreement and for as long as Customer may be required to repurchase any Account or is indebted to WFBC hereunder without the written consent of WFBC. Customer shall provide written notice to WFBC immediately upon obtaining any knowledge, from any source, of the assertion, filing, recording or perfection by any means, of any non-consensual Lien against the Collateral.
4.02(d) Customer will not change or modify the terms of the original invoice or agreement with the Account Debtor or the order of payment on Accounts sold to WFBC without prior consent in writing from WFBC.
4.02(e) Customer shall not be involved in a material dispute of any kind with an Account Debtor, regardless of validity, during the term of this Agreement.
4.02(f) Customer shall not breach any representations, warranties or covenants in this Agreement.
4.02(g) Customer shall not intentionally contribute to, or aggravate any Credit Loss of any Account Debtor.
4.02(h) Customer shall not alter any electronic or other instruction, code or password which could result in payment from an Account Debtor being made to any entity other than WFBC.

4.03 Affirmative Covenants. Customer agrees as follows:

4.03(a) With respect to misdirected payments, whenever any payment on any Account comes into Customer's possession, Customer shall hold such payment in trust and safekeeping, as the property of WFBC, and immediately turn over to WFBC such payment in the same form as it was received by Customer to WFBC. Customer shall pay a misdirected payment fee in the amount of fifteen percent (15%) of the amount of any payment on account of an Account purchased by WFBC herein which has been received by Customer and not delivered in kind to WFBC on the next business day following the date of receipt by Customer. Further, Customer shall segregate and hold in trust and safekeeping, as the property of WFBC, and immediately turn over to WFBC, any goods or inventory returned to, reclaimed or repossessed by the Customer which are covered by an Account purchased by WFBC.

4.03(b) Customer will maintain such insurance covering Customer's business and/or the property of the Account Debtors as is customary and adequate for businesses similar to the business of Customer in an amount as is sufficient to compensate for reasonably foreseeable loss, and promptly pay all premiums with respect to the policies covering such insurance. Further, the Customer shall have WFBC named as loss payee for such insurance. Further, the Customer shall have WFBC named as certificate holder for workers compensation insurance. Further, the Customer shall maintain liability insurance as required in contracts with Account Debtors.

4.03(c) Customer will immediately notify WFBC of any material disputes between Account Debtor and Customer or the return of any product by Account Debtor to Customer.

4.03(d) Customer will notify WFBC in writing prior to any change in the location of any of its places of business, including the location of the Customer's inventory or, if Customer has or intends to acquire any additional place of business. Customer will not change its chief executive office or the office or offices where Customer's books and records concerning Accounts are kept without prior notice to WFBC. Customer will not remove any Collateral from the jurisdictions in which the Collateral is located on the date of this Agreement without the prior written consent of WFBC.

4.03(e) Customer will immediately notify WFBC in writing prior to of any proposed change of Customer's name, identity, legal entity, corporate structure, business dissolution, use of any additional trade name, or any proposed change in any of the officers identified in the Certificate of Incumbency provided to WFBC, or the principals, partners, shareholders and/or owners of Customer and Customer will not effect any such change without WFBC's written consent.

4.03(f) Customer will immediately notify WFBC in writing of the commencement of any material legal proceeding or service of any legal document affecting the Customer including, but not limited to, any complaints, judgments, Liens, attachments, garnishments or any Insolvency Proceeding against Customer. Customer will notify WFBC in advance of the filing of any Insolvency Proceeding by Customer.

4.03(g) At least once per quarter, or once per month if Customer is in default, Customer will furnish to WFBC management prepared financial statements, including but not limited to a statement of profit and loss and a balance sheet, satisfactory proof of payment and compliance with all federal, state and local tax requirements and any other information requested by WFBC. On an annual basis, not more than 120 days after the end of each of Customer's fiscal years, Customer will furnish to WFBC Audited fiscal year end financial statements acceptable to WFBC in its sole discretion, including but not limited to a statement of profit and loss, statement of cash flow and a balance sheet, satisfactory proof of payment and compliance with all federal, state and local tax requirements and any other information requested by WFBC.

4.03(h) Customer shall immediately notify WFBC of any material claim, loss or offset of any kind against Customer or WFBC asserted by Account Debtor during this Agreement.

4.03(i) Upon the occurrence of a Commercial Dispute with respect to an Account, Customer shall immediately pay WFBC the Repurchase Price for such Account.

ARTICLE V
Security Interest

5.01 Security Interest/Collateral: As further inducement for WFBC to enter into this Agreement, Customer grants to WFBC, as collateral for the repayment of any and all obligations and liabilities whatsoever of Customer to WFBC, a security interest, under the Uniform Commercial Code, in the following described property, as defined under the Uniform Commercial Code: All presently existing or hereafter arising, now owned or hereafter acquired property including, but not limited to, accounts, general intangibles, contract rights, investment property, deposit accounts, the Collected Reserve established hereunder, inventory, instruments, chattel paper, documents, insurance proceeds, and all books and records pertaining to accounts and all proceeds and products of the foregoing property.

5.02 Security Documents: Customer shall execute all and deliver to WFBC any and all documents and instruments as WFBC may request from time to time. Customer authorizes WFBC to file a UCC financing statement with any appropriate authority reflecting its security interest and further authorizes WFBC to file other filings including amendments (other than amendments adding collateral) as WFBC deems appropriate.

ARTICLE VI
Operational Provisions

6.01 Repurchase: Upon the occurrence of a Commercial Dispute, Customer shall repurchase the Account subject to the Commercial Dispute immediately. Regardless of whether there is a Commercial Dispute, in the event that an Account is outstanding ninety (90) days from the invoice date, Customer shall immediately repurchase such Account. In either event, if the Repurchase Price is not paid immediately, WFBC may (but is not required to) deduct the Repurchase Price from funds available to Customer under Article III hereof.

6.02 Power of Attorney: In order to carry out this Agreement and avoid unnecessary notification of Account Debtors, Customer irrevocably appoints WFBC, or any person designated by WFBC, as its special attorney in fact, or agent, with power to:

6.02(a) strike through Customer's remittance information on all invoices delivered to Account Debtors and note WFBC's remittance information on all invoices.
6.02(b) receive, open, read, and thereafter forward to Customer if appropriate all mail addressed to Customer (including any trade name of Customer) sent to WFBC's address. Any payments received shall be processed in accordance with this Agreement.
6.02(c) endorse the name of Customer or Customer's trade name on any checks or other evidences of payment that may come into the possession of WFBC with respect to any Account, and on any other documents relating to any of the Accounts or to Collateral.
6.02(d) in Customer's name, or otherwise, demand, sue for, collect, and give releases for any and all monies due to or become due on any Account.
6.02(e) compromise, prosecute, or defend any action, claim or proceeding as to any Account.
6.02(f) In the Event of Default, offer a trade discount to Customer's Account Debtor exclusive of Customer's normal business custom with any Account Debtor.
6.02(g) initiate electronic debit or credit entries through the ACH system to Customer's account or any other deposit account maintained by Customer wherever located.
6.02(h) sign Customer's name on any notice of assignment, financing statement, amendment to any financing statement and on any notices to Account Debtors.
6.02(i) do any and all things necessary and proper to carry out the purposes intended by this Agreement.

The authority granted to WFBC under this provision shall remain in full force and effect until all assigned Accounts are paid in full and any indebtedness of Customer to WFBC is discharged.

6.03 Notation of Assignment: Upon the request of WFBC, and in any event upon the occurrence of an Event of Default, Customer shall make a notation on each original invoice (or the electronic equivalent of an invoice) or other such documentation accepted by WFBC for each Account purchased hereunder which indicates that such Account has been sold, transferred and assigned and/or sold to WFBC with the following language: This invoice has been sold, transferred and assigned to and is payable to:

By Mail:
Wells Fargo Business Credit **PO Box 823424** **Philadelphia, PA 19182-3424**

Wire Instructions:
Wells Fargo Bank, N.A. **San Francisco, CA** **For the account of** **Wells Fargo/Wells Fargo Business Credit** **Account #4121894000** **ABA #121000248 for wires** **ABA #121000248 for ACH transfers** **For Further Credit (Triad Personnel Services, Inc.** **or BMPS, Inc. as the case may be)**

In the event any invoice (or the electronic equivalent of an invoice) is sent or transmitted to any Account Debtor without the required notation, a fee equal to two and one half percent (2.5%) of the face amount of such invoice shall be assessed.

6.04 Miscellaneous Payments: Should WFBC receive a duplicate payment on an Account or other payment which is not identified, WFBC shall carry these sums as open items in its accounting and shall return any duplicate payment to the Account Debtor or apply such unidentified payment pursuant to the terms hereof upon proper identification and documentation. In the event WFBC receives payment on an Account which has not been purchased hereunder and can be identified as being the property of the Customer, such payment will be credited to the Customer's Collected Reserve and released in accordance with this Agreement.

6.05 Hold Harmless: Customer shall hold WFBC harmless against any Account Debtor ill will arising from WFBC's collecting or attempting to collect on any Account, provided that WFBC acts in a commercially reasonable manner.

6.06 Taxes: Should any excise, sale, use or other tax be imposed by any federal, state or local authority requiring a deduction or withholding from the proceeds of sale of any Account, or if the Account Debtor is authorized to withhold and deduct such tax or levy, then the Customer shall immediately pay WFBC the amount of the tax or levy so withheld, and the Customer shall indemnify and hold WFBC harmless from any loss or expense on account of such tax.

6.07 Fees: The Customer shall pay the following fees to WFBC:

> **6.07(a) Facility Fee and Monthly Monitoring Fee:** Customer shall pay a Facility Fee in the amount of one percent (1.00%) of the Facility Maximum due at each annual anniversary, including all renewals. Such Fees shall be fully earned on the date due and shall be non refundable in any event. For WFBC services hereunder, Customer shall pay and WFBC shall be entitled to receive a Monthly Monitoring Fee equal to $2,500.00 per month, which fee shall be due and payable on the first day of each month. WFBC shall charge such Facility Fee and Monthly Monitoring Fee to Triad Personnel Services, Inc.

6.07(b) Minimum Fee: Customer shall pay a Minimum Fee per month during the Term (and any renewals hereof) in the amount calculated as follows: The difference, if any, between (i) the amount of the WFBC Discount that would be paid on average outstanding advances in the amount of $750,000.00 per month and (ii) the WFBC Discount paid on actual advances made that month to Customer and the fee or WFBC Discount, as the case may be, such Minimum Fee to be paid by the fifteenth (15^{th}) day of the next calendar month. Such Fees shall be fully earned on the date due and shall be non refundable in any event. WFBC shall charge such Minimum Fee to Triad Personnel Services, Inc.

6.07(d) Early Termination Fee: In the event of termination by Customer of this Agreement or repayment in full of the obligations owed by Customer to WFBC during the initial twelve (12) months of the Term, in addition to any unpaid facility fees and monthly monitoring fees and all other amounts due hereunder, the Customer shall pay to WFBC an early termination fee equal to two percent (2%) of the Facility Maximum. In the event of termination by Customer of this Agreement or repayment in full of the obligations owed by Customer to WFBC after the second year of the Term including during any renewal Terms, in addition to any unpaid facility fees and monthly monitoring fees and all other amounts due hereunder, the Customer shall pay to WFBC an early termination fee equal to one percent (1.0%) of the Facility Maximum.

6.08 **Unpaid Accounts:** Any Account which is unpaid for ninety (90) days after the invoice date shall be deemed to be unpaid due to a Commercial Dispute.

6.09 **Reports:** Except as provided by Section 3.09, and in the event Customer requests information from WFBC regarding Customer's account hereunder, such requests shall be subject to the schedule of fees provided by WFBC which schedule may be adjusted by WFBC from time to time in its discretion.

6.10 **WFBC Settlement of Accounts:** WFBC may settle any Commercial Dispute with any Account Debtor. Such settlement does not relieve Customer of any obligation (including any repurchase obligation) under this Agreement with respect to any Accounts.

6.11 **Documents:** If documents submitted by Customer to WFBC for the purchase of any Account are materially mistaken, fraudulent, materially incorrect or erroneous, or if the Customer fails to submit any document required by WFBC under this Agreement for the purchase of any Account, then such Account shall be deemed to be an Commercial Dispute and the Customer shall repurchase such Account and pay the Repurchase Price as stated herein.

6.12 **Information:** In the event WFBC provides financial information to Customer regarding a third party, whether by setting a Purchase Limit, at the request of Customer or otherwise, Customer understands that WFBC is not making any representations or warranties or expressing an opinion as to the creditworthiness of any such third party.

ARTICLE VII
Default

7.01 **Events of Default:** Any one or more of the following shall be an Event of Default hereunder:

7.01(a) Customer shall fail to pay any indebtedness to WFBC when due or repurchase any Account when required hereunder.
7.01(b) Customer shall breach any term, provision, promise, warranty, representation or covenant under this Agreement, or under any other agreements, contracts, between Customer and WFBC.
7.01(c) The appointment of any receiver or trustee of all or a substantial portion of the assets of Customer.
7.01(d) Customer shall become insolvent or unable to pay debts as they mature, or Customer shall voluntarily commence any Insolvency Proceeding affecting Customer.

7.01(e) any involuntary Insolvency Proceeding shall be filed against Customer and is not dismissed within sixty (60) days.
7.01(f) Any levies, attachment, executions, or similar process shall be issued against the Collateral.
7.01(g) Any financial statements, profit and loss statements, or schedules, other statements or documents furnished by Customer to WFBC are false or incorrect in any material respect.
7.01(h) Any documents submitted by Customer to WFBC for the purchase of an Account are fraudulent or erroneous, or if the Customer fails to submit any document required by WFBC under this Agreement for the purchase of that Account.
7.01(i) Any Account Debtor shall assert a claim or offset of any kind against Customer or WFBC during any time period covered by this Agreement which may have a material adverse impact on payment of any Account.
7.01(j) Any guarantor of Customer's obligations hereunder is in default under the guaranty or if any guarantor withdraws or revokes the guaranty as to future sales of Accounts or otherwise.

ARTICLE VIII
Remedies

8.01 Remedies on Default: Upon the occurrence of an Event of Default, WFBC may do any one or more of the following:

8.01(a) Accelerate and declare immediately due and payable, all indebtedness of Customer to WFBC, whether mature, contingent or otherwise, including without limitation (i) outstanding purchased Accounts, (ii) any unpaid Minimum Fees and (iii) all other fees, costs and expenses as required hereunder.
8.01(b) Require the Customer to repurchase any and all Accounts, whether disputed or undisputed, and pay the Repurchase Price for those Accounts as provided herein, and, in the event the Repurchase Price is not promptly paid, WFBC may continue to collect such Accounts and charge a reasonable fee in connection with such collection activities in addition to any other fees or charges provided for herein.
8.01(c) Cease purchasing any Account under this Agreement.
8.01(d) Notify any Account Debtor and take possession of Collateral and collect any Account without judicial process.
8.01(e) Settle any disputed Account directly with the Account Debtor without relieving Customer of its obligations with respect to such Account under this Agreement.
8.01(f) Require Customer to assemble the Collateral and the records pertaining to Accounts and make them available to WFBC at a place designated by WFBC.
8.01(g) Enter the premises of Customer and take possession of the Collateral and of the records pertaining to the Accounts and any other Collateral.
8.01(h) Grant extensions, compromise claims and settle an Account for less than face value, all without prior notice to Customer.
8.01(i) Use, in connection with any assembly or disposition of the Collateral, any trademark, trade name, trade style, copyright, patent right or technical process used or utilized by Customer.
8.01(j) Initiate electronic credit or debit entries through the ACH system to and from Customer's deposit account maintained by Customer wherever located.
8.01(k) Hold Customer liable for any deficiency for any amounts due and owing to WFBC.
8.01(l) Cease making reports or accountings to the Customer as otherwise required by this Agreement.

ARTICLE IX
Term and Termination

9.01 Term: This Agreement shall continue in full force and effect until the earliest of (a) the expiration of the Term; (b) any date agreed to in writing by the parties hereto or (c) any date set by WFBC upon the occurrence of an Event of Default. On the date of termination, all obligations owing by the Customer to WFBC for the full current Term shall be accelerated and become immediately due and payable in full without further notice or demand. In the event that the Customer desires to terminate this Agreement prior to any of the above dates, the Customer can only do so upon repayment in full of all obligations owing to WFBC. In the event of early termination by Customer of this Agreement or repayment in full of all obligations owing by the Customer to WFBC prior to the expiration of the Term or any renewal Term, Customer shall pay to WFBC, as an early termination fee, an amount equal to the average of all monthly fees paid to WFBC during the lesser of: (i) the previous twelve (12) months or (ii) the number of months or portion thereof since the beginning of the Term or the Renewal Term, multiplied by the number of months remaining until the end of the Term or renewal Term (the "Early Termination Fee"). In the event that payment of all obligations owing by the Customer to WFBC shall be accelerated for any reason whatsoever by WFBC, the Early Termination Fee in effect as of the date of such acceleration shall be paid and such Early Termination Fee shall also be added to the outstanding balance of all obligations owing by the Customer to WFBC in determining the debt for the purposes of any judgment of foreclosure of any loan documents given to secure all obligations owing by the Customer to WFBC.

9.02 Repurchase of Account: Upon termination, Customer shall repurchase any and all Accounts, whether disputed or undisputed, as may be requested by WFBC, and shall pay the Repurchase Price for those Accounts as provided herein as well as any other indebtedness or obligations owed to WFBC by Customer. WFBC continues and shall continue to have a security interest in the Collateral of Customer until all amounts owed to WFBC by Customer are paid in full or are satisfied.

9.03 Repayment of Account Debtor: In the event WFBC is required to repay any Account Debtor for a payment received by WFBC on an Account, and non-payment of that Account would have required repurchase by Customer under this Agreement, the amount of the repayment by WFBC shall be an obligation of Customer to WFBC notwithstanding the termination of this Agreement. In the event the Customer receives a payment from WFBC to which the Customer has no rights, repayment of the funds to WFBC is an obligation of the Customer to WFBC whether or not the Agreement has been terminated. In either event, if the obligation is not paid upon five (5) days notice of the obligation to pay from WFBC to Customer, WFBC may file a financing statement in connection with the security interest granted herein (if necessary) or otherwise perfect its interest in the Collateral and exercise any and all rights it has under this Agreement to collect the amounts due.

ARTICLE X
Miscellaneous Provisions

10.01 Binding on Future Parties: This Agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the parties hereto accept that the Customer shall not have the right to assign its rights hereunder or any interest herein without WFBC's prior written consent.

10.02 Cumulative Rights: No failure or delay by WFBC in exercising any right, power or remedy under the Agreement or documents given in connection with the Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy under the Agreement. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

10.03 Waiver: WFBC may not waive its rights and remedies unless the waiver is in writing and signed by WFBC. A waiver by WFBC of a right or remedy under this Agreement on one occasion is not a waiver of the right or remedy on any subsequent occasion.

10.04 Choice of Law: This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

10.05 Invalid Provisions: Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

10.06 Entire Agreement: This instrument contains the entire Agreement between the parties. This Agreement, together with the documents given in connection herewith, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof.

10.07 Amendment: Except as otherwise provided herein, any addendum or modification hereto must be signed by both parties.

10.08 Effective: This Agreement becomes effective when it is accepted and executed by an authorized officer of WFBC.

10.09 Data Transmission: WFBC assumes no responsibility for privacy or security risks as a result of the method of data transmission selected by Customer. WFBC only assumes responsibility for data transmitted from Customer once the data is received within the Wells Fargo Bank, National Association's internal network. WFBC assumes no responsibility for privacy or security data transmitted from WFBC to Customer once the data is dispensed from Wells Fargo Bank, National Association's internal network.

10.10 Information: Without limiting WFBC's right to share information regarding the Customer and its affiliates with WFBC's agents, accountants, lawyers and other advisors, Customer agrees that Wells Fargo & Co., and all direct and indirect subsidiaries of Wells Fargo & Co., may, among themselves, discuss or otherwise utilize any and all information they may have in their possession regarding the Customer and its affiliates, and the Customer waives any right of confidentiality it may have with respect to such exchange of such information.

10.11 Indemnification: Customer agrees to indemnify and hold WFBC harmless from any and all liability, claims and damages, including attorneys' fees, costs of suit and interest which WFBC may incur as a result of the failure of Customer to pay withholding taxes due and payable to any taxing authority.

10.12 Notices hereunder: All notices and communications hereunder shall be given or made to the parties at their respective addresses set forth below, or at such other address as the addressee may hereafter specify for the purpose of written notice to the other party hereto. Such notices and communications shall be effectively given by WFBC when and if given in writing and delivered to the address set forth herein, delivered by facsimile or duly deposited in the mails with first-class postage prepaid.

10.13 Costs and Expenses: Except as is prohibited by law, the Customer agrees to pay on demand all costs and expenses, including (without limitation) attorneys' fees, incurred by WFBC in connection with this Agreement and any other related document or agreement, and the transactions contemplated hereby, including without limitation all such costs, expenses and fees incurred in connection with the negotiation, due diligence, preparation, execution, amendment, administration, performance, collection and enforcement of the obligations and all such documents and agreements and the creation, perfection, protection, satisfaction, foreclosure or enforcement of any security interest granted hereunder, the collection of any Account or any obligation owed by Customer to WFBC.

10.14 Field Examination: The Customer hereby agrees to pay WFBC, on demand, field examination fees in connection with any field exams or inspections conducted by WFBC of any Collateral or the Customer's operations or business at the rates established from time to time by WFBC as its field examination fees, together with all actual out-of-pocket costs and expenses incurred in conducting any such field examination or inspection.

10.15 JOINT AND SEVERAL OBLIGATIONS; DEALINGS WITH MULTIPLE CUSTOMERS: If more than one person or entity is named as Customer hereunder, all obligations, representations, warranties, covenants and indemnities set forth herein or in any other documents between the Customer, WFBC and any guarantors of the Customer's obligations to WFBC (collectively the "Factoring Documents") to which such person or entity is a party shall be joint and several. WFBC shall have the right to deal with any individual of any Customer with regard to all matters concerning the rights and obligations of WFBC and Customer hereunder and pursuant to applicable law with regard to the transactions contemplated under the Factoring Documents. All actions or inactions of the officers, managers, members and/or agents of any Customer with regard to the transactions contemplated under the Factoring Documents shall be deemed with full authority and binding upon all Customers hereunder. Each Customer hereby appoints each other Customer as its true and lawful attorney-in-fact, with full right and power, for purposes of exercising all rights of such person hereunder and under applicable law with regard to the transactions contemplated under the Factoring Documents. The foregoing is a material inducement to the agreement of WFBC to enter into this Agreement and to consummate the transactions contemplated hereby. The Customer represents that TRIAD PERSONNEL SERVICES, INC., BMPS, INC. AND GENERAL EMPLOYMENT ENTERPRISES, INC., are operated as part of one consolidated business entity and are directly dependent upon each other for and in connection with their respective business activities and financial resources. Each Customer will receive a direct economic and financial benefit from the obligations incurred under this Agreement and the incurrence of such obligations is in the best interests of each Customer.

10.16 JURISDICTION AND WAIVER OF JURY TRIAL: THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF. SELLER HEREBY SUBMITS (IF FEDERAL JURISDICTION IS AVAILABLE) TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION, OR (IF FEDERAL JURISDICTION IS NOT AVAILABLE) TO THE EXCLUSIVE JURISDICTION OF ANY TEXAS STATE COURT SITTING IN DALLAS, TEXAS FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. SELLER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH SELLER MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. SELLER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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Triad Personnel Services, Inc.

By: ______________________________
Salvatore J. Zizza, CEO

Sworn and subscribed before me this 10 day of December 2010.

OFFICIAL SEAL
JAMES R HARLAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/08/11

____
NOTARY PUBLIC

BMPS, Inc.

By: ______________________________
Salvatore J. Zizza, CEO

Sworn and subscribed before me this 10 day of December 2010.

OFFICIAL SEAL
JAMES R HARLAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/08/11

____
NOTARY PUBLIC

General Employment Enterprises, Inc.

By: ______________________________
Salvatore J. Zizza, CEO

Sworn and subscribed before me this 10 day of December 2010.

OFFICIAL SEAL
JAMES R HARLAN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:09/08/11

____
NOTARY PUBLIC

Wells Fargo Bank, National Association
14800 Quorum Drive #320
Dallas, TX 75254-7073

By: ______________________________
Julie K. Johnston, Vice President

AFFIDAVIT OF OUT-OF-STATE DELIVERY

STATE OF TEXAS)

COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, personally appeared the undersigned Julie K. Johnston (the "Affiant"), who being first duly sworn upon oath, deposes and says that:

1. The Affiant is a Vice President of **Wells Fargo Business Credit**, a division of Wells Fargo Bank, National Association ("WFBC"), and the Affiant is duly authorized to and does make this affidavit in said capacity on behalf of WFBC.

2. That on the 14 day of December 2010, I executed on behalf of WFBC on the date referenced below that certain Account Purchase Agreement (the "Agreement"), which Agreement is between **Triad Personnel Services**, **Inc.** an Illinois corporation ("TRIAD"), **BMPS, Inc.** an Ohio corporation ("BMPS") and **General Employment Enterprises, Inc.** an Illinois corporation ("GEE"), (collectively "Customer") and **Wells Fargo Business Credit,** a division of Wells Fargo Bank, National Association.

3. That the execution of the Agreement by WFBC took place in Dallas, Texas.

FURTHER AFFIANT SAYETH NAUGHT.

Julie K. Johnston

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Julie K. Johnston, Vice President

SWORN TO AND SUBSCRIBED before me this 14th day of December 2010 by Julie K. Johnston, who personally appeared before me, and who is personally known to me.

Shelly Scott

____
[NOTARIAL SEAL]

SHELLY SCOTT
Notary Public,
State of Texas
Comm. Exp. 03-15-11

Notary Public, State of Texas
Print Name: Shelly Scott
My Commission Expires: ________________

EXHIBIT 31.01

CERTIFICATIONS

I, Salvatore J. Zizza, certify that:

1. I have reviewed this Form 10-Q quarterly report for the period ended March 31, 2011 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2011

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

EXHIBIT 31.02

CERTIFICATIONS

I, James R. Harlan, certify that:

1. I have reviewed this Form 10-Q quarterly report for the period ended March31, 2011 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2011

By: /s/ James R. Harlan
James R. Harlan
Chief Financial Officer (Principal financial officer)

EXHIBIT 32.01

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

In connection with the Quarterly Report of General Employment Enterprises, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2011, as 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 a 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: May 16, 2011

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

EXHIBIT 32.02

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

In connection with the Quarterly Report of General Employment Enterprises, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2011, as 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 a 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: May 16, 2011

/s/ James R. Harlan
James R. Harlan
Chief Financial Officer (Principal financial officer)