
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **January 1, 2016**

**GENERAL EMPLOYMENT ENTERPRISES,
INC.**

(Exact name of registrant as specified in its charter)

<u>Illinois</u> (State or other jurisdiction of incorporation or organization)	<u>1-05707</u> (Commission File Number)	<u>36-6097429</u> (I.R.S. Employer Identification Number)
<u>184 Shuman Blvd., Ste. 420, Naperville, Illinois</u> (Address of principal executive offices)		<u>60563</u> (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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EXPLANATORY NOTE

This Form 8-K/A ("Amendment") amends and supplements the Current Report on Form 8-K filed on January 4, 2016 ("Original 8-K"), by General Employment Enterprises, Inc. (the "Company") to include the financial statements of Paladin Consulting Inc., a Texas corporation ("Paladin"), for the years ended September 30, 2015 and 2014; for the three months ended December 31, 2015 and 2014; and pro forma financial information, pursuant to Item 9.01.

No other changes have been made to the Original 8-K. Except as reflected in Item 9.01 of this Amendment, this Amendment does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update in any way the disclosures made in the Original 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired. The audited financial statements for the years ended September 30, 2015 and 2014 of Paladin and the Unaudited financial statements for the three months ended December 31, 2015 and 2014 of Paladin.

(b) Pro Forma Financial Information.

Exhibit

No.	Description
4.1	Form of Contingent Promissory Note issuable by General Employment Enterprises, Inc. to Enoch S. Timothy and Dorothy Timothy incorporated by reference to form 8-K filed on January 4, 2016.
10.1	Stock Purchase Agreement dated as of January 1, 2016 by and among General Employment Enterprises, Inc., Enoch S. Timothy and Dorothy Timothy incorporated by reference to Form 8-K filed on January 4, 2016.
23.1	Consent of Friedman LLP
99.1	Press release issued by General Employment Enterprises, Inc. dated December 31, 2015 incorporated by reference to Form 8-K filed on January 4, 2016.
99.2	Financial Statements of Businesses Acquired. In accordance with Item 9.01(a), audited financial statements for the years ended September 30, 2015 and 2014 of Paladin Consulting Inc. are filed with this Current Report as Exhibit 99.2.
99.3	Unaudited Financial Statements of Businesses Acquired. In accordance with Item 9.01(a), financial statements for the three months ended December 31, 2015 and December 31, 2014 of Paladin Consulting, Inc. are filed with this Current Report as Exhibit 99.3.
99.4	Pro Forma Financial Information. In accordance with Item 9.01(b), our pro forma financial statements are filed with this Current Report as Exhibit 99.4.

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.

Date: March 15, 2016

By: /s/ Andrew J. Norstrud

Andrew J. Norstrud
Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-204080) and the Registration Statement on Form S-8 (No. 333-207179), of our report dated March 15, 2016 relating to the financial statements of Paladin Consulting, Inc., which appears in in this Current Report on Form 8-K/A of General Employment Enterprises, Inc.

/s/ Friedman LLP _____

March 15, 2016

Marlton, New Jersey

PALADIN CONSULTING, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014
AND
INDEPENDENT AUDITORS' REPORT

PALADIN CONSULTING, INC.

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INDEPENDENT AUDITORS' REPORT

To the Stockholder
Paladin Consulting, Inc.

We have audited the accompanying financial statements of Paladin Consulting, Inc., which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of income and accumulated deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paladin Consulting, Inc. as of September 30, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Friedman LLP _____

Marlton, New Jersey
March 15, 2016

PALADIN CONSULTING, INC.

BALANCE SHEETS

	September 30,	
	2015	2014
ASSETS		
Current assets		
Cash	\$ 29,383	\$ 2,860
Accounts receivable, net	2,063,123	3,847,784
Prepaid expenses and other current assets	95,454	60,582
Total current assets	2,187,960	3,911,226
Property and equipment - at cost, less accumulated depreciation and amortization	139,816	131,351
Other assets	18,249	18,249
	\$ 2,346,025	\$ 4,060,826
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities		
Line of credit	\$ 2,293,286	\$ 3,554,824
Accounts payable	144,097	94,543
Accrued expenses	696,388	1,071,582
Short term debt	127,054	-
Current portion of deferred rent	34,369	13,463
Other current liabilities	73,159	143,219
Total current liabilities	3,368,353	4,877,631
Deferred rent	38,836	59,165
Total long-term liabilities	38,836	59,165
Commitments		
Stockholder's deficit		
Capital stock, \$1 par value, 100,000 shares authorized and 3,000 shares issued and outstanding	3,000	3,000
Additional paid in capital	3,500	3,500
Accumulated deficit	(1,067,664)	(882,470)
	(1,061,164)	(875,970)
	\$ 2,346,025	\$ 4,060,826

See notes to financial statements.

PALADIN CONSULTING, INC.

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT

	Year Ended September	
	30,	
	2015	2014
Net revenues		
Consulting	\$22,179,846	\$27,255,390
Permanent placement	418,993	309,395
	<u>22,598,839</u>	<u>27,564,785</u>
Cost of revenues	<u>17,870,444</u>	<u>22,058,426</u>
Gross profit	4,728,395	5,506,359
Operating expenses		
Selling, general and administrative expenses	4,309,755	4,775,215
Income from operations	<u>418,640</u>	<u>731,144</u>
Other income (expense)		
Interest expense	(159,147)	(151,396)
Other expense	(25,744)	(73,156)
Net income	<u>233,749</u>	<u>506,592</u>
Accumulated deficit, beginning of year	(882,470)	(877,065)
Distributions, net	(418,943)	(511,997)
Accumulated deficit, end of year	<u>\$ (1,067,664)</u>	<u>\$ (882,470)</u>

See notes to financial statements.

PALADIN CONSULTING, INC.
STATEMENTS OF CASH FLOWS

	Year Ended September	
	30,	
	2015	2014
Cash flows from operating activities		
Net income	\$ 233,749	\$ 506,592
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	72,716	51,992
Changes in assets and liabilities		
Accounts receivable	1,784,661	(1,563,992)
Prepaid expenses and other current assets	(34,872)	13,418
Other assets	-	1,781
Accounts payable	49,554	(1,778)
Accrued expenses	(375,194)	(72,088)
Other current liabilities	(70,060)	(11,781)
Deferred rent	577	(13,508)
Net cash provided by (used in) operating activities	<u>1,661,131</u>	<u>(1,089,364)</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(81,181)</u>	<u>(28,470)</u>
Net cash used in investing activities	<u>(81,181)</u>	<u>(28,470)</u>
Cash flows from financing activities		
Borrowing (repayments) on FCFC line of credit	-	(1,448,205)
Borrowing (repayments) on WF line of credit	(1,261,538)	3,081,855
Borrowing of short term notes	167,837	-
Repayments of short term notes	(40,783)	(3,816)
Stockholder's contributions	2,058,987	2,340,655
Stockholder's distributions	(2,477,930)	(2,852,652)
Net cash (used in) provided by financing activities	<u>(1,553,427)</u>	<u>1,117,837</u>
Net increase (decrease) in cash	26,523	3
Cash, beginning of year	2,860	2,857
Cash, end of year	\$ 29,383	\$ 2,860
Supplemental cash flow disclosures		
Interest paid	\$ 159,147	\$ 151,396

See notes to financial statements.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Paladin Consulting, Inc. (the "Company") is incorporated in the state of Texas. The Company provides permanent and temporary professional services in and near several major U.S. cities to a diverse client base across various industries.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition

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

Refunds during the period are reflected in the statements of income as a reduction of revenue. Expected future refunds are reflected in the balance sheets as a reduction of accounts receivable and were approximately \$15,087 and \$11,715 as of September 30, 2015 and 2014, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company's cash balances are maintained at various banks. Balances are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect. An allowance for placement fall-offs is recorded as a reduction of revenues, for estimated losses due to applicants not remaining employed for the Company's guarantee period. An allowance for doubtful accounts is recorded, as a charge to bad debt expense, where collection is considered to be doubtful due to credit issues. These allowances together reflect the Company's estimate of potential losses inherent in accounts receivable balances, based on historical loss and known factors impacting its customers. Management has determined that an allowance of \$44,252 and \$62,000 is required at September 30, 2015 and 2014, respectively. Expected future fall-offs and refunds are reflected in the balance sheet as a reduction of accounts receivable and were approximately \$15,087 and \$11,715 as of September 30, 2015 and 2014, respectively.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over estimated useful life of one to ten years. Leasehold improvements are amortized over the shorter of the useful life of the related asset or the period of the lease.

Long-Lived Assets

The Company reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the carrying values may no longer be appropriate. Recoverability of carrying values is assessed by estimating future net cash flows from the assets. Based on management's evaluations, no impairment charge was deemed necessary at September 30, 2015 and 2014. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to sales prices, rental rates, costs, holding periods or other factors that may result in changes in the Company's estimates of future cash flows. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result.

Advertising Costs

Advertising costs, which are expensed as incurred, totaled approximately \$44,376 and \$77,937 for the years ended September 30, 2015 and 2014, respectively.

Income Taxes

The Company has elected S Corporation status for federal income tax purposes. Under these elections, the Company is not a taxpaying entity for federal income tax purposes and, accordingly, no provision has been made for such income taxes, except for a minimum state corporate business tax. The stockholder's allocable share of the Company's income or loss is reportable on their income tax returns.

Subsequent Events

These financial statements were approved by management and available for issuance on March 15, 2016. Management has evaluated subsequent events through this date.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 355,970	\$ 328,604
Computer equipment and software	364,677	314,651
Leasehold improvements	60,000	60,000
	<u>780,647</u>	<u>703,255</u>
Less - Accumulated depreciation and amortization	<u>(640,831)</u>	<u>(571,904)</u>
	<u>\$ 139,816</u>	<u>\$ 131,351</u>

Depreciation expense for the years ended September 30, 2015 and 2014 was \$72,716 and \$51,992, respectively.

3 – LINE OF CREDIT

Prior to October 1, 2013, the Company maintained a \$5,000,000 revolving line of credit with First Community Financial Corporation ("FSFC"). The collateral on the line included accounts receivable and other assets as pledged by the Company. Interest was at the greater of prime rate plus 1% or 7.50%. On October 1, 2013, the Company paid off its line of credit with FCFC, with the proceeds noted below.

On October 1, 2013, the Company entered into a \$5,000,000 revolving line of credit with Wells Fargo ("WF"). The line of credit has a borrowing base equal to 90% of eligible receivables less receivable reserves and indebtedness to Wells Fargo. The collateral on the line included the Company's accounts receivable. Interest is equal to the Daily One Month LIBOR plus 5% per annum. The interest rate at September 30, 2015 and 2014 was 5.19% and 5.16%, respectively. The WF Line of Credit was guaranteed by one of the Company's shareholders. The line of credit had certain financial covenants, which the Company was not in compliance with. As discussed in Note 8, the line of credit was paid off as part of the Stock Purchase Agreement.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

4 – SHORT TERM DEBT

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
On June 6, 2015, the Company entered into a note payable with Funding Circle, payable in monthly installments of \$13,274, including principal and interest. The note bears an interest rate of 11.24% per annum and matures on June 8, 2016. The note payable is collateralized by all Paladin's assets and by the owner's personal and non-affiliated business assets.	\$ 112,500	\$ -
Note payable to Balboa Capital Corporation, payable in quarterly installments of \$3,283, collateralized by the purchased computer equipment.	14,554	-
Short term debt	<u>\$ 127,054</u>	<u>\$ -</u>

5 – LEASE COMMITMENTS

The Company leases office space in Houston, Texas, Dallas, Texas, and Sterling, Virginia, a suburb of Washington DC, at varying rental rates set in agreements through 2017, 2019, and 2017, respectively. Annual rent payments are exclusive of required payments for increases in real estate taxes and operating costs over base period amounts.

Total minimum future annual rentals, exclusive of real estate taxes and related costs, are approximately as follows:

<u>Year Ending September 30,</u>	
2016	\$ 217,200
2017	216,900
2018	165,100
2019	70,400
	<u>\$ 669,600</u>

Rent expense, including real estate taxes and related costs, for the years ended September 30, 2015 and 2014 aggregated approximately \$209,717 and \$246,692, respectively.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

6 – RETIREMENT PLAN

The Company has a 401(k) plan for all employees who have attained the age of 21 and completed one year of service. The Company, at its discretion, may make matching contributions and/or bonus contributions. Retirement plan expense was \$109,305 and \$98,445 for the years ended September 30, 2015 and 2014.

7 – MAJOR CUSTOMERS

The Company had major customers in each of the years presented. A major customer is defined as one that makes up ten-percent or more of total revenues in a particular year or has an outstanding accounts receivable balance as of the year end. Net revenues for the years ended September 30, 2015 and 2014 include revenues from major customers as follows:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Customer A	42%	46%

Accounts receivable balances as of September 30, 2015 and 2014 from major customers are as follows:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Customer A	28%	32%
Customer B	11%	*

*- Below 10% not deemed a major customer

8 – SUBSEQUENT EVENTS

On January 1, 2016, the Company and the shareholder entered into a Stock Purchase Agreement with General Employment Enterprises ("GEE") to sell 100% of the outstanding stock of the Company. The purchase price was equal to \$1,750,000 plus up to \$1,000,000 in contingent promissory notes and earn-out payments of up to \$1,250,000 less the Funding Circle Loan amount and the Net Working Capital Reduction amount. As part of the Stock Purchase Agreement, GEE repaid the remaining balance of the Wells Fargo line of credit.

PALADIN CONSULTING, INC.
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 AND 2014
AND SEPTEMBER 30, 2015

PALADIN CONSULTING, INC.

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PALADIN CONSULTING, INC.

BALANCE SHEETS
(Unaudited)

	December 31, 2015	September 30, 2015
	<u> </u>	<u> </u>
ASSETS		
Current assets		
Cash	\$ 78,654	\$ 29,383
Accounts receivable, net	2,167,896	2,063,123
Prepaid expenses and other current assets	109,106	95,454
Total current assets	<u>2,355,656</u>	<u>2,187,960</u>
Property and equipment - at cost, less accumulated depreciation and amortization	121,588	139,816
Other assets	18,249	18,249
	<u>\$ 2,495,493</u>	<u>\$ 2,346,025</u>
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities		
Line of credit	\$ 2,438,221	\$ 2,293,286
Accounts payable	146,075	144,097
Accrued expenses	709,937	696,388
Short term debt	81,173	127,054
Current portion of deferred rent	18,465	34,369
Other current liabilities	255,825	73,159
Total current liabilities	<u>3,649,696</u>	<u>3,368,353</u>
Deferred rent	<u>35,051</u>	<u>38,836</u>
Total long-term liabilities	<u>35,051</u>	<u>38,836</u>
Stockholder's deficit		
Capital stock, \$1 par value, 100,000 shares authorized and 3,000 shares issued and outstanding	3,000	3,000
Additional paid in capital	3,500	3,500
Accumulated deficit	(1,195,754)	(1,067,664)
	<u>(1,189,254)</u>	<u>(1,061,164)</u>
	<u>\$ 2,495,493</u>	<u>\$ 2,346,025</u>

See notes to financial statements

PALADIN CONSULTING, INC.

**STATEMENTS OF INCOME AND ACCUMULATED DEFICIT
(Unaudited)**

	3 Months Ending December 31,	
	<u>2015</u>	<u>2014</u>
Net revenues		
Consulting	\$ 4,747,532	\$ 6,601,930
Permanent placement	37,800	64,216
	<u>4,785,332</u>	<u>6,666,146</u>
Cost of revenues	<u>3,896,075</u>	<u>5,382,119</u>
Gross profit	<u>889,257</u>	<u>1,284,027</u>
Operating expenses		
Selling, general and administrative expenses	<u>948,066</u>	<u>1,260,996</u>
Income (loss) from operations	(58,809)	23,031
Other income (expense)		
Interest expense	<u>24,281</u>	<u>42,862</u>
Net income	<u>(83,090)</u>	<u>(19,831)</u>
Accumulated deficit, beginning of quarter	(1,067,664)	(882,470)
Distributions, net	<u>(45,000)</u>	<u>(163,082)</u>
Accumulated deficit, end of period	<u><u>\$(1,195,754)</u></u>	<u><u>\$(1,065,383)</u></u>

See notes to financial statements.

PALADIN CONSULTING, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	3 Months Ended	
	December 31,	
	2015	2014
Cash flows from operating activities		
Net income	\$ (83,090)	\$ (19,831)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	18,618	14,501
Changes in assets and liabilities		
Accounts receivable	(104,773)	661,962
Prepaid expenses and other current assets	(13,652)	(32,998)
Accounts payable	1,588	(23,435)
Accrued expenses	13,549	(89,717)
Other current liabilities	182,666	14,297
Deferred rent	(19,689)	-
Net cash (used in)/provided by operating activities	<u>(4,783)</u>	<u>524,779</u>
Cash flows from investing activities		
Acquisition of property and equipment	-	(12,896)
Net cash provided by/(used in) investing activities	<u>-</u>	<u>(12,896)</u>
Cash flows from financing activities		
Borrowing (repayments) on WF line of credit	144,935	(235,326)
Repayments of short term notes	(45,881)	-
Stockholder's contributions	695,000	170,956
Stockholder's distributions	(740,000)	(334,038)
Net cash provided by/(used in) financing activities	<u>54,054</u>	<u>(398,408)</u>
Net increase (decrease) in cash	49,271	113,475
Cash, beginning of period	<u>29,383</u>	<u>2,860</u>
Cash, end of period	<u>\$ 78,654</u>	<u>\$ 116,335</u>
Supplemental cash flow disclosures		
Interest paid	\$ 24,281	\$ 42,862

See notes to financial statements

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Paladin Consulting, Inc. (the "Company") is incorporated in the state of Texas. The Company provides permanent and temporary professional services in and near several major U.S. cities to a diverse client base across various industries.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition

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

Refunds during the period are reflected in the statements of income as a reduction of revenue. Expected future refunds are reflected in the balance sheets as a reduction of accounts receivable and were approximately \$52,357 and \$15,087 as of December 31, 2015 and September 30, 2015, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company's cash balances are maintained at various banks. Balances are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect. An allowance for placement fall-offs is recorded as a reduction of revenues, for estimated losses due to applicants not remaining employed for the Company's guarantee period. An allowance for doubtful accounts is recorded, as a charge to bad debt expense, where collection is considered to be doubtful due to credit issues. These allowances together reflect the Company's estimate of potential losses inherent in accounts receivable balances, based on historical loss and known factors impacting its customers. Management has determined that an allowance of \$147,834 and \$44,252 is required at December 31, 2015 and September 30, 2015, respectively. Expected future fall-offs and refunds are reflected in the balance sheet as a reduction of accounts receivable and were approximately \$52,357 and \$15,087 as of December 31, 2015 and September 30, 2015, respectively.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over estimated useful life of one to ten years. Leasehold improvements are amortized over the shorter of the useful life of the related asset or the period of the lease.

Long-Lived Assets

The Company reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the carrying values may no longer be appropriate. Recoverability of carrying values is assessed by estimating future net cash flows from the assets. Based on management's evaluations, no impairment charge was deemed necessary at December 31, 2015 and September 30, 2015. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to sales prices, rental rates, costs, holding periods or other factors that may result in changes in the Company's estimates of future cash flows. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result.

Advertising Costs

Advertising costs, which are expensed as incurred, totaled approximately \$18,739 and \$0 for the three months ended December 31, 2015 and 2014, respectively.

Income Taxes

The Company has elected S Corporation status for federal income tax purposes. Under these elections, the Company is not a taxpaying entity for federal tax purposes and, accordingly, no provision has been made for such income taxes, except for a minimum state corporate business tax. The stockholder's allocable share of the Company's income or loss is reportable on their income tax returns.

Subsequent Events

These financial statements were approved by management and available for issuance on March 15, 2016. Management has evaluated subsequent events through this date.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	
	December 31,	September 30,
Furniture and equipment	\$ 355,970	\$ 355,970
Computer equipment and software	364,677	364,677
Leasehold improvements	60,000	60,000
	781,037	780,647
Less - Accumulated depreciation and amortization	(659,449)	(640,831)
	<u>\$ 121,588</u>	<u>\$ 139,816</u>

Depreciation expense for the three months ended December 31, 2015 and 2014 was \$18,618 and \$14,501, respectively.

3 – LINE OF CREDIT

Prior to October 1, 2013, the Company maintained a \$5,000,000 revolving line of credit with First Community Financial Corporation ("FSFC"). The collateral on the line included accounts receivable and other assets as pledged by the Company. Interest was at the greater of prime rate plus 1% or 7.50%. On October 1, 2013, the Company paid off its line of credit with FCFC, with the proceeds noted below.

On October 1, 2013, the Company entered into a \$5,000,000 revolving line of credit with Wells Fargo ("WF"). The line of credit has a borrowing base equal to 90% of eligible receivables less receivable reserves and indebtedness to Wells Fargo. The collateral on the line included the Company's accounts receivable. Interest is equal to the Daily One Month LIBOR plus 5% per annum. The interest rate at December 31, 2015 and September 30, 2015 was 5.43% and 5.19% respectively. The WF Line of Credit was guaranteed by one of the Company's shareholders. The line of credit had certain financial covenants, which the Company was not in compliance with. As discussed in Note 8, the line of credit was paid off as part of the Stock Purchase Agreement.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

4 – SHORT TERM DEBT

	2015	
	December 31,	September 30,
On June 6, 2015, the Company entered into a note payable with Funding Circle, payable in monthly installments of \$13,274, including principal and interest. The note bears an interest rate of 11.24% per annum and matures on June 8, 2016. The note payable is collateralized by all Paladin's assets and by the owner's personal and non-affiliated business assets.	\$ 75,000	\$ 112,500
Note payable to Balboa Capital Corporation, payable in quarterly installments of \$3,283, collateralized by the purchased computer equipment.	6,173	14,554
Short term debt	\$ 81,173	\$ 127,054

5 – LEASE COMMITMENTS

The Company leases office space in Houston, Texas, Dallas, Texas, and Sterling, Virginia, a suburb of Washington DC, at varying rental rates set in agreements through 2017, 2019, and 2017, respectively. Annual rent payments are exclusive of required payments for increases in real estate taxes and operating costs over base period amounts.

Total minimum future annual rentals, exclusive of real estate taxes and related costs, are approximately as follows:

Year Ending December 31,	
2016	\$ 218,600
2017	202,500
2018	166,300
2019	28,500
	\$ 615,900

Rent expense, including real estate taxes and related costs, for the three months ended December 31, 2015 and 2014 aggregated approximately \$43,448 and \$57,200, respectively.

PALADIN CONSULTING, INC.

NOTES TO FINANCIAL STATEMENTS

6 – RETIREMENT PLAN

The Company has a 401(k) plan for all employees who have attained the age of 21 and completed one year of service. The Company, at its discretion, may make matching contributions and/or bonus contributions. Retirement plan expense was \$25,550 and \$38,336 for the three months ended December 31, 2015 and 2014.

7 – MAJOR CUSTOMERS

The Company had major customers in each of the years presented. A major customer is defined as one that makes up ten-percent or more of total revenues in a particular year or has an outstanding accounts receivable balance as of the year end. Net revenues for the three months ended December 31, 2015 and 2014 include revenues from major customers as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Customer A	38%	39%

Accounts receivable balances as of December 31, 2015 and September 30, 2015 from major customers are as follows:

	<u>2015</u>	
	<u>December 31,</u>	<u>September 30,</u>
Customer A	26%	28%
Customer B	*	11%

*- Below 10% not deemed a major customer

8 – SUBSEQUENT EVENTS

On January 1, 2016, the Company and the shareholder entered into a Stock Purchase Agreement with General Employment Enterprises ("GEE") to sell 100% of the outstanding stock of the Company. The purchase price was equal to \$1,750,000 plus up to \$1,000,000 in contingent promissory notes and earn-out payments of up to \$1,250,000 less the Funding Circle Loan amount and the Net Working Capital Reduction amount. As part of the Stock Purchase Agreement, GEE repaid the remaining balance of the Wells Fargo line of credit.

GENERAL EMPLOYMENT ENTERPRISES, INC.
UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information is based on the historical financial statements of General Employment Enterprises, Inc. (the "Company") and Paladin Consulting Inc. ("Paladin"), after giving effect to the Company's acquisition of Paladin. The notes to the unaudited pro forma financial information describe the reclassifications and adjustments to the financial information presented.

The unaudited pro forma combined balance sheet as of December 31, 2015 and statements of operations for the three month period ended December 31, 2015 and the year ended September 30, 2015, are presented as if the acquisition of Paladins had occurred on September 30, 2014 and were carried forward through each of the periods presented.

The allocation of the purchase price used in the unaudited pro forma combined financial information is based upon the respective fair values of the assets and liabilities of Paladin as of the date on which the Paladin Stock Purchase agreement was signed and the final working capital review has not been completed at the time of this financial statement release.

The unaudited pro forma combined financial information is not intended to represent or be indicative of the Company's consolidated results of operations or financial position that the Company would have reported had the Paladin acquisition been completed as of the dates presented, and should not be taken as a representation of the Company's future consolidated results of operation or financial position.

The unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of the Company included in the annual report on form 10-K for the year ended September 30, 2015.

GENERAL EMPLOYMENT ENTERPRISES, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
AS OF DECEMBER 31, 2015
(UNAUDITED)

(In Thousands)

	<u>GENERAL EMPLOYMENT</u>	<u>PALADIN</u>	<u>PROFORMA ADJUSTMENTS</u>	<u>PROFORMA</u>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 4,610	\$ 78	(1,672)(6)	\$ 3,016
Accounts receivable	8,829	2,168	-	10,997
Other current assets	793	109	-	902
Total current assets	<u>14,232</u>	<u>2,355</u>	-	<u>14,915</u>
Property and equipment, net	675	122	-	797
Other long-term assets	47	-	-	47
Goodwill	15,906	-	2,100(5)	18,006
Intangible assets, net	10,474	-	1,762(4)	12,236
Other assets	-	18	-	18
TOTAL ASSETS	<u>\$ 41,334</u>	<u>\$ 2,495</u>	-	<u>\$ 46,019</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term debt	\$ 4,245	\$ 2,438	-	\$ 6,683
Accounts payable	2,010	146	-	2,156
Accrued compensation	2,392	710	-	3,102
Other current liabilities	1,121	275	-	1,396
Short-term subordinated debt	1,490	81	-(2)	1,571
Contingent consideration	3,000	-	1,000(3)	4,000
Total current liabilities	<u>14,258</u>	<u>3,650</u>	-	<u>18,908</u>
Deferred rent	250	35	-	285
Subordinated debt	5,035	-	-	5,035
Total long-term liabilities	5,285	35	-	5,320
Commitments and contingencies				
SHAREHOLDERS' EQUITY				
Preferred stock; no par value; authorized - 20,000 shares; issued and outstanding - none	-	-	-	-
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 8,833 shares	36,440	6	(6)(1)	36,440
(Accumulated deficit) retained earnings	(14,649)	(1,196)	1,196(1)	(14,649)
Total shareholders' equity	<u>21,791</u>	<u>(1,190)</u>	-	<u>21,791</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 41,334</u>	<u>\$ 2,495</u>	-	<u>\$ 46,019</u>

Adjustments to the Pro Forma Consolidated Balance Sheet

- (1) Elimination of Paladin's Capital Stock and retained earnings as part of purchase accounting
- (2) \$0 was recorded for the loan to sellers since negative working capital is greater than \$1,000,000
Represents the estimated contingent consideration to be paid to sellers based on EBITDA, minus expected repayment
- (3) of negative working capital shortfall
Represents the management estimated intangible asset as of closing date, to be verified post acquisition with full
- (4) purchase price allocation
Represents the management estimated goodwill as of closing date, to be verified post acquisition with full purchase
- (5) price allocation
- (6) Represents the initial cash paid at closing

See notes to unaudited pro forma combined financial information.

GENERAL EMPLOYMENT ENTERPRISES, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2015
(UNAUDITED)

Three months ended December 31, 2015

(In Thousands, Except Per Share Data)	<u>GENERAL EMPLOYMENT</u>	<u>PALADIN</u>	<u>PROFORMA ADJUSTMENTS</u>	<u>PROFORMA</u>
NET REVENUES:				
Contract staffing services	\$ 15,999	\$ 4,748	-	\$ 20,747
Direct hire placement services	1,626	38	-	1,664
			-	
NET REVENUES	<u>17,625</u>	<u>4,786</u>	-	<u>22,411</u>
Cost of contract services	12,337	3,896	-	16,233
Selling, general and administrative expenses	4,508	730	-	5,243
Acquisition, integration and restructuring expense	446	200	-	646
Depreciation expense	66	19	-	80
Amortization of intangible assets	337	-	55(a)	392
			-	
LOSS FROM OPERATIONS	<u>(69)</u>	<u>(59)</u>	-	<u>(183)</u>
Interest expense	325	24	-	349
			-	
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION	<u>(394)</u>	<u>(83)</u>	-	<u>(532)</u>
Provision for income tax	-	-	-	-
			-	
NET LOSS	<u>\$ (394)</u>	<u>\$ (83)</u>	-	<u>\$ (532)</u>
BASIC LOSS PER SHARE	<u>(0.04)</u>	<u>\$ -</u>	-	<u>\$ (0.06)</u>
WEIGHTED AVERAGE NUMBER OF SHARES -DILUTED	<u>9,247</u>	<u>-</u>	-	<u>9,247</u>

(a) Represents estimated amortization of intangible assets related to Access

See notes to unaudited pro forma combined financial information.

GENERAL EMPLOYMENT ENTERPRISES, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)

Year ended September 30, 2015

(In Thousands, Except Per Share Data)	<u>GENERAL EMPLOYMENT</u>	<u>PALADIN</u>	<u>PROFORMA ADJUSTMENTS</u>	<u>PROFORMA</u>
NET REVENUES:				
Contract staffing services	\$ 36,722	\$ 22,180	-	\$ 58,902
Direct hire placement services	6,665	419	-	7,084
NET REVENUES	43,387	22,599	-	65,986
Cost of contract services	30,234	17,870	-	48,104
Selling, general and administrative expenses	13,640	4,263	-	17,903
Acquisition, integration and restructuring expense	373	-	-	373
Depreciation expense	325	73	-	398
Amortization of intangible assets	448	-	220(a)	668
INCOME (LOSS) FROM OPERATIONS	(1,633)	393	-	(1,460)
Loss on change in derivative liability	2,251	-	-	2,251
Loss on extinguishment of debt	234	-	-	234
Interest expense	544	159	-	703
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION	(4,662)	234	-	(4,648)
Provision for income tax	-	-	-	-
NET INCOME (LOSS)	\$ (4,662)	\$ 234	-	\$ (4,648)
BASIC AND DILUTED LOSS PER SHARE	\$ (1.14)	\$ -	-	\$ (1.14)
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	4,084	-	-	4,084

(a) Represents estimated amortization of intangible assets related to Paladin

See notes to unaudited pro forma combined financial information.

GENERAL EMPLOYMENT ENTERPRISES, INC.
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma combined balance sheet as of December 31, 2015, and the unaudited pro forma statements of operations for the three months ended December 31, 2015 and the year ended September 30, 2015, are based on the historical financial statements of the Company and Paladin after giving effect to the Company's acquisition of Paladin and reclassification and adjustments described in the accompanying notes to the unaudited pro forma combined financial information.

The Company accounts for business combinations pursuant to Accounting Standards Codification ASC 805, *Business Combinations*. In accordance with ASC 805, the Company uses its best estimates and assumptions to accurately assign fair value to the assets acquired and the liabilities assumed at the acquisition date. Goodwill as of the acquisition date is measured as the excess of the purchase consideration over the fair value of the assets acquired and the liabilities assumed.

The fair values assigned to Paladin's assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair values of these assets acquired and liabilities assumed are considered preliminary and are based on the information that was available as of the date of acquisition. The Company believes that the information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but is waiting for additional information, primarily related to estimated values of current and non-current income taxes payable and deferred taxes, which are subject to change, pending the finalization of certain tax returns. The Company expects to finalize the valuation of the assets and liabilities as soon as practicable, but not later than one year from the acquisition date.

The unaudited pro forma combined financial information is not intended to represent or be indicative of the Company's consolidated results of operations or financial position that the Company would have reported had the Paladin acquisition been completed as of the dates presented, and should not be taken as a representation of the Company's future consolidated results of operation or financial position.

The unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of the Company included in the annual report on Form 10-K for the year ended September 30, 2015.

Accounting Periods Presented

For purposes of these unaudited pro forma combined financial information, Paladin's historical year end September 30, have been aligned to more closely conform to the Company's year end of September 30, as explained below. Certain pro forma adjustments were made to conform Paladin's accounting policies to the Company's accounting policies as noted below.

The unaudited pro forma combined balance sheet as of December 31, 2015 and the statements of operations for the three months ended December 31, 2015 and the year ended September 30, 2015, are presented as if the acquisition of Paladin had occurred on September 30, 2014 and were carried forward through each of the periods presented.

Reclassifications

The Company reclassified certain accounts in the presentation of Paladin's historical financial statements in order to conform to the Company's presentation.

2. ACQUISITION OF PALADIN

The Company entered into a Stock Purchase Agreement dated as of January 1, 2016 (the "Paladin Agreement") with Enoch S. Timothy and Dorothy Timothy (collectively, the "Sellers"). Pursuant to the terms of the Paladin Agreement the Company acquired on January 1, 2016, 100% of the outstanding stock of Paladin Consulting Inc., a Texas corporation ("Paladin"), for a purchase price (the "Purchase Price") equal to \$1,750,000, minus the Circle Lending Loan Amount (as defined below) plus up to \$1,000,000 in contingent promissory notes, minus the NWC Reduction Amount (as defined below) (if any) plus up to \$1,250,000 of "earnouts".

The consideration shall be paid as follows:

- *Cash Payment to Sellers.* At the closing, the Company paid to the Sellers \$1,672,176 in cash.
- *Contingent Promissory Notes.* Up to an additional \$1,000,000 of the Purchase Price shall subsequently be paid by the Company to the Sellers in the form of contingent Promissory Notes (the "Promissory Notes") if (i) the final determination of the Revenue (as defined in the Paladin Agreement) for the period beginning on January 1, 2016 and ending on December 31, 2016 (the "Earnout Period") exceeds \$15,000,000 and (ii) Adjusted EBITDA (as defined in the Paladin Agreement) for the Earnout Period, exceeds \$500,000. The principal amount of the Promissory Notes is subject to reduction by the NWC Reduction Amount (as defined below).
- *NWC Reduction Amount.* The Sellers have agreed to pay to the Company the amount by which the Net Working Capital of Paladin (defined as Paladin's Current Assets, determined in accordance with GAAP minus Paladin's Current Liabilities, determined in accordance with GAAP) is a negative number. The Purchase Price shall be reduced dollar for dollar for each dollar by which the Net Working Capital is a negative amount (i.e., less than \$0). The amount by which the Net Working Capital is less than \$0 is the "NWC Reduction Amount." The reduction shall first be applied to reduce the \$1,000,000 portion of the Purchase Price that is the Promissory Notes. If the reduction exceeds \$1,000,000, then that excess shall be immediately paid by the Sellers via a wire transfer of the applicable dollar amount to the Company.
- *Earnout Payment.* Up to an additional \$750,000 of the Purchase Price (the "Earnout") will subsequently be paid by the Company to Sellers with respect to the Earnout Period, in accordance with and subject to the terms and conditions in the Paladin Agreement. Any Earnout payment made by the Company, shall, at the option of the Company, be paid (i) in shares of common stock of the Company or (ii) in immediately available funds. Certain "Retention Bonuses" (as defined in the Paladin Agreement) paid to employees of Paladin on or before February 1, 2017, but not exceeding \$275,000 in the aggregate will reduce the Earnout payment.
- *Additional Stock Earnout Payment.* If in the final determination the adjusted EBITDA is greater than \$650,000 in accordance with the Paladin Agreement, up to an additional \$500,000 of the Purchase Price (the "Additional Earnout") will subsequently be paid by the Company to Sellers in accordance with and subject to the terms and conditions in the Paladin Agreement. Any such Additional Earnout payment shall be paid in shares of common stock of the Company.
- *Subordinated Deferred Payment Rights.* Notwithstanding the above, the Sellers have agreed that the Earnout Payment and Additional Stock Earnout Payment shall be subordinate and junior in right of payment to any "Senior Indebtedness" (as defined in the Paladin Agreement) now or hereafter existing to "Senior Lenders" (current or future) (as defined in the Paladin Agreement).

The Company utilized a portion of the proceeds from the private placement of a \$4,185,000 subordinated promissory note to JAX Legacy – Investment 1, LLC, that it completed on October 2, 2015, to finance the payment of the cash portion of the Purchase Price of Paladin.

Under the purchase method of accounting, the transaction was valued for accounting purposes at an estimated \$2,672,000, which was the estimated fair value of the consideration paid by the Company, after it was determined post-closing that the estimated net negative working capital was approximately \$1,295,000. The estimate was based on the consideration paid of \$2,672,000 based on the initial cash payment of approximately \$1,672,000 and contingent consideration of approximately \$1,000,000

The assets and liabilities of Paladin will be recorded at their respective fair values as of the closing date of the Paladin Agreement, and the following table summarizes these values based on the estimated balance sheet at January 1, 2016.

The intangibles will be recorded, based on the Company's estimate of fair value, which are expected to consist primarily of customer lists with an estimated life of five to ten years and goodwill. Upon completion of an independent purchase price allocation and valuation, the allocation intangible assets will be adjusted accordingly.

\$	2,495	Assets Purchased
	3,685	Liabilities Assumed
	(1,190)	Net Assets Purchased
	2,672	Purchase Price
\$	3,862	Intangible Asset from Purchase

3. PRO FORMA ADJUSTMENTS

- (1) Elimination of Paladin's Capital Stock and retained earnings as part of purchase accounting.
- (2) \$0 was recorded for the loan to sellers since negative working capital is greater than \$1,000,000.
Represents the estimated contingent consideration to be paid to sellers based on EBITDA, minus expected
- (3) repayment of negative working capital shortfall.
- (4) Represents the management estimated intangible asset as of closing date, to be verified post acquisition with full purchase price allocation.
Represents the management estimated goodwill as of closing date, to be verified post acquisition with full purchase
- (5) price allocation.
- (6) Represents the initial cash paid at closing
 - (a) Represents estimated amortization of intangible assets related to Paladin