
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2018**

OR

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

Commission File Number **1-05707**

GEE GROUP INC.

(Exact name of registrant as specified in
its charter)

Illinois

(State or other jurisdiction of incorporation or
organization)

36-6097429

(I.R.S. Employer Identification Number)

7751 Belfort Parkway, Suite 150, Jacksonville, FL 32256

(Address of principal executive offices)

(630) 954-0400

(Registrant's telephone number, including area code)

184 Shuman Blvd., Suite 420, Naperville, IL 60563

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 9, 2018 was 10,783,457.

GEE GROUP INC.
Form 10-Q
For the Quarter Ended June 30, 2018
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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

As a matter of policy, the Company does not provide forecasts of future financial performance. The statements made in this quarterly report on Form 10-Q which are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements often contain or are prefaced by words such as "believe", "will" and "expect." These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. 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, as well as those risks discussed in the Company's Annual Report on Form 10-K for the year ended September 30, 2017, and in other documents which we file with the Securities and Exchange Commission. Any forward-looking statements speak only as of the date on which they are made, and 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.

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Item 1. Financial Statements.

GEE GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(In Thousands)

	June 30, 2018	September 30, 2017
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,637	\$ 2,785
Accounts receivable, less allowances (June - \$897 and September - \$1,712)	21,166	23,178
Other current assets	1,853	3,014
Total current assets	25,656	28,977
Property and equipment, net	850	914
Other long-term assets	400	282
Goodwill	76,593	76,593
Intangible assets, net	30,862	35,049
TOTAL ASSETS	\$ 134,361	\$ 141,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility	\$ 10,200	\$ 7,904
Acquisition deposit for working capital guarantee	1,500	1,500
Accrued interest	1,510	2,175
Accounts payable	2,030	3,243
Accrued compensation	5,188	7,394
Other current liabilities	385	515
Short-term portion of subordinated debt	419	1,225
Short-term portion of term-note, net of discount	6,551	3,433
Total current liabilities	27,783	27,389
Deferred rent	400	334
Deferred taxes	1,248	958
Term-loan, net of debt discounts	37,364	42,018
Subordinated debt	1,000	1,000
Subordinated convertible debt	16,685	16,685
Other long-term liabilities	18	35
Total long-term liabilities	56,715	61,030
Commitments and contingencies		
MEZZANINE EQUITY		
Preferred stock; no par value		
Preferred series A stock - 160 authorized; issued and outstanding - none	-	-
Preferred series B stock - 5,950 authorized; issued and outstanding - 5,816 and 5,926 at June 30, 2018 and September 30, 2017, respectively		
Liquidation value of the preferred series B stock is approximately \$28,265 and \$28,800 at June 30, 2018 and September 30, 2017, respectively	28,788	29,333
SHAREHOLDERS' EQUITY		
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 10,609 and 9,879 at June 30, 2018 and September 30, 2017, respectively	-	-
Additional paid in capital	43,085	39,517
Accumulated deficit	(22,010)	(15,454)
Total shareholders' equity	21,075	24,063
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 134,361	\$ 141,815

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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GEE GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(In Thousands, Except Per Share Data)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
NET REVENUES:				
Contract staffing services	\$ 33,879	\$ 40,100	\$ 107,860	\$ 80,046
Direct hire placement services	6,388	5,969	17,496	8,578
NET REVENUES	40,267	46,069	125,356	88,624
Cost of contract services	25,546	29,015	81,235	60,472
GROSS PROFIT	14,721	17,054	44,121	28,152
Selling, general and administrative expenses	12,111	15,546	35,839	24,852
Acquisition, integration and restructuring expenses	514	2,206	1,712	2,306
Depreciation expense	92	178	287	328
Amortization of intangible assets	1,409	1,570	4,199	2,308
INCOME (LOSS) FROM OPERATIONS	595	(2,446)	2,084	(1,642)
Loss on extinguishment of debt	-	994	-	994
Interest expense	2,889	2,378	8,381	3,130
LOSS BEFORE INCOME TAX (BENEFIT) EXPENSE	(2,294)	(5,818)	(6,297)	(5,766)
Income tax benefit (expense)	407	(202)	(259)	(332)
NET LOSS	\$ (1,887)	\$ (6,020)	\$ (6,556)	\$ (6,098)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (1,887)	\$ (6,020)	\$ (6,556)	\$ (6,098)
NET LOSS PER SHARE - BASIC AND DILUTED	\$ (0.18)	\$ (0.61)	\$ (0.64)	\$ (0.64)
WEIGHTED AVERAGE NUMBER OF SHARES				
- BASIC AND DILUTED	10,526	9,879	10,177	9,546

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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GEE GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
(In Thousands)

	Common Stock Shares	Additional Paid In Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, September 30, 2016	9,379	\$ 37,615	\$ (13,082)	\$ 24,533
Amortization of stock option expense	-	902	-	902
Exercise of stock warrants	500	1,000	-	1,000
Net loss	-	-	(2,372)	(2,372)
Balance, September 30, 2017	9,879	39,517	(15,454)	24,063
Amortization of stock option expense	-	1,028	-	1,028
Issuance of stock for interest	620	1,995	-	1,995
Conversion of preferred B stock to common stock	110	545	-	545
Net loss	-	-	(6,556)	(6,556)
Balance, June 30, 2018	10,609	\$ 43,085	\$ (22,010)	\$ 21,075

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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GEE GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(In Thousands)

	Nine Months Ended	
	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (6,556)	\$ (6,098)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	4,486	2,636
Stock option expense	1,028	640
Provision for doubtful accounts	(815)	1,724
Deferred income taxes	290	-
Amortization of debt discount and non cash extinguishment of debt	576	1,006
Changes in operating assets and liabilities:		
Accounts receivable	2,827	(3,458)
Acquisition deposit for working capital guarantee	-	1,500
Accrued interest	1,332	1,700
Accounts payable	(1,213)	(1,006)
Accrued compensation	(2,206)	251
Other current items, net	1,016	278
Long-term liabilities	(67)	(16)
Net cash provided by (used in) operating activities	<u>698</u>	<u>(843)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(224)	(79)
Acquisition payments, net of cash acquired	-	(25,256)
Net cash used in investing activities	<u>(224)</u>	<u>(25,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on the debt related to acquisitions	(806)	(1,219)
Payments on term loan	(2,112)	(19,951)
Proceeds from exercise of stock warrants	-	1,000
Payments on capital lease	-	(17)
Net proceeds from short-term debt	-	45,676
Net proceeds from revolving credit	2,296	1,015
Net cash provided by (used in) financing activities	<u>(622)</u>	<u>26,504</u>
Net change in cash	(148)	326
Cash at beginning of period	<u>2,785</u>	<u>2,528</u>
Cash at end of period	<u>\$ 2,637</u>	<u>\$ 2,854</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 6,435	\$ 1,122
Non-cash financing activities		
Stock paid for interest on subordinated note	\$ 1,610	\$ -
Stock paid for fees in connection with subordinated note	\$ 385	\$ -
Conversion of preferred to common	\$ 545	\$ -
Issuance of preferred stock for acquisition	\$ -	\$ 29,333
Issuance of note payable for acquisition	\$ -	\$ 12,500
Issuance of stock for extinguishment of debt	\$ -	\$ 385

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Description of Business

GEE Group Inc. (the “Company”, “us”, “our” or “we”) was incorporated in the State of Illinois in 1962 and is the successor to employment offices doing business since 1893. We are a provider of permanent and temporary professional and industrial staffing and placement services in and near several major U.S cities. We specialize in the placement of information technology, engineering, medical and accounting professionals for direct hire and contract staffing for our clients and provide temporary staffing services for our commercial clients.

2. Significant Accounting Policies and Estimates

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Article 8 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine-month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending September 30, 2018. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2017 as filed on December 28, 2017.

Liquidity

The Company experienced significant net losses for its most recent fiscal year ended September 30, 2017, and for the first nine-months of 2018. Management has implemented a strategy which includes cost reductions and consolidation of certain back office activities to gain efficiencies as well as identifying strategic acquisitions, financed primarily through the issuance of preferred and common stock and convertible debt, to improve the overall profitability and cash flows of the Company.

As explained more fully in Note 6, the Company and its subsidiaries, as borrowers, entered into a Revolving Credit, Term Loan and Security Agreement (the “Credit Agreement”) after the close of business on March 31, 2017. Under the terms of the Credit Agreement, the Company may borrow up to \$73,750,000 consisting of a four-year term loan in the principal amount of \$48,750,000 and revolving loans in a maximum amount up to the lesser of (i) \$25,000,000 or (ii) an amount determined pursuant to a borrowing base that is calculated based on the outstanding amount of the Company's eligible accounts receivable, as described in the Credit Agreement. The loans under the Credit Agreement mature on March 31, 2021.

On April 3, 2017, the Company borrowed \$48,750,000 from term loans and borrowed approximately \$7,476,316 from the Revolving Credit Facility for a total of \$56,226,316, which was used by the Company to repay existing indebtedness, to pay fees and expenses relating to the Credit Agreement, and to pay a portion of the purchase price for the acquisition of all of the outstanding stock of SNI Holdco Inc. pursuant to the Merger Agreement, as more fully disclosed in Note 11. Amounts borrowed under the Credit Agreement also may be used by the Company to partially fund capital expenditures, provide for on-going working capital needs and general corporate needs, and to fund future acquisitions subject to certain customary conditions of the lenders.

As of June 30, 2018, the Company had cash of approximately \$2,637,000, which was a decrease of approximately \$148,000 from approximately \$2,785,000 at September 30, 2017. Negative working capital at June 30, 2018 was approximately \$2,127,000, as compared to working capital of approximately \$1,588,000 for September 30, 2017. The net loss for the nine months ended June 30, 2018, was approximately \$6,556,000.

Management believes that the future cash flow from operations and the availability under the Revolving Credit Facility will provide sufficient liquidity for the next 12 months.

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Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts and transactions of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions are eliminated in consolidation.

Estimates and Assumptions

Management makes estimates and assumptions that can affect the amounts of assets and liabilities reported as of the date of the condensed consolidated financial statements, as well as the amounts of reported revenues and expenses during the periods presented. Those estimates and assumptions typically involve expectations about events to occur subsequent to the balance sheet date, and it is possible that actual results could ultimately differ from the estimates. If differences occur in a subsequent period, the Company will recognize those differences when they become known. Significant matters requiring the use of estimates and assumptions include, but may not be limited to, deferred income tax valuation allowances, accounts receivable allowances, accounting for acquisitions, accounting for derivatives and evaluation of impairment. Management believes that its estimates and assumptions are reasonable, based on information that is available at the time they are made.

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.

Falloffs and refunds during the period are reflected in the unaudited condensed consolidated statements of operations as a reduction of placement service revenues and were approximately \$ 1,562,000 and \$1,515,000 for the nine-month periods ended June 30, 2018 and 2017, respectively. Expected future falloffs and refunds are reflected in the unaudited condensed consolidated balance sheet as a reduction of accounts receivable and were approximately \$342,000 as of June 30, 2018 and \$997,000 as of September 30, 2017, respectively.

Cost of Contract Staffing Services

The cost of contract services includes the wages and the related payroll taxes and employee benefits of the Company's employees while they work on contract assignments.

Cash and Cash Equivalents

Highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. At June 30, 2018 and September 30, 2017, there were no cash equivalents. In some cases, the Company maintains cash on deposit in financial institutions in excess of amounts guaranteed by the Federal Deposit Insurance Corporation. The Company maintains its deposit accounts in a large, national, financial institution and has never experienced any losses related to these balances.

Accounts Receivable

The Company extends credit to customers based on evaluation of their financial condition and ability to pay the Company in accordance with established payment terms. 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 management's estimate of the potential losses inherent in the accounts receivable balances, based on historical loss statistics and known factors impacting its customers. The nature of the contract services business, where companies are dependent on employees for the production cycle allows for a small accounts receivable allowance. Based on management's review of accounts receivable, an allowance for doubtful accounts of approximately \$897,000 is considered necessary as of June 30, 2018 and \$1,712,000 at September 30, 2017, respectively. The Company charges uncollectible accounts against the allowance once the invoices are deemed unlikely to be collectible. The reserve includes the \$342,000 reserve for permanent placement falloffs considered necessary as of June 30, 2018 and \$997,000 as of September 30, 2017, respectively.

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Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is calculated on a straight-line basis over estimated useful lives of five years for computer equipment and two to ten years for office equipment, furniture and fixtures. The Company capitalizes computer software purchased or developed for internal use and amortizes it over an estimated useful life of five years. Leasehold improvements are amortized over the shorter of the lease or useful life. The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. If the carrying amount of an asset group is greater than its estimated future undiscounted cash flows, the carrying value is written down to the estimated fair value. There was no impairment of property and equipment for the nine-months ended June 30, 2018 and 2017.

Goodwill

Goodwill represents the excess of cost over the fair value of the net assets acquired in the various acquisitions. The Company assesses goodwill for impairment at least annually. Testing goodwill for impairment allows the Company to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the entity determines that this threshold is not met, then performing the two-step impairment test is unnecessary. An impairment loss would be recognized to the extent the carrying value of goodwill exceeds its implied fair value.

Fair Value Measurement

The Company follows the provisions of the accounting standard which defines fair value, establishes a framework for measuring fair value and enhances fair value measurement disclosure. Under these provisions, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use on unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The fair value of the Company's current assets and current liabilities approximate their carrying values due to their short-term nature. The carrying values of the Company's long-term liabilities are believed to approximate their fair value based on level 3 inputs. The fair value of the Company's long-lived assets, including goodwill and other intangible assets, are subject to measurement on a non-recurring basis using level 3 inputs.

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Earnings and Loss per Share

Basic loss per share is computed by dividing net loss attributable to common stockholders by the weighted average common shares outstanding for the period. Diluted loss per share is computed giving effect to all potentially dilutive common shares. Potentially dilutive common shares may consist of incremental shares issuable upon the exercise of stock options and warrants and the conversion of notes payable or preferred stock to common stock. In periods in which a net loss has been incurred, all potentially dilutive common shares are considered anti-dilutive and thus are excluded from the calculation. There were approximately 10,513,000 and 10,902,000 of common stock equivalents excluded for the three and nine months ended June 30, 2018, respectively, (which include common share equivalents of preferred stock, convertible debt, warrants and options) because their effect is anti-dilutive. There were approximately 10,111,000 and 3,743,000 of common stock equivalents excluded for the three and nine months ended June 30, 2017, respectively, (which include common share equivalents of preferred stock, convertible debt, warrants and options) because their effect is anti-dilutive.

Advertising Expenses

Most of the Company's advertising expense budget is used to support the Company's business consisting of print and internet media, with expenses recorded as they are incurred and are included in selling, general and administrative expenses in the unaudited condensed consolidated financial statements. Advertising expense was approximately \$572,000 and \$588,000, for the three months ended June 30, 2018 and 2017, respectively, and approximately \$1,737,000 and \$1,092,000, for the nine months ended June 30, 2018 and 2017, respectively.

Intangible Assets

Intangible assets include customer relationships, non-compete agreements and trade names and were recorded at their estimated fair value at the date of acquisition. The trade names are amortized on a straight-line basis over the estimated useful life of five and ten years. Customer relationships are amortized based on the future undiscounted cash flows or straight-line basis over estimated remaining useful lives of five to ten years. Non-compete agreements are amortized based on a straight-line basis of three and five years, which is the term of the non-compete agreement.

Impairment of Long-lived Assets

The Company records an impairment of long-lived assets used in operations when events or circumstances indicate that the asset might be impaired and the estimated undiscounted cash flows to be generated by those assets over their remaining lives are less than the carrying amount of those items. The net carrying value of assets not recoverable is reduced to fair value, which is typically calculated using the discounted cash flow method. The Company did not record any impairment during the nine months ended June 30, 2018 and 2017.

Stock-Based Compensation

The Company accounts for stock-based awards to employees in accordance with applicable accounting principles, which requires compensation expense related to share-based transactions, including employee stock options and restricted stock, to be measured and recognized in the financial statements based on a determination of the fair value of the stock options or restricted stock. The grant date fair value is determined using the Black-Scholes-Merton ("Black-Scholes") pricing model. For all employee stock options, we recognize expense over the requisite service period on an accelerated basis over the employee's requisite service period (generally the vesting period of the equity grant). The Company's option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility, expected term, and forfeiture rate. Any changes in these highly subjective assumptions significantly impact stock-based compensation expense.

Options awarded to purchase shares of common stock issued to non-employees in exchange for services are accounted for as variable awards in accordance with applicable accounting principles. Such options are valued using the Black-Scholes option pricing model.

Upon the exercise of options, it is the Company's policy to issue new shares rather than utilizing treasury shares.

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Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

We recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. As of June 30, 2018 and September 30, 2017, no material accrued interest or penalties are included on the related tax liability line in the consolidated balance sheet.

Reclassification

Certain reclassifications have been made to the financial statements as of and for the three and nine months ended June 30, 2017 to conform to the current year presentation. There is no effect on assets, liabilities, equity or net income.

Segment Data

The Company provides the following distinctive services: (a) direct hire placement services, (b) temporary professional services staffing in the fields of information technology, engineering, medical, and accounting, and (c) temporary light industrial staffing. These distinct services can be divided into two reportable segments, Industrial Staffing Services and Professional Staffing Services. Selling, general and administrative expenses are not entirely allocated among light industrial services and professional staffing services. Operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Other factors, including type of business, type of employee, length of employment and revenue recognition are considered in determining these operating segments.

3. Recent Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. This ASU permits the use of either the retrospective or cumulative effect transition method. The new standard is effective for the Company beginning October 1, 2018. The Company is in the process of evaluating the impact of adoption of this guidance on its financial statements.

In February 2016, the FASB issued authoritative guidance which changes financial reporting as it relates to leasing transactions. Under the new guidance, lessees will be required to recognize a lease liability, measured on a discounted basis; and a right-of-use asset, for the lease term. The new guidance is effective for annual and interim periods beginning after December 15, 2018. Early application is permitted for all entities upon issuance. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is in the process of evaluating the impact of adoption of this guidance on its financial statements.

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In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”. The update simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount. The new rules will be effective for the Company in the first quarter of 2021. Early adoption is permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07 “Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)” that expands the scope to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements to nonemployee awards except for certain exemptions specified in the amendment. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that fiscal year. Early adoption is permitted. The Company does not anticipate the adoption of ASU 2018-07 will have a material impact on the Company’s financial condition or results of operations.

No other recent accounting pronouncements were issued by FASB and the SEC that are believed by management to have a material impact on the Company’s present or future financial statements.

4. Property and Equipment

Property and equipment, net consisted of the following:

(in thousands)	June 30, 2018	September 30, 2017
Computer software	\$ 1,447	\$ 1,447
Office equipment, furniture and fixtures and leasehold improvements	3,241	3,243
Total property and equipment, at cost	4,688	4,690
Accumulated depreciation and amortization	(3,838)	(3,776)
Property and equipment, net	<u>\$ 850</u>	<u>\$ 914</u>

Depreciation expense for three months ended June 30, 2018 and 2017 was approximately \$92,000 and \$178,000, respectively, and for the nine months ended June 30, 2018 and 2017 was approximately \$287,000 and \$328,000, respectively.

5. Goodwill and Intangible Assets

Goodwill

The following table sets forth activity in goodwill from September 2016 through June 30, 2018. See Note 11 for details of acquisitions that occurred during the year ended September 30, 2017.

(in thousands)	
Goodwill as of September 30, 2016	\$ 18,590
Acquisition of SNI Companies	58,003
Goodwill as of September 30, 2017	<u>\$ 76,593</u>
Goodwill as of June 30, 2018	\$ 76,593

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During the nine months ended June 30, 2018 and the year ended September 30, 2017 the Company did not record any impairment of goodwill.

Intangible Assets

(in thousands)	June 30, 2018			September 30, 2017		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Customer relationships	\$ 29,070	\$ 6,744	\$ 22,326	\$ 29,070	\$ 4,601	\$ 24,469
Trade name	8,329	2,182	6,147	8,329	1,115	7,214
Non-Compete agreements	4,331	1,942	2,389	4,331	965	3,366
Total	\$ 41,730	\$ 10,868	\$ 30,862	\$ 41,730	\$ 6,681	\$ 35,049

Estimated Amortization Expense

Fiscal 2018	\$ 1,396
Fiscal 2019	5,586
Fiscal 2020	5,038
Fiscal 2021	4,088
Fiscal 2022	3,469
Thereafter	11,285
	<u>\$ 30,862</u>

The amortization expense attributable to the amortization of identifiable intangible assets was approximately \$1,409,000 and \$1,570,000 for the three months ended June 30, 2018 and 2017, respectively, and was approximately \$4,199,000 and \$2,308,000 for the nine months ended June 30, 2018 and 2017, respectively

6. Revolving Credit Facility and Term Loan

Revolving Credit, Term Loan and Security Agreement

After the close of business on March 31, 2017, the Company and its subsidiaries, as borrowers, entered into a Revolving Credit, Term Loan and Security Agreement (the "Credit Agreement") with PNC, and certain investment funds managed by MGG. Initial funds were distributed on April 3, 2017 (the "Closing Date") to repay existing indebtedness, pay fees and expenses relating to the Credit Agreement, and to pay a portion of the purchase price for the acquisition of the SNI Companies.

Under the terms of the Credit Agreement, the Company may borrow up to \$73,750,000 consisting of a four-year term loan in the principal amount of \$48,750,000 and revolving loans in a maximum amount up to the lesser of (i) \$25,000,000 or (ii) an amount determined pursuant to a borrowing base that is calculated based on the outstanding amount of the Company's eligible accounts receivable, as described in the Credit Agreement. The loans under the Credit Agreement mature on March 31, 2021.

On August 31, 2017, the Company entered into a Consent to Extension of Waiver to the Credit Agreement (the "Waiver"). Under the terms of the Waiver, the Lenders and the Agents agreed to extend to October 3, 2017 the deadline by which the Company must deliver updated financial information satisfactory to the lenders in order to amend the financial covenant levels, execute a fully executed amendment to the Credit Agreement, and any other terms and conditions required by the lenders in their sole discretion. Additionally, the Company paid a \$73,500 consent fee to the Agents for the pro rata benefit of the lenders, in connection with the Waiver.

On August 31, 2017, an additional waiver to the Credit Agreement ("Additional Waiver"), pursuant to which the due date for the Company to deliver the subordination agreement and an amended subordinated note, executed by one of the Company's subordinated lenders was extended from August 31, 2017 to October 3, 2017, was also obtained.

On October 2, 2017, the Company, the other borrower entities and guarantor entities named therein (collectively, the "Loan Parties"), PNC, and certain investment funds managed by MGG (collectively the "Lenders") entered into a First Amendment and Waiver (the "First Amendment") to the Revolving Credit, Term Loan and Security Agreement dated as of March 31, 2017 (the "Credit Agreement") by and among the Loan Parties, and the Lenders.

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The First Amendment, which was effective as of October 2, 2017, modified the required principal repayment schedule with respect to the Term Loans. The Amendment also modified the ability of the Loan Parties to repay or make other payments with respect to certain other loans that are subordinated in right of payment to the indebtedness under the Credit Agreement.

Pursuant to the First Amendment the Lenders also waived any Event of Default arising out of the Loan Parties' failure to deliver, on or before October 3, 2017, the materials satisfying the requirements of clauses (i) and (ii) of Section 5 of the Waiver to Revolving Credit, Term Loan and Security Agreement, dated as of August 14, 2017, as amended.

On November 14, 2017, the Company and its subsidiaries, as Borrowers, entered into a second amendment (the "Second Amendment") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement").

Pursuant to the Second Amendment the Borrowers agreed, among other things, to use commercially reasonable efforts to prepay, or cause to be prepaid, \$10,000,000 in principal amount of Advances (as defined in the Credit Agreement) outstanding, which amount shall be applied to prepay the Term Loans in accordance with the applicable terms of the Credit Agreement. Any prepayment to the term loan is contingent upon a future financing, non-operational cash flow or excess cash flow as defined in the agreement. The Company also agreed to certain amendments to the loan covenants required to be maintained.

The Credit Agreement contains certain financial covenants applicable to both the Revolving Credit Facility and Term Loan. In addition to these financial covenants, the Credit Agreement includes other restrictive covenants. The Credit Agreement permits capital expenditures up to a certain level and contains customary default and acceleration provisions. The Credit Agreement also restricts, above certain levels, acquisitions, incurrence of additional indebtedness, and payment of dividends.

The Company did not meet its financial loan covenants at June 30, 2018 or at March 31, 2018, previously. On May 15, 2018, the Company obtained a temporary waiver from its lenders for the missed financial covenants at March 31, 2018.

On August 10, 2018, the Company and its subsidiaries, as Borrowers, entered into a third amendment and third waiver (the "Third Amendment and Waiver") to the Credit Agreement. Pursuant to the Third Amendment and Waiver, the Lenders have agreed to modify the definition of EBITDA in the Credit Agreement to allow for the recognition and exclusion of certain additional acquisition, integration and restructuring expenses not previously specified and to provide a temporary waiver for any Defaults and Events of Default under the Credit Agreement that have solely arisen by reason of the Company failing to comply with the financial covenants of the Credit Agreement for the period ending June 30, 2018.

Although there can be no absolute assurance, management believes that the conditions that led to the inability to achieve compliance with the financial covenants of the Credit Agreement at June 30, 2018 and March 31, 2018 are improving and continues to forecast results that indicate that the Company will return to compliance with applicable future financial covenants.

Revolving Credit Facility

At June 30, 2018, the Company had \$10,200,000 in outstanding borrowings under the Revolving Credit Facility, of which approximately \$8,000,000 was at an interest of approximately LIBOR plus 15% and the remainder was at an interest of approximately prime plus 14%.

As of June 30, 2018, the Company had approximately \$2,900,000 available on the Revolving Credit facility.

The Revolving Credit Facility is secured by all the Company's property and assets, whether real or personal, tangible or intangible, and whether now owned or hereafter acquired, or in which it now has or at any time in the future may acquire any right, title or interests.

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Term Loan

At June 30, 2018 and September 30, 2017, the Company had outstanding balances under its Term Loan, as follows:

	June 30, 2018	September 30, 2017
(in thousands)		
Term loan	\$ 46,029	\$ 48,141
Unamortized debt discount	(2,114)	(2,690)
	43,915	45,451
Short term portion of term loan	(6,551)	(3,433)
Long term portion of term loan	<u>\$ 37,364</u>	<u>\$ 42,018</u>

The Term Loan is payable as follows, subject to acceleration upon the occurrence of an Event of Default under the Credit Agreement or termination of the Credit Agreement and provided that all unpaid principal, accrued and unpaid interest and all unpaid fees and expenses shall be due and payable in full on March 31, 2021. Principal payments are required as follows: Fiscal year 2018 – \$1,523,438, Fiscal year 2019 – \$7,727,776, Fiscal year 2020 – \$8,337,152 and Fiscal year 2021 - \$28,439,759.

The Company also is required to prepay the outstanding amount of the Term Loan in an amount equal to the Specified Excess Cash Flow Amount (as defined in the agreement) for the immediately preceding fiscal year, commencing with the fiscal year ending September 30, 2018.

Interest

The loans under the Credit Agreement for the period commencing on the Second Amendment Effective Date up to and including May 31, 2018, (i) so long as the Senior Leverage Ratio is equal to or greater than 3.75 to 1.00, an amount equal to prime plus 9.75% for Advances consisting of Domestic Rate Loans and LIBOR plus 10.75% for Advances consisting of LIBOR Rate Loans and (ii) so long as the Senior Leverage Ratio is less than 3.75 to 1.00, an amount equal to prime plus 9.00% for Advances consisting of Domestic Rate Loans and LIBOR plus 10.00% for Advances consisting of LIBOR Rate Loans.

Commencing on June 1, 2018 up to and including August 31, 2018, (i) so long as the Senior Leverage Ratio is equal to or greater than 4.00 to 1.00, interest on the loans is payable in an amount equal to prime plus 14.00% for Advances consisting of Domestic Rate Loans and LIBOR plus 15.00% for Advances consisting of LIBOR Rate Loans and (ii) so long as the Senior Leverage Ratio is less than 4.00 to 1.00, interest is payable in an amount equal to prime plus 9.75% for Advances consisting of Domestic Rate Loans and LIBOR plus 10.75% for Advances consisting of LIBOR Rate Loans.

Commencing on September 1, 2018 through the remainder of the Term, (i) so long as the Senior Leverage Ratio is equal to or greater than 3.50 to 1.00, interest on the loans is payable in an amount equal to prime plus 14.00% for Advances consisting of Domestic Rate Loans and LIBOR plus 15.00% for Advances consisting of LIBOR Rate Loans and (ii) so long as the Senior Leverage Ratio is less than 3.50 to 1.00, interest is payable in an amount equal to prime plus 9.00% for Advances consisting of Domestic Rate Loans and LIBOR plus 10.00% for Advances consisting of LIBOR Rate Loans.

Loan Fees and Amortization

In connection with the Credit Agreement, the Company agreed to pay an original discount fee of approximately \$901,300, a closing fee for the term loan of approximately \$75,000, a finder's fee of approximately \$1,597,000 and a closing fee for the revolving credit facility of approximately \$500,000. The total of the loan fees paid is approximately \$3,073,300. The Company has recorded this as a reduction of the term loan and amortized as interest expense over the term of the loans. During the period ended, June 30, 2018, the Company amortized approximately \$576,000 of the debt discount.

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7. Accrued Compensation

Accrued Compensation includes accrued wages, the related payroll taxes, employee benefits of the Company's employees while they work on contract assignments, commissions earned and not yet paid and estimated commission payable.

8. Subordinated Debt – Convertible and Non-Convertible

At June 30, 2018 and September 30, 2017, the Company had outstanding balances under its Convertible and Non-Convertible Subordinated Debt agreements, as follows:

	<u>June 30,</u> <u>2018</u>	<u>September</u> <u>30,</u> <u>2017</u>
(in thousands)		
10% Convertible Subordinated Note	\$ 4,185	\$ 4,185
Amended and Restated Non-negotiable promissory note	419	1,225
Subordinated Promissory Note	1,000	1,000
9.5% Convertible Subordinated Note	12,500	12,500
Total subordinated debt, convertible and non-convertible	18,104	18,910
Short term portion of subordinated debt, convertible and non-convertible	(419)	(1,225)
Long term portion of subordinated debt, convertible and non-convertible	\$ 17,685	\$ 17,685

10% Convertible Subordinated Note

The Company had a Subordinated Note payable to Jax Legacy – Investment 1, LLC (“JAX Legacy”), pursuant to a Subscription Agreement dated October 2, 2015, in the amount of \$4,185,000, and which was scheduled to become due on October 2, 2018.

On April 3, 2017, the Company and JAX Legacy amended and restated the Subordinated Note in its entirety in the form of a 10% Convertible Subordinated Note (the “10% Note”) in the aggregate principal amount of \$4,185,000. The 10% Note matures on October 3, 2021 (the “Maturity Date”). The 10% Note is convertible into shares of the Company’s Common Stock at a conversion price equal to \$5.83 per share. All or any portion of the 10% Note may be redeemed by the Company for cash at any time on or after April 3, 2018 that the average daily VWAP of the Company’s Common Stock reported on the principal trading market for the Common Stock exceeds the then applicable Conversion Price for a period of 20 trading days. The redemption price shall be an amount equal to 100% of the then outstanding principal amount of the 10% Note being redeemed, plus accrued and unpaid interest thereon. The Company agreed to issue to the investors in JAX Legacy approximately 77,775 shares of common stock, at a value of approximately \$385,000 which was expensed as loss on the extinguishment of debt during the year ended September 30, 2017.

On December 13, 2017, the Company issued 135,655 shares of common stock for both the conversion and paid in kind interest through September 30, 2017.

On January 4, 2018, the Company issued approximately 41,000 shares of common stock to JAX Legacy related to the interest on the subordinated note through January 4, 2018. The stock was valued at approximately \$105,000.

On April 4, 2018, the Company issued approximately 42,500 shares of common stock to JAX Legacy related to the interest on the subordinated note through April 4, 2018. The stock was valued at approximately \$105,000.

On July 25, 2018, the Company issued 46,061 shares of common stock to JAX Legacy related to the interest on the subordinated note through July 4, 2018. The stock was valued at approximately \$105,000.

Total discount recorded at issuance of the original Jax subordinated note payable was approximately \$647,000. Total amortization of debt discount for the year ended September 30, 2017 was approximately \$107,000, and the remaining \$322,000 was written off to loss on extinguishment of debt upon amendment and restatement resulting in the 10% Note.

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[Amended and Restated Non-Negotiable Promissory Note](#)

On October 4, 2017, the Company executed an Amended and Restated Non-Negotiable Promissory Note in favor of William Daniel Dampier and Carol Lee Dampier (sellers of Access Data Consulting Corporation) in the amount of \$1,202,405 (the “Note”). This Note amends and, as so amended, restates in its entirety and replaces that certain Subordinated Nonnegotiable Promissory Note dated October 4, 2015, issued by the Company to William Daniel Dampier and Carol Lee Dampier in the original principal amount of \$3,000,000. The Company agreed to pay William Daniel Dampier and Carol Lee Dampier 12 equal installments of \$107,675, commencing on November 4, 2017 and ending on October 4, 2018. The entire loan is classified as current and subordinate to the senior debt.

[Subordinated Promissory Note](#)

On January 20, 2017, the Company entered into Addendum No. 1 (the “Addendum”) to the Stock Purchase Agreement dated as of January 1, 2016 (the “Paladin Agreement”) by and among the Company and Enoch S. Timothy and Dorothy Timothy (collectively, the “Sellers”). Pursuant to the terms of the Addendum, the Company and the Sellers agreed (a) that the conditions to the “Earnouts” (as defined in the Paladin Agreement) had been satisfied or waived and (b) that the amounts payable to the Sellers in connection with the Earnouts shall be amended and restructured as follows: (i) the Company paid \$250,000 in cash to the Sellers prior to January 31, 2017 (the “Earnout Cash Payment”) and (ii) the Company shall issue to the Sellers a subordinated promissory note in the principal amount of \$1,000,000 (the “Subordinated Note”). The Subordinated Note shall bear interest at the rate of 5.5% per annum. Interest on the Subordinated Note shall be payable monthly, principle can only be paid in stock until the term loan and Revolving Credit Facility are repaid. The Subordinated Note shall have a term of three years and may be prepaid without penalty. The principal of and interest on the Subordinated Note may be paid, at the option of the Company, either in cash or in shares of common stock of the Company or in any combination of cash and common stock. The Sellers have agreed that all payments and obligations under the Subordinated Note 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).

[9.5% Convertible Subordinated Notes](#)

On April 3, 2017, the Company issued and paid to certain SNIH Stockholders as part of the Merger Consideration (see note 11) an aggregate of \$12.5 million in aggregate principal amount of its 9.5% Convertible Subordinated Notes (the “9.5% Notes”). The 9.5% Notes mature on October 3, 2021 (the “Maturity Date”). The 9.5% Notes are convertible into shares of the Company’s Common Stock at a conversion price equal to \$5.83 per share. Interest on the 9.5% Notes accrues at the rate of 9.5% per annum and shall be paid quarterly in arrears on June 30, September 30, December 31 and March 31, beginning on June 30, 2017, on each conversion date with respect to the 9.5% Notes (as to that principal amount then being converted), and on the Maturity Date (each such date, an “Interest Payment Date”). At the option of the Company, interest may be paid on an Interest Payment Date either in cash or in shares of Common Stock of the Company, which Common Stock shall be valued based on the terms of the agreement, subject to certain limitations defined in the loan agreement. Each of the 9.5% Notes is subordinated in payment to the obligations of the Company to the lenders parties to that certain Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 by and among the Company, the Company’s subsidiaries named as borrowers therein (collectively with the Company, the “Borrowers”), the senior lenders named therein and PNC Bank, National Association, as administrative agent and collateral agent (the “Agent”) for the senior lenders (the “Senior Credit Agreement”), pursuant to those certain Subordination and Inter-creditor Agreements, each dated as of March 31, 2017 by and among the Company, the Borrowers, the Agent and each of the holders of the 9.5% Notes.

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None of the 9.5% Notes issued to the SNIH Stockholders are registered under the Securities Act of 1933, as amended (the "Securities Act"). Each of the SNIH Stockholders who received 9.5% Notes is an accredited investor. The issuance of the 9.5% Notes to such SNIH Stockholders is exempt from the registration requirements of the Act in reliance on an exemption from registration provided by Section 4(2) of the Act.

Future minimum payments of subordinated debt will total approximately as follows: fiscal 2018 - \$313,000, fiscal 2019 - \$106,000, fiscal 2020 - \$1,000,000, fiscal 2021- \$0 and fiscal 2022 - \$16,685,000.

On January 4, 2018, the Company issued approximately 280,602 shares of common stock to the SNI Sellers related to the accrued interest of approximately \$894,000 on the subordinated note through January 4, 2018.

On January 25, 2018, the Company issued approximately 110,083 shares of common stock to a SNI Sellers for the conversion of approximately 110,083 shares of series B preferred shares.

On April 4, 2018, the Company issued approximately 120,654 shares of common stock to the SNI Sellers related to the accrued interest of approximately \$298,000 on the subordinated note through April 4, 2018.

On July 25, 2018, the Company issued approximately 128,815 shares of common stock to the SNI Sellers related to the accrued interest of approximately \$297,000 on the subordinated note through July 4, 2018.

9. Equity

On March 31, 2017, the Company issued approximately 500,000 shares of common stock upon exercise of warrants by two officers and received cash of \$1,000,000.

On November 27, 2017, the Company issued approximately 135,655 shares of common stock to JAX Legacy related to the conversion of the subordinated note and the interest through October 4, 2017. The stock was valued at approximately \$595,000.

On January 4, 2018, the Company issued approximately 41,000 shares of common stock to JAX Legacy related to the interest on the subordinated note through January 4, 2018. The stock was valued at approximately \$105,000.

On January 4, 2018, the Company issued approximately 280,602 shares of common stock to the SNI Sellers related to the accrued interest of approximately \$894,000 on the subordinated note through January 4, 2018.

On January 25, 2018, the Company issued approximately 110,083 shares of common stock to a SNI Sellers for the conversion of approximately 110,083 shares of series B preferred shares.

On April 4, 2018, the Company issued approximately 120,654 shares of common stock to the SNI Sellers related to the accrued interest of approximately \$297,000 on the subordinated note through April 4, 2018.

On April 4, 2018, the Company issued approximately 42,529 shares of common stock to JAX Legacy related to the interest on the subordinated note through April 4, 2018. The stock was valued at approximately \$105,000.

On July 25, 2018, the Company issued approximately 128,815 shares of common stock to the SNI Sellers related to the accrued interest of approximately \$297,000 on the subordinated note through July 4, 2018.

On July 25, 2018, the Company issued approximately 46,061 shares of common stock to JAX Legacy related to the interest on the subordinated note through July 4, 2018. The stock was valued at approximately \$105,000.

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Restricted Stock, Stock Options and Warrants

The Company has recognized compensation expense in the amount of approximately \$400,000 and \$255,000 during the three months ended June 30, 2018 and 2017, respectively, related to the issuance of stock options. The Company has recognized compensation expense in the amount of approximately \$1,028,000 and \$641,000 during the nine months ended June 30, 2018 and 2017, respectively, related to the issuance of stock options.

During the nine-month period ended June 30, 2018, there were options granted to purchase 780,000 shares of common stock with a weighted average price of approximately \$2.45 per common share. This estimated value was made using the Black-Scholes Merton option pricing model and approximated \$1,747,000. The stock options vest over a period between a one to a four-year period. The average expected life (years) of the options were 10 years, the estimated stock price volatility was 105% and the risk-free interest rate was between 2.2% and 2.9%. At June 30, 2018, there was approximately \$2,802,000 of unamortized compensation.

At June 30, 2018, there were exercisable options to purchase approximately 590,000 shares of common stock and exercisable warrants to purchase approximately 497,000 shares of common stock.

Effective June 15, 2018, the Company granted 600,000 restricted shares of common stock to its Chairman and Chief Executive Officer. The restricted shares are to be earned over a three-year period and cliff vest at the end of the third year from the date of grant. The total fair value was approximately \$1,326,000.

10. Income Tax

The following table presents the provision for income taxes and our effective tax rate for the three and nine months ended June 30, 2018 and 2017:

(in thousands)	Three Months Ended		Nine Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Income tax benefit (expense)	\$ 407	\$ (202)	\$ (259)	\$ (332)
Effective tax rate	18%	3%	-4%	6%

The effective income tax rate on operations is based upon the estimated income for the year, and adjustments, if any, in the applicable quarterly periods for the potential tax consequences, benefits, resolutions of tax audits or other tax contingencies.

The effective tax rate for the three months ended June 30, 2018 is lower than the statutory tax rate primarily due to an increase in the deferred tax liability related to indefinite lived assets. The effective tax rate for the nine months ended June 30, 2018 is lower than the statutory tax rate primarily due to an increase in the deferred tax liability related to indefinite lived assets being offset by a discrete tax benefit recorded for the impact from the US Tax Reform. The tax provision for the nine months ended June 30, 2018 includes discrete tax benefit totaling \$0.4 million relating to the US Tax Reform that was recorded in the period ending December 31, 2017.

The effective tax rate for the three and nine months ended June 30, 2017 was higher than the statutory rate primarily due to a change in the valuation allowance.

On December 22, 2017, President Trump signed into law the "Tax Cuts and Jobs Act" ("US Tax Reform"). The US Tax Reform provides for significant changes in the U.S. Internal Revenue Code of 1986, as amended. Certain provisions of the US Tax Reform will become effective during our fiscal year ending September 30, 2018 with all provisions of the US Tax Reform effective as of the beginning of our fiscal year ending September 30, 2019. As the US Tax Reform was enacted after our year end of September 30, 2017, it had no impact on our fiscal 2017 financial results. The US Tax Reform contains provisions with separate effective dates but is generally effective for taxable years beginning after December 31, 2017.

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Beginning on January 1, 2018, the US Tax Reform lowers the US corporate income tax rate to 21% from that date and beyond. We estimate that the revaluation of our US deferred tax assets and liabilities to the 21% corporate tax rate will reduce our net deferred tax liability by approximately \$0.4 million and is reflected as a tax benefit in our results for the quarter ending December 31, 2017.

Although we believe we have accounted for the parts of the US Tax Reform that will have the most significant impact on our financials, the ultimate impact of the US Tax Reform on our reported results in 2018 may differ from the estimates provided herein, due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued, and other actions we may take as a result of the US Tax Reform different from that presently contemplated.

11. Acquisitions

SNI

The Company entered into an Agreement and Plan of Merger dated as of March 31, 2017 (the “Merger Agreement”) whereby it has acquired 100% of the outstanding capital stock of SNI Companies, Inc., a Delaware corporation and a wholly-owned subsidiary of SNI Holdco (“SNI Companies” and collectively with SNI Holdco, the “Acquired Companies”). The aggregate consideration paid for the shares of SNI Holdco (the “Merger Consideration”) was approximately \$66,300,000.

Consolidated pro-forma unaudited financial statements

The following unaudited pro forma combined financial information is based on the historical financial statements of the Company and SNI Companies, Inc., after giving effect to the Company’s acquisition as if the acquisition occurred on October 1, 2016.

The following unaudited pro forma information does not purport to present what the Company’s actual results would have been had the acquisitions occurred on October 1, 2016, nor is the financial information indicative of the results of future operations. The following table represents the unaudited consolidated pro forma results of operations for the nine months ended June 30, 2017, as if the acquisition occurred on October 1, 2016. The pro forma results of operations for the nine months ended June 30, 2017 only include SNI Companies, as all other acquisitions either occurred prior to October 1, 2016 or had an immaterial effect on pro forma balances. Operating expenses have been increased for the amortization expense associated with the fair value adjustment of definite lived intangible assets of approximately \$2,009,000 for the nine months ended June 30, 2017 for the SNI acquisition.

	Nine Months Ended June 30, 2017
(in thousands, except per share data)	
Net sales	\$ 142,795
Cost of sales	\$ 90,286
Operating expenses	\$ 50,203
Net loss	\$ (4,387)
Basic and dilutive income per common share	(0.47)

The Company's consolidated financial statements for the three and nine months ended June 30, 2018 include the actual results of all acquisitions.

12. Commitments and Contingencies

Leases

The Company leases space for all its branch offices, which are located either in downtown or suburban business centers, and for its corporate headquarters. Branch offices are generally leased over periods ranging from three to five years. The corporate office lease expires in 2020. The leases generally provide for payment of basic rent plus a share of building real estate taxes, maintenance costs and utilities.

Rent expense was approximately \$892,000 and \$345,000 for the three month period ended June 30, 2018 and 2017, respectively, and approximately \$2,447,000 and \$1,029,000 nine month periods ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, future minimum lease payments due under non-cancelable lease agreements having initial terms in excess of one year, including certain closed offices are as follows:

(in thousands)	
Fiscal 2018	\$ 605
Fiscal 2019	2,283
Fiscal 2020	1,294
Fiscal 2021	668
Fiscal 2022	622
Thereafter	988
Total	<u>\$ 6,460</u>

Working Capital Deposit

The Company retained approximately \$1,500,000 of the purchase price, in cash, as a guarantee from the sellers of the SNI Companies that SNI would provide a minimum of \$9,200,000 of working capital, as defined in the purchase agreement. As of June 30, 2018, the Company and the sellers of the SNI Companies have not agreed to the provided working capital and the cash continues to be retained by the Company with a corresponding liability reported in its consolidated balance sheet, pending final determination and resolution among the parties.

13. Segment Data

The Company provides the following distinctive services: (a) direct hire placement services, (b) temporary professional services staffing in the fields of information technology, engineering, medical, and accounting, and (c) temporary light industrial staffing. These distinct services can be divided into two reportable segments, Industrial Staffing Services and Professional Staffing Services. Some selling, general and administrative expenses are not fully allocated among light industrial services and professional staffing services.

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Unallocated Corporate expenses primarily include, certain executive compensation expenses and salaries, certain administrative salaries, corporate legal expenses, stock amortization expenses, consulting expenses, audit fees, corporate rent and facility costs, board fees, acquisition, integration and restructuring expenses and interest expense.

(in thousands)	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Industrial Staffing Services				
Industrial services revenue	\$ 5,166	\$ 6,718	\$ 16,165	\$ 18,824
Industrial services gross margin	13.06%	14.08	14.15%	14.69%
Operating income	\$ 31	\$ 365	\$ 315	\$ 954
Depreciation & amortization	65	43	197	184
Accounts receivable – net	3,386	3,967	3,386	3,967
Intangible assets	526	745	526	745
Goodwill	1,084	1,084	1,084	1,084
Total assets	\$ 5,555	\$ 8,484	\$ 5,555	\$ 8,484
Professional Staffing Services				
Permanent placement revenue	\$ 6,388	\$ 5,969	\$ 17,496	\$ 8,578
Placement services gross margin	100%	100%	100%	100%
Professional services revenue	\$ 28,713	\$ 33,382	\$ 91,695	\$ 61,222
Professional services gross margin	26.67%	29.29%	26.54%	26.87%
Operating income	\$ 2,301	\$ 535	\$ 5,861	\$ 2,659
Depreciation and amortization	1,436	1,705	4,289	2,452
Accounts receivable – net	17,780	20,073	17,780	20,073
Intangible assets	30,336	36,541	30,336	36,541
Goodwill	75,509	71,967	75,509	71,967
Total assets	\$ 128,806	\$ 132,478	\$ 128,806	\$ 132,478
Unallocated Expenses				
Corporate administrative expenses	\$ 686	\$ 900	\$ 1,065	\$ 2,135
Corporate facility expenses	139	80	287	223
Stock option amortization expense	399	255	1,028	640
Board related expenses	-	-	-	38
Acquisition, integration and restructuring expenses	514	2,206	1,712	2,306
Total unallocated expenses	\$ 1,738	\$ 3,441	\$ 4,092	\$ 5,342
Consolidated				
Total revenue	\$ 40,267	\$ 46,069	\$ 125,356	\$ 88,624
Operating income	595	(2,446)	2,084	(1,642)
Depreciation and amortization	1,501	1,748	4,486	2,636
Total accounts receivables – net	21,166	24,040	21,166	24,040
Intangible assets	30,862	37,286	30,862	37,286
Goodwill	76,593	73,051	76,593	73,051
Total assets	\$ 134,361	\$ 140,962	\$ 134,361	\$ 140,962

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

Overview

We specialize in the placement of information technology, engineering, and accounting professionals for direct hire and contract staffing for our clients, data entry assistants (medical scribes) who specialize in electronic medical records (EMR) services for emergency departments, specialty physician practices and clinics and provide temporary staffing services for our light industrial clients. The acquisitions of Agile Resources, Inc. ("Agile"), Access Data Consulting Corporation ("Access"), Paladin Consulting Inc. ("Paladin") and SNI Companies, Inc. ("SNI") expanded our geographical footprint within the placement and contract staffing of information technology.

The Company markets its services using the trade names General Employment Enterprises, Omni One, Ashley Ellis, Agile Resources, Scribe Solutions Inc., Access Data Consulting Corporation, Paladin Consulting Inc., SNI Companies, Inc., Triad Personnel Services and Triad Staffing. As of June 30, 2018, we operated thirty-five branch offices in downtown or suburban areas of major U.S. cities in sixteen states. We have one office located in each of Arizona, Connecticut, Georgia, Minnesota, New Jersey, Washington DC and Virginia, three offices in Illinois and Massachusetts, four offices in Colorado and Texas, and seven offices in Ohio and Florida.

Management has implemented a strategy which included cost reduction efforts as well as identifying strategic acquisitions, financed primarily through the issuance of equity and debt to improve the overall profitability and cash flows of the Company. We believe our current segments complement one another and position us for future growth.

Results of Operations – Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017

Results of Operations

Net Revenues

Consolidated net revenues are comprised of the following:

(in thousands)	Three Months Ended		\$ Change	% Change
	June 30, 2018	June 30, 2017		
Direct hire placement services	\$ 6,388	\$ 5,969	\$ 419	7.02%
Professional contract services	28,713	33,382	(4,669)	-13.99%
Industrial contract services	5,166	6,718	(1,552)	-23.10%
Consolidated net revenues	\$ 40,267	\$ 46,069	\$ (5,802)	-12.59%

The Company reported consolidated revenue of approximately \$40.3 million for the fiscal third quarter ended June 30, 2018 compared to revenue of approximately \$46.1 million for the fiscal third quarter ended June 30, 2017.

Contract staffing services contributed approximately \$33.9 million or approximately 84% of consolidated revenue and direct hire placement services contributed approximately \$6.4 million or approximately 16% of consolidated revenue for the fiscal quarter ended June 30, 2018. This compares to contract staffing services revenue of approximately \$40.1 million or approximately 87% of consolidated revenue and direct hire placement revenue of approximately \$6 million or approximately 13% of consolidated revenue, respectively, for the fiscal third quarter ended June 30, 2017.

The overall decrease in contract staffing services revenue of approximately \$6.2 million for the 2018 fiscal third quarter compared to the comparable prior year fiscal third quarter was primarily due to a reduction in the temporary workforce requirements of a few key customers in the industrial services division and the strategic actions instituted by management primarily in the professional services division to reduce the number of unproductive or underperforming full time personnel including recruiters, account representatives, sales professionals and related administrative support staff. In addition, some of the decline in revenue was a natural result of certain office consolidations and office closures that were undertaken by the Company to maximize productivity, reduce overall field costs and improve profitability.

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Direct hire placement revenue for the fiscal third quarter ended June 30, 2018 increased by approximately \$419,000 over the comparable prior year fiscal third quarter due to increased productivity from a smaller number of dedicated direct hire placement personnel. GEE Group expects to selectively increase revenue producing headcount in key markets and industry verticals. The professional contract services revenue together with the direct hire placement revenue for the quarter includes business from staff augmentation, permanent placement, statement of work (SOW) and other human resource solutions in the information technology, engineering, healthcare and finance and accounting higher margin staffing specialties. GEE Group's strategic plan contains both internal and acquisition growth objectives to increase revenue in the aforementioned higher margin and more profitable professional services sectors of staffing, which represents approximately 87% of total revenue for the 2018 fiscal third quarter.

Industrial contract services revenue decreased by approximately \$1.5 million for the fiscal third quarter ended June 30, 2018 to approximately \$5.2 million from \$6.7 million reported for the 2017 fiscal third quarter. To improve overall performance in the industrial services division, the Company has implemented an aggressive sales incentive program, streamlined branch operations and increased its focus on obtaining better pricing from new and existing accounts. GEE Group expects that the aforementioned actions coupled with new and expanded services offered to customers will contribute to enhanced financial performance from that segment.

Cost of Contract Services

Cost of services includes wages and related payroll taxes and employee benefits of the Company's employees while they work on contract assignments. Cost of contract services for the three-month period ended June 30, 2018 decreased by approximately 12% to approximately \$25.5 million compared with the three-month period ended June 30, 2017 of approximately \$29.0 million.

Gross Profit percentage by segment:

	Three Months Ended	
	June 30, 2018	June 30, 2017
Direct hire placement services	100%	100%
Industrial contract services	13.06%	14.08%
Professional contact services	26.26%	29.29%
Combined Gross Profit Margin % (1)	<u>36.56%</u>	<u>37.02%</u>

(1) Includes gross profit from direct hire placements, for which all associated costs are recorded as selling, general and administrative expenses.

GEE Group's overall staffing services gross profit margin, including direct hire placement services (recorded at 100% gross margin) for the fiscal third quarter ended June 30, 2018 was approximately 36.6% versus approximately 37% for the prior year's fiscal third quarter. The change in the overall gross margin from the comparable prior year quarter was due to an overall change in revenue mix for the 2018 fiscal third quarter.

In the professional contract staffing services segment, the gross margin (excluding direct placement services) was approximately 26.7% for the 2018 fiscal third quarter compared to approximately 29.3% for the 2017 fiscal third quarter. The change in professional contract staffing services gross margin was primarily due to increased revenue from VMS, MSP, MSA and other volume corporate accounts all of which typically have lower gross margins and lower costs of delivery and specialty revenue mix composition (information technology (IT), engineering, healthcare and finance and accounting).

The Company's industrial staffing services gross margin for the fiscal third quarter ended June 30, 2018 was approximately 13.1% versus approximately 14.1% for the prior year's fiscal third quarter. The decrease in industrial services gross margin in the 2018 fiscal third quarter was due to several factors including customer revenue mix, competitive pricing and contract labor costs.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses include the following categories:

- Compensation and benefits in the operating divisions, comprised of salaries, wages and commissions earned by the Company's employment consultants and branch managers on permanent and temporary placements.
- 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, 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.

GEE's selling, general and administrative expenses (SG&A) for the fiscal third quarter ended June 30, 2018 decreased as a percentage of revenue and was approximately 30%, compared to approximately 34% of revenue for the fiscal third quarter ended June 30, 2017. SG&A for the fiscal third quarter ended June 30, 2018 decreased approximately \$3.4 million, or 22%, as compared to the prior year's fiscal third quarter. The net decrease in SG&A was primarily related to strategic initiatives implemented by corporate and regional management to lower personnel costs by rightsizing the number of sales and recruitment full time employees (FTE's) and related ancillary costs, consolidation of various office locations resulting in a reduction in rent and other expenses, leverage from implementation of shared services, economies of scale gained from reduced pricing obtained from vendors, continued integration of the SNI acquisition and by streamlining field operations and related expenses. Management continues efforts to reduce SG&A as the Company obtains synergies from further back office consolidation and related efficiencies.

The Company classifies and reports costs incurred related to acquisition, integration and restructuring activities separately from other SG&A within its operating expenses. These include operating expenses associated with former closed and consolidated locations, personnel costs associated with eliminated positions, costs incurred related to acquisitions and associated legal and professional costs. These costs were approximately \$514,000 in the fiscal third quarter ended June 30, 2018 and decreased by approximately \$1.7 million from the approximately \$2.2 million reported in the prior year's fiscal third quarter.

Total operating expenses for the fiscal third quarter ended June 30, 2018, including SG&A, acquisition, integration and restructuring expenses, and depreciation and amortization, decreased by approximately \$5.4 million, or approximately 27.6%, from those reported in the fiscal third quarter ended June 30, 2017, also primarily related to the strategic productivity and cost saving initiatives described above.

Amortization Expense

Amortization expense for the three months ended June 30, 2018, decreased \$161,000, or 10% compared to the three months ended June 30, 2017, primarily as a result of some intangible assets fully amortized.

Interest Expense

Interest expense for the three months ended June 30, 2018, increased by approximately \$511,000 or 21% compared to the three months ended June 30, 2017 primarily as a result of the newly obtained long-term debt, the interest expense and fees associated with acquisition payments, and higher average borrowings related to the new acquisitions. Interest expense includes non-cash payments in kind ("PIK") of the Company's common stock of approximately \$402,000 for the three months ended June 30, 2018.

Results of Operations – Nine Months Ended June 30, 2018 Compared to the Nine Months Ended June 30, 2017**Results of Operations***Net Revenues*

Consolidated net revenues are comprised of the following:

(in thousands)	Nine Months Ended		\$ Change	% Change
	June 30, 2018	June 30, 2017		
Direct hire placement services	\$ 17,496	\$ 8,578	\$ 8,918	103.96%
Professional contract services	91,695	61,222	30,473	49.77%
Industrial contract services	16,165	18,824	(2,659)	-14.13%
Consolidated net revenues	<u>\$ 125,356</u>	<u>\$ 88,624</u>	<u>\$ 36,732</u>	<u>41.45%</u>

The Company reported consolidated revenue of approximately \$125.4 million for the fiscal nine month period ended June 30, 2018 compared to revenue of approximately \$88.6 million for the fiscal nine month period ended June 30, 2017.

Contract staffing services contributed approximately \$107.8 million or approximately 86% of consolidated revenue and direct hire placement services contributed approximately \$17.5 million or approximately 14% of consolidated revenue for the fiscal nine month period ended June 30, 2018. This compares to contract staffing services revenue of approximately \$80 million, or approximately 90% of consolidated revenue and direct hire placement revenue of approximately \$8.6 million or approximately 10% of consolidated revenue, respectively, for the fiscal nine month period ended June 30, 2017.

The overall increase in contract staffing services revenue of approximately \$27.8 million for the fiscal nine month period ended June 30, 2018 compared to the comparable fiscal nine month period ended June 30, 2017 was attributable to the acquisition of SNI, which increased the direct hire placement and professional contract services significantly in the nine months ended June 30, 2018. Offsetting these increases relative to the Company's pro forma results for the fiscal nine month period ended June 30, 2018 including SNI, were the effects of a reduction in the temporary workforce requirements of a few key customers in the industrial services division and the strategic actions instituted by management primarily in the professional services division to reduce the number of unproductive or underperforming full time personnel including recruiters, account representatives, sales professionals and related administrative support staff. In addition, some of the decline in revenue was a natural result of certain office consolidations and office closures that were undertaken by the Company to maximize productivity, reduce overall field costs and improve profitability.

Direct hire placement revenue for the fiscal nine month period ended June 30, 2018 increased by approximately \$8.9 million over the comparable fiscal nine month period ended June 30, 2017 due to the acquisition of SNI and during the most recent quarter, increased productivity from a smaller number of dedicated direct hire placement personnel. GEE Group expects to selectively increase revenue producing headcount in key markets and industry verticals. The professional contract services revenue together with the direct hire placement revenue for the quarter includes business from staff augmentation, permanent placement, statement of work (SOW) and other human resource solutions in the information technology, engineering, healthcare and finance and accounting higher margin staffing specialties. GEE Group's strategic plan contains both internal and acquisition growth objectives to increase revenue in the aforementioned higher margin and more profitable professional services sectors of staffing, which represents approximately 87% of total revenue for the fiscal nine month period ended June 30, 2018.

Industrial contract services revenue decreased by approximately \$2.7 million for the fiscal nine month period ended June 30, 2018 to approximately \$16.2 million from \$18.8 million reported for the fiscal nine month period ended June 30, 2017. To improve overall performance in the industrial services division, the Company has implemented an aggressive sales incentive program, streamlined branch operations and increased its focus on obtaining better pricing from new and existing accounts. GEE Group expects that the aforementioned actions coupled with new and expanded services offered to customers will contribute to enhanced financial performance from that segment.

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Cost of Contract Services

Cost of services includes wages and related payroll taxes and employee benefits of the Company's employees while they work on contract assignments. Cost of contract services for the nine months ended June 30, 2018 increased by approximately 34% to approximately \$81.2 million compared with approximately \$60.5 million for the nine months ended June 30, 2017. The overall increase in cost of contract services of approximately \$20.7 million for the fiscal nine month period ended June 30, 2018 compared to the comparable fiscal nine month period ended June 30, 2017 was mainly attributable to the acquisition of SNI.

Gross Profit percentage by segment:

	Nine months ended	
	June 30, 2018	June 30, 2017
Direct hire placement services	100.00%	100.00%
Professional contract services	14.15%	14.69%
Industrial contract services	26.55%	26.87%
Comined Gross Profit Margin %(1)	35.19%	31.77%

(1) Includes gross profit from direct hire placements, which all associated costs are recorded as selling, general and administrative expenses.

GEE Group's overall staffing services gross profit margin, including direct hire placement services (recorded at 100% gross margin) for the fiscal nine month period ended June 30, 2018 was approximately 35.2% versus approximately 31.8% for the fiscal nine month period ended June 30, 2017. The change in the gross margin was due to an overall change in revenue mix for the fiscal nine month period ended June 30, 2018, led by the significant increase in direct hire placement revenues.

In the professional contract staffing services segment, the gross margin (excluding direct placement services) was approximately 26.6% for the fiscal nine month period ended June 30, 2018 compared to approximately 26.9% for the fiscal nine month period ended June 30, 2017. The change in professional contract staffing services gross margin was primarily due to increased revenue from VMS, MSP, MSA and other volume corporate accounts that occurred in this year's fiscal third quarter, all of which typically have lower gross margins and lower costs of delivery and specialty revenue mix composition (information technology (IT), engineering, healthcare and finance and accounting).

The Company's industrial staffing services gross margin for the fiscal nine month period ended June 30, 2018 was approximately 14.2% versus approximately 14.7% for the fiscal nine month period ended June 30 2017. The decrease in industrial services gross margin was due to several factors including customer revenue mix, competitive pricing and contract labor costs.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses include the following categories:

- Compensation and benefits in the operating divisions, comprised of salaries, wages and commissions earned by the Company's employment consultants and branch managers on permanent and temporary placements.
- 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, 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.

GEE's selling, general and administrative expenses (SG&A) for the fiscal nine month period ended June 30, 2018 decreased as a percentage of revenue and was approximately 28.6%, compared to approximately 28% of revenue for the fiscal nine month period ended June 30, 2017. SG&A for the fiscal nine month period ended June 30, 2018 increased by approximately \$11 million as compared to the fiscal nine month period ended June 30, 2017 primarily as the result of the acquisition of SNI. The increase in SG&A for the fiscal nine month period ended June 30, 2018 over SG&A reported the fiscal nine month period ended June 30, 2017 attributable to the SNI acquisition has been offset by lower SG&A reported in the fiscal third quarter ended June 30, 2018 of approximately \$3.4 million, or 22%, as compared to the prior year's fiscal third quarter. This decrease in the quarter was primarily related to strategic initiatives implemented by corporate and regional management to lower personnel costs by rightsizing the number of sales and recruitment full time employees (FTE's) and related ancillary costs, consolidation of various office locations resulting in a reduction in rent and other expenses, leverage from implementation of shared services, economies of scale gained from reduced pricing obtained from vendors, continued integration of the SNI acquisition and by streamlining field operations and related expenses. Management continues efforts to reduce SG&A as the Company obtains synergies from further back office consolidation and related efficiencies.

The Company classifies and reports costs incurred related to acquisition, integration and restructuring activities separately from other SG&A within its operating expenses. These include operating expenses associated with former closed and consolidated locations, personnel costs associated with eliminated positions, costs incurred related to acquisitions and associated legal and professional costs. These costs were approximately \$1.7 million for the fiscal nine month period ended June 30, 2018 and decreased by approximately \$600,000 from approximately \$2.3 million reported in the fiscal nine month period ended June 30, 2017.

Total operating expenses for the fiscal nine month period ended June 30, 2018, including SG&A, acquisition, integration and restructuring expenses, and depreciation and amortization, increased by approximately \$12.2 million, primarily as the result of the SNI acquisition. This increase was partially offset by a net decrease reported during the fiscal third quarter ended June 30, 2018 of approximately \$5.4 million, or approximately 27.6%, from those reported in the fiscal third quarter ended June 30, 2017, also primarily related to the strategic productivity and cost saving initiatives described above.

Amortization Expense

Amortization expense for the nine months ended June 30, 2018, increased \$1,891,000, or 82% compared with the prior period, primarily as a result of the acquisition of SNI in April 2017 and the related amortization of their identified intangible assets.

Interest Expense

Interest expense for the nine months ended June 30, 2018, increased by approximately \$5,251,000 or 168% compared with the same period last year primarily as a result of the newly obtained long-term debt, the interest expense for acquisition payments and higher average borrowings related to the new acquisitions. Interest expense includes non-cash payments in kind ("PIK") of the Company's common stock of approximately \$1,997,000 for the fiscal 2018 nine months ended June 30, 2018.

Liquidity and Capital Resources

The principal sources of cash and liquidity used in operations by the Company are revenues from clients who contract for its staffing and placement services and temporary borrowings under its Revolving Credit Facility. Principal uses of cash are for the payment of cost of contract services, which are principally comprised of compensation and benefits, including salaries, bonuses and commissions to contract personnel and for the payment sales, general and administrative expenses, income taxes and related items, and principal and interest payments on borrowings.

The following table sets forth certain consolidated statements of cash flows data:

(in thousands)	Nine Months Ended	
	June 30, 2018	June 30, 2017
Cash flows provided by (used in) operating activities	\$ 698	\$ (843)
Cash flows used in investing activities	\$ (224)	\$ (25,335)
Cash flows (used in) provided by financing activities	\$ (622)	\$ 26,504

The Company experienced significant net losses for its most recent fiscal year ended September 30, 2017, and for the nine months ended June 30, 2018. Management has implemented a strategy which included cost reduction efforts as well as identifying strategic acquisitions, financed primarily through the issuance of subordinated debt, preferred stock and/or common stock, to improve the overall profitability and cash flows of the Company.

As of June 30, 2018, the Company had cash of approximately \$2,637,000, which was a decrease of approximately \$148,000 from approximately \$2,785,000 at September 30, 2017. Negative working capital at June 30, 2018 was approximately \$2,127,000, as compared to working capital of approximately \$1,588,000 for September 30, 2017. The net loss for the nine months ended June 30, 2018, was approximately \$6,556,000.

Net cash provided by (used in) operating activities for the nine months ended June 30, 2018 and 2017 was approximately \$698,000 and \$(843,000), respectively. The positive operating cash flow in the fiscal nine month period ended June 30, 2018 corresponds with positive income from operations and other net changes in working capital.

At June 30, 2018, there was approximately \$403,000 of accrued interest that was payable with the Company's common stock.

Net cash used in investing activities for the nine months ended June 30, 2018 and 2017 was approximately \$(224,000) and \$(25,335,000), respectively. The primary use of cash during the nine months ended June 30, 2018 was for acquisition of furniture and equipment. The primary use of cash for the nine months ended June 30, 2017 was associated with the acquisition of SNI.

Net cash flows (used in) provided by financing activities for the nine months ended June 30, 2018 was approximately \$(622,000) compared to approximately \$26,504,000 in the nine months ended June 30, 2017. Fluctuations in financing activities are attributable to the net borrowings of the revolving credit facility, offset by payments on other debt.

After the close of business on March 31, 2017, the Company and its subsidiaries, as borrowers, entered into a Revolving Credit, Term Loan and Security Agreement (the "Credit Agreement") with PNC, and certain investment funds managed by MGG. Initial funds were distributed on April 3, 2017 (the "Closing Date") to repay existing indebtedness, pay fees and expenses relating to the Credit Agreement, and to pay a portion of the purchase price for the acquisition of the SNI Companies.

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Under the terms of the Credit Agreement, the Company may borrow up to \$73,750,000 consisting of a four-year term loan in the principal amount of \$48,750,000 and revolving loans in a maximum amount up to the lesser of (i) \$25,000,000 or (ii) an amount determined pursuant to a borrowing base that is calculated based on the outstanding amount of the Company's eligible accounts receivable, as described in the Credit Agreement. The loans under the Credit Agreement mature on March 31, 2021.

On the Closing Date of the Credit Agreement, the Company borrowed \$48,750,000 from term loans and borrowed approximately \$7,476,316 from the Revolving Credit Facility for a total of \$56,226,316, which was used by the Company to repay existing indebtedness, to pay fees and expenses relating to the Credit Agreement, and to pay a portion of the purchase price for the acquisition of all of the outstanding stock of SNI Holdco Inc. pursuant to the Merger Agreement. Amounts borrowed under the Credit Agreement also may be used by the Company to partially fund capital expenditures, provide for on-going working capital needs and general corporate needs, and to fund future acquisitions subject to certain customary conditions of the lenders.

The Credit Agreement contains certain financial covenants applicable to both the Revolving Credit Facility and Term Loan. In addition to these financial covenants, the Credit Agreement includes other restrictive covenants. The Credit Agreement permits capital expenditures up to a certain level and contains customary default and acceleration provisions. The Credit Agreement also restricts, above certain levels, acquisitions, incurrence of additional indebtedness, and payment of dividends.

The Company did not meet its financial loan covenants at June 30, 2018 or at March 31, 2018, previously. On May 15, 2018, the Company obtained a temporary waiver from its lenders for the missed financial covenants at March 31, 2018.

On August 10, 2018, the Company and its subsidiaries, as Borrowers, entered into a third amendment and third waiver (the "Third Amendment and Waiver") to the Credit Agreement. Pursuant to the Third Amendment and Waiver, the Lenders have agreed to modify the definition of EBITDA in the Credit Agreement to allow for the recognition and exclusion of certain additional acquisition, integration and restructuring expenses not previously specified and to provide a temporary waiver for any Defaults and Events of Default under the Credit Agreement that have solely arisen by reason of the Company failing to comply with the financial covenants of the Credit Agreement for the period ending June 30, 2018.

Although there can be no absolute assurance, management believes that the conditions that led to the inability to achieve compliance with the financial covenants of the Credit Agreement at June 30, 2018 and March 31, 2018 are improving and continues to forecast results that indicate that the Company will return to compliance with applicable future financial covenants.

Minimum debt service payments (principal) for the twelve-month period commencing after the close of business on June 30, 2018, are approximately \$7,738,000. All the Company's office facilities are leased. Minimum lease payments under all the Company's lease agreements for the twelve-month period commencing after the close of business on June 30, 2018, are approximately \$2,442,000.

Management believes that the future cash flow from operations and the availability of borrowings under the Revolving Credit Facility will provide sufficient liquidity for the next 12 months.

Off-Balance Sheet Arrangements

As of June 30, 2018, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of June 30, 2018, 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 June 30, 2018.

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 third quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION.

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not required.

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

Not required.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

On August 10, 2018, the Company and its subsidiaries, as Borrowers, entered into a third amendment and third waiver (the “Third Amendment and Waiver”) to the Credit Agreement. Pursuant to the Third Amendment and Waiver, the Lenders have agreed to modify the definition of EBITDA in the Credit Agreement to allow for the recognition and exclusion of certain additional acquisition, integration and restructuring expenses not previously specified and to provide a temporary waiver for any Defaults and Events of Default under the Credit Agreement that have solely arisen by reason of the Company failing to comply with the financial covenants of the Credit Agreement for the period ending June 30, 2018. A copy of the Third Amendment and Waiver together with the Deposit Account Control Agreement, dated as of August 8, 2018 are filed as Exhibits 10.1 and 10.2 to this quarterly report on Form 10-Q.

Item 6. Exhibits

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

No.	Description of Exhibit
10.1	Third Amendment, dated as of August 10, 2018, to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017, as amended, by and among GEE Group, Inc., the other borrower entities and guarantor entities named therein, and certain investment funds managed by MGG Investment Group LP.
10.2	Deposit Account Control Agreement, dated as of August 8, 2018, by and among GEE Group, Inc., MGG Investment Group LP, as the Lender and Bank of America, N.A.
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.
101.INS	Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

GEE GROUP INC.
(Registrant)

Date: August 14, 2018

By: /s/ Derek Dewan
Derek Dewan
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Kim Thorpe
Kim Thorpe
Chief Financial Officer
(Principal Financial and Accounting
Officer)

**THIRD AMENDMENT AND THIRD WAIVER
TO REVOLVING CREDIT, TERM LOAN
AND SECURITY AGREEMENT**

THIRD AMENDMENT AND THIRD WAIVER, dated as of August 10, 2018 (this "Amendment"), to the Revolving Credit, Term Loan and Security Agreement dated as of March 31, 2017 (as amended, amended and restated, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among GEE GROUP INC., an Illinois corporation ("Holdings"), SCRIBE SOLUTIONS, INC., a Florida corporation ("Scribe"), AGILE RESOURCES, INC., a Georgia corporation ("Agile"), ACCESS DATA CONSULTING CORPORATION, a Colorado corporation ("Access"), TRIAD PERSONNEL SERVICES, INC., an Illinois corporation ("Triad Personnel"), TRIAD LOGISTICS, INC., an Ohio corporation ("Triad Logistics"), PALADIN CONSULTING, INC., a Texas corporation ("Paladin"), BMCH, INC., an Ohio corporation ("BMCH"), GEE GROUP PORTFOLIO INC., a Delaware corporation and the surviving corporation of the merger of SNI HOLDCO INC., a Delaware corporation, with and into GEE Group Portfolio Inc., a Delaware corporation ("SNI Holdings"), and SNI COMPANIES, a Delaware corporation ("SNI" and together with Holdings, Scribe, Agile, Access, Triad Personnel, Triad Logistics, Paladin, BMCH, SNI Holdings and each other Person joined thereto as a borrower from time to time, collectively, the "Borrowers" and each a "Borrower"), each Subsidiary of Holdings listed as a "Guarantor" on the signature pages thereto (together with each other Person joined thereto as a guarantor from time to time, collectively, the "Guarantors", and each a "Guarantor", and together with the Borrowers, collectively, the "Loan Parties" and each a "Loan Party"), the lenders which now are or which thereafter become a party thereto that make Revolving Advances thereunder (together with their respective successors and assigns, collectively, the "Revolving Lenders" and each a "Revolving Lender"), the lenders which now are or which thereafter become a party thereto that made or acquire an interest in the Term Loans (together with their respective successors and assigns, collectively, the "Term Loan Lenders" and each a "Term Loan Lender", and together with the Revolving Lenders, collectively, the "Lenders" and each a "Lender"), MGG INVESTMENT GROUP LP ("MGG"), as administrative agent for the Lenders (together with its successors and assigns, in such capacity, the "Administrative Agent"), as collateral agent for the Lenders (together with its successors and assigns, in such capacity, the "Collateral Agent"), and as term loan agent for the Lenders (together with its successors and assigns, in such capacity, the "Term Loan Agent" and together with the Administrative Agent and the Collateral Agent, each an "Agent" and, collectively, the "Agents").

WHEREAS, the Borrowers, the Guarantors, the Agents and the Required Lenders wish to modify certain terms and provisions of the Credit Agreement as hereinafter set forth.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All terms used herein that are defined in the Credit Agreement and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

2. Amendment. Section 1.2 of the Credit Agreement is hereby amended by amending and restating the definition of “EBITDA” in its entirety as follows:

““EBITDA” shall mean for any period with respect to Holdings and its Subsidiaries on a Consolidated Basis, the sum of (a) net income (or loss) for such period (excluding extraordinary gains and losses), plus (b) all interest expense for such period, plus (c) all charges against income for such period for federal, state and local taxes, plus (d) depreciation expenses for such period, plus (e) amortization expenses for such period, plus (f) Closing Costs (including, for the avoidance of doubt, Closing Costs in connection with the SNI Acquisition) to the extent deducted in calculating net income and to the extent the period in which such Closing Costs are paid is included in the applicable testing period for which EBITDA is being determined, plus (g) any non-cash losses and any non-cash extraordinary and non-recurring charges and expenses, in each case to the extent deducted in determining net income for such period and are factually supportable by documentation reasonably satisfactory to the Agents, plus (h) fees and expenses attributable to any Permitted Acquisition that are factually supportable by documentation reasonably satisfactory to the Agents and in any event not to exceed \$500,000 in any fiscal year, plus (i) integration and restructuring costs and expenses related to any Permitted Acquisition that are factually supportable by documentation reasonably satisfactory to the Agents and in any event not to exceed \$500,000 in any fiscal year, plus (j) non-cash compensation expenses arising from the issuance of Equity Interests, options to purchase Equity Interests and Equity Interest appreciation rights, plus (k) expenses related to severance, relocation and recruitment of senior level employees to the extent such expenses are factually supportable by documentation reasonably satisfactory to the Agents and in any event not to exceed \$250,000 in any fiscal year, plus (l) the amount of any cost savings realized by the Loan Parties as a result of office closures, office consolidations and employee head-count reductions that are factually supportable by documentation reasonably satisfactory to the Agents and in any event not to exceed \$4,000,000 in any trailing twelve month period of Holdings and its Subsidiaries ending at the end of a fiscal quarter plus (m) other non-cash extraordinary and non-recurring charges and expenses as may be agreed to in advance by the Agents in their Permitted Discretion minus (n) any federal, state, local and foreign income tax credits to the extent added in determining net income for such period, minus (o) any non-cash gains for such period to the extent added in determining net income for such period, minus (p) any Receivable that is unpaid more than one hundred twenty (120) days after the original invoice date to the extent included in revenue in determining net income for such period and for which no corresponding reserve has been established.”

3. Waiver.

(a) Pursuant to the request by the Loan Parties, but subject to satisfaction of the conditions set forth in Section 5 hereof, and in reliance upon (A) the representations and warranties of Loan Parties set forth herein and in the Credit Agreement and (B) the agreements of the Loan Parties set forth herein, the Agents and the Required Lenders hereby waive any Defaults and Events of Default under the Credit Agreement that have solely arisen or would otherwise solely arise under Section 10.5(i) of the Credit Agreement solely by reason of the Loan Parties failing to comply with the financial covenants in Section 6.5 of the Credit Agreement for the period ending June 30, 2018.

(b) The waiver in this Section 3 shall be effective only in this specific instance and for the specific purpose set forth herein and does not allow for any other or further departure from the terms and conditions of the Credit Agreement or any Other Document, which terms and conditions shall continue in full force and effect.

4. Representations and Warranties. Each Loan Party hereby represents and warrants to the Agents and the Lenders as follows:

(a) Representations and Warranties; No Event of Default. The representations and warranties herein, in the Credit Agreement and in each Other Document, certificate or other writing delivered by or on behalf of the Loan Parties to any Agent or any Lender pursuant to the Credit Agreement or any Other Document on or prior to the Amendment Effective Date are true and correct in all material respects (except that such materiality qualifier shall not be applied to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of the Amendment Effective Date as though made on and as of such date (unless such representations or warranties are stated to relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applied to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of such earlier date), and no Default or Event of Default has occurred and is continuing as of the Amendment Effective Date or would result from this Amendment becoming effective in accordance with its terms.

(b) Organization, Good Standing, Etc. Each Loan Party (i) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of the state or jurisdiction of its organization, (ii) has all requisite power and authority to conduct its business as now conducted and as presently contemplated and to execute this Amendment and deliver each Other Document to which it is a party, and to consummate the transactions contemplated hereby and by the Credit Agreement, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary, except (solely for the purposes of this subclause (iii)) where the failure to be so qualified and in good standing could reasonably be expected to have a Material Adverse Effect.

(c) Authorization; Etc. The execution, delivery and performance of this Amendment by the Loan Parties, and the performance of the Credit Agreement, (i) have been duly authorized by all necessary action, (ii) do not and will not contravene (A) any of its Organizational Documents, (B) any material law or regulation, or any judgment, order or decree of any Governmental Body or (C) any Material Contract binding on or otherwise affecting it or any of its properties, (iii) do not and will not result in or require the creation of any Lien (other than pursuant to any Other Document) upon or with respect to any of its properties, and (iv) do not and will not result in any default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval applicable to its operations or any of its properties, except, in the case of clause (iv), to the extent where such contravention, default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal could not reasonably be expected to have a Material Adverse Effect.

(d) Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Body is required in connection with the due execution, delivery and performance by any Loan Party of this Amendment or any Other Document to which it is or will be a party.

5. Conditions to Effectiveness. This Amendment shall become effective only upon satisfaction in full, in a manner reasonably satisfactory to the Agents, of the following conditions precedent (the first date upon which all such conditions shall have been satisfied or waived being herein called the "Amendment Effective Date"):

(a) The Agents shall have received this Amendment, duly executed by the Loan Parties, each Agent and the Required Lenders.

(b) The representations and warranties contained in this Amendment and in the Credit Agreement and in each Other Document shall be true and correct in all material respects (except that such materiality qualifier shall not be applied to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of the Amendment Effective Date as though made on and as of such date (unless such representations or warranties are stated to relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applied to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of such earlier date).

(c) Except as expressly waived herein, no Default or Event of Default shall have occurred and be continuing on the Amendment Effective Date or result from this Amendment becoming effective in accordance with its terms.

6. Continued Effectiveness of the Credit Agreement and Other Documents. Each Loan Party hereby (i) acknowledges and consents to this Amendment, (ii) confirms and agrees that the Credit Agreement and each Other Document to which it is a party is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that on and after the Amendment Effective Date all references in any such Other Document to "the Credit Agreement", the "Agreement", "thereto", "thereof", "thereunder" or words of like import referring to the Credit Agreement shall mean the Credit Agreement as amended or modified by this Amendment, and (iii) confirms and agrees that to the extent that any such Other Document purports to assign or pledge to the Collateral Agent for the benefit of the Agents and the Lenders, or to grant to the Collateral Agent for the benefit of the Agents and the Lenders a security interest in or Lien on, any Collateral as security for the Obligations of the Loan Parties from time to time existing in respect of the Credit Agreement (as amended hereby) and the Other Documents, such pledge, assignment and/or grant of the security interest or Lien is hereby ratified and confirmed in all respects. This Amendment does not and shall not affect any of the obligations of the Loan Parties, other than as expressly provided herein, including, without limitation, the Loan Parties' obligations to repay the Loans in accordance with the terms of Credit Agreement, or the obligations of the Loan Parties under any Other Document to which they are a party, all of which obligations shall remain in full force and effect. Except as expressly provided herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Agents or any Lender under the Credit Agreement or any Other Document, nor constitute a waiver of any provision of the Credit Agreement or any Other Document.

7. Release. Each Loan Party hereby acknowledges and agrees that: (a) neither it nor any of its Affiliates has any claim or cause of action against any Agent or any Lender (or any of their respective Affiliates, officers, directors, employees, attorneys, consultants or agents) under the Credit Agreement and the Other Documents and (b) each Agent and each Lender has heretofore properly performed and satisfied in a timely manner all of its obligations to such Loan Party and its Affiliates under the Credit Agreement and the Other Documents. Notwithstanding the foregoing, the Agents and the Lenders wish (and each Loan Party agrees) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of the Agents' and the Lenders' rights, interests, security and/or remedies under the Credit Agreement and the Other Documents. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, each Loan Party (for itself and its Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "Releasors") does hereby fully, finally, unconditionally and irrevocably release and forever discharge each Agent, each Lender and each of their respective Affiliates, officers, directors, employees, attorneys, consultants and agents (collectively, the "Released Parties") from any and all debts, claims, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done on or prior to the Amendment Effective Date and arising out of, connected with or related in any way to this Amendment, the Credit Agreement or any Other Document, or any act, event or transaction related or attendant thereto, or the agreements of any Agent or any Lender contained therein, or the possession, use, operation or control of any of the assets of each Loan Party, or the making of any Loans, or the management of such Loans or the Collateral, in each case, on or prior to the Amendment Effective Date.

As to each and every claim released hereunder, each Loan Party hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of each provision of applicable federal or state law (including without limitation the laws of the state of New York), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

As to each and every claim released hereunder, each Loan Party also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of New York), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

Each Loan Party acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such claims, demands, or causes of action and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

Each Loan Party, for itself and on behalf of its successors, assigns, and officers, directors, employees, agents and attorneys, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of the Released Parties above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) the Released Parties on the basis of any claim released, remised and discharged by such Person pursuant to this Section 7. Each Loan Party further agrees that it shall not dispute the validity or enforceability of the Credit Agreement or any of the Other Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of Collateral Agent's Lien on any item of Collateral under the Credit Agreement or the Other Documents. If any Loan Party or any of its respective successors, assigns, or officers, directors, employees, agents and attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as the Released Parties may sustain as a result of such violation, all reasonable attorneys' fees and costs incurred by the Released Parties as a result of such violation.

8. Miscellaneous.

(a) This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile or electronic mail shall be equally effective as delivery of an original executed counterpart of this Amendment.

(b) Section and paragraph headings herein are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

(c) This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

(d) Each Loan Party hereby acknowledges and agrees that this Amendment constitutes a "Other Document" under the Credit Agreement. Accordingly, it shall be an Event of Default under the Credit Agreement if (i) any representation or warranty made by a Loan Party under or in connection with this Amendment shall have been untrue, false or misleading in any material respect when made, or (ii) any Loan Party shall fail to perform or observe any term, covenant or agreement contained in this Amendment.

(e) Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(f) The Borrowers will pay on demand all reasonable fees, costs and expenses of the Agents and the Lenders party to this Amendment in connection with the preparation, execution and delivery of this Amendment or otherwise payable under the Credit Agreement, including, without limitation, reasonable fees, disbursements and other charges of counsel to the Agents and the Lenders party to this Amendment.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date set forth on the first page hereof.

BORROWERS:

GEE GROUP INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

SCRIBE SOLUTIONS INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

AGILE RESOURCES, INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

ACCESS DATA CONSULTING CORPORATION

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

TRIAD PERSONNEL SERVICES, INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

TRIAD LOGISTICS, INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

PALADIN CONSULTING, INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

BMCH, INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

GEE GROUP PORTFOLIO INC.

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO

SNI COMPANIES

By: _____
Name: Kim Thorpe
Title: Senior VP, CFO



AGENTS:

MGG INVESTMENT GROUP LP,
as Administrative Agent, Collateral Agent and Term Loan
Agent

By: _____
Name:
Title:

LENDERS:

MGG FUNDING II, LLC,
as Lender

By: MGG Investment Group GP LLC

By: _____
Name:
Title:

MGG SF DRAWDOWN UNLEVERED FUND
LP,
as Lender

By: MGG Investment Group GP LLC

By: _____
Name:
Title:

MGG SF EVERGREEN UNLEVERED FUND
LP,
as Lender

By: MGG Investment Group GP LLC

By: _____
Name:
Title:

MGG CANADA FUND LP,
as Lender

By: MGG Investment Group GP LLC

By:
Name:
Title:

MGG OFFSHORE FUNDING I, LLC, as
Lender

By: MGG Investment Group GP LLC

By: _____
Name:
Title:

MGG SPECIALTY FINANCE FUND LP, as
Lender

By: MGG Investment Group GP LLC

By: _____
Name:
Title:

MGG SF EVERGREEN MASTER FUND
(CAYMAN) LP, as Lender

By: MGG Investment Group GP LLC

By: _____
Name:
Title:

MGG SF DRAWDOWN MASTER FUND
(CAYMAN) LP, as Lender

By: MGG Investment Group GP II LLC

By: _____
Name:
Title:

MGG SF DRAWDOWN MASTER FUND
(CAYMAN) LP, as Lender

By: MGG Investment Group GP II LLC

By: _____
Name:
Title:

DEPOSIT ACCOUNT CONTROL AGREEMENT

This Deposit Account Control Agreement (the "Agreement") is entered into as of August 8, 2018, among GEE GROUP INC. ("Company"), MGG Investment Group LP ("Lender") and Bank of America, N.A. ("Bank") with respect to the following:

RECITALS:

A. Bank has agreed to establish and maintain for Company certain deposit account(s) identified as number(s) 898078577094, 898078577104, 898078577117, and 898078577146 (referred to individually and collectively, as the "Account").

B. Company has assigned to Lender a security interest in the Account and in any checks, automated clearinghouse ("ACH") transfers, wire transfers, instruments and other payment items (collectively, "Funds") deposited in the Account.

C. Company and Lender have requested Bank to enter into this Agreement to evidence Lender's security interest in the Account and to provide for the disposition of the Funds deposited in the Account.

D. Bank is willing to enter into this Agreement for the benefit of Company and Lender pursuant to the terms and conditions set forth herein.

Accordingly, Company, Lender and Bank agree as follows:

1. Lender's Control over the Account.

(a) This Agreement evidences Lender's control over the Account. Notwithstanding any contrary duties owed by Bank to Company under any other deposit account agreements, terms and conditions or other documentation entered into by and between Bank and Company governing the Account and any cash management or similar services provided by Bank or an affiliate of Bank in connection with the Account, including without limitation, services in connection with any "Lockbox" (as defined below) (collectively, the "Account Related Agreements"), Bank will comply with instructions originated by Lender as set forth herein directing the disposition of Funds in the Account without further consent of Company. Bank may follow such instructions even if doing so results in the dishonoring by Bank of items presented for payment from the Account or Bank otherwise not complying with any instruction from Company directing the disposition of any Funds in the Account.

(b) Company represents and warrants to Lender and Bank that it has not assigned or granted a security interest in the Account or any Funds deposited in the Account, except to Lender and Bank.

(c) Company will not permit the Account to become subject to any other pledge, assignment, lien, charge or encumbrance of any kind ("Charges"), other than Lender's security interest referred to herein, Bank's setoffs and the Charges permitted hereinafter.

(d) Company covenants to Lender that it will not close the Account prior to the termination of this Agreement. Bank shall have no liability in the event Company breaches this covenant to Lender.

2. Company Access to the Account. Except as otherwise provided in this Section 2 of this Agreement, prior to the "Activation Effective Time" (as defined below) Bank may honor withdrawal, payment, transfer, or other instructions originated by Company concerning the disposition of Funds in the Account (collectively, "Company Instructions"). On and after the Activation Effective Time, Bank shall only honor instructions originated by Lender concerning the disposition of Funds in the Account ("Lender Instructions") without further consent from Company and Company shall have no right or ability to access, withdraw or transfer Funds from the Account. Except as provided herein, no Lender Instructions may be rescinded or modified without Bank's consent. Both Lender and Company acknowledge that Bank may, without liability, (i) comply with any Company Instructions or otherwise complete a transaction involving the Account that Bank or an affiliate had started to process before the Activation Effective Time and (ii) commence to solely honor Lender Instructions at any time or from time to time after Bank becomes aware that Lender has sent to Bank the "Activation Notice" (as defined below) even if prior to the Activation Effective Time (including without limitation halting, reversing or redirection of any transaction), which actions (under (i) and/or (ii)) shall not, in any way, affect the commencement of the Activation Effective Time. The Account may receive merchant card deposits and chargebacks. Company acknowledges and agrees that upon commencement of the Activation Effective Time, chargebacks may be blocked from debiting the Account.

For purposes hereof, and notwithstanding anything to the contrary in this Agreement, the "Activation Effective Time" shall commence upon the opening of business on the second Banking Day (as defined below) following the Banking Day on which the receipt of a notice purporting to be signed by Lender in substantially the form of Exhibit A and sent to the location of Bank to which Lender is required hereunder to send the Activation Notice, with a copy of this Agreement attached (the "Activation Notice"), is acknowledged by Bank, which acknowledgment shall occur within a reasonable time after Bank's receipt of such Activation Notice, but not to exceed two (2) Banking Days; provided, however, that if such receipt is acknowledged on any day after 12:00 noon, Eastern Time, the acknowledgment shall be deemed to have occurred on the next Banking Day. A "Banking Day" is any day other than a Saturday, Sunday or other day on which Bank is authorized or is required by law to be closed.

Within a reasonable time after commencement of the Activation Effective Time and continuing on each Banking Day thereafter, Bank shall wire transfer all immediately available Funds in the Account to the account specified by Lender in the Activation Notice. In the event Lender requests in writing a change to the wire transfer instructions provided to Bank in the Activation Notice by sending a written notice in substantially the form of Exhibit B and sent to the location of Bank to which Lender is required hereunder to send the Activation Notice, any such change requested by Lender shall commence within a reasonable time, after the opening of business on the second Banking Day following the Banking Day on which receipt of such notice is acknowledged by Bank, which acknowledgment shall occur within a reasonable time after Bank's receipt of such notice, but not to exceed two (2) Banking Days; provided, however, that if such receipt is acknowledged on any day after 12:00 noon, Eastern Time, the acknowledgment shall be deemed to have occurred on the next Banking Day. Funds are not available if (i) they are not available pursuant to Bank's funds availability policy as set forth in the Account Related Agreements or (ii) in the reasonable determination of Bank, (A) they are subject to hold, dispute or a binding order, judgment, decree or injunction or a garnishment, restraining notice or other legal process directing or prohibiting or otherwise restricting, the disposition of the Funds in the Account or (B) the transfer of such Funds would result in Bank failing to comply with a statute, rule or regulation.

3. Returned Items. Lender and Company understand and agree that the face amount ("Returned Item Amounts") of each "Returned Item" (as defined herein) may be paid by Bank by debiting the Account to which the Returned Item was originally credited, without prior notice to Lender or Company. As used in this Agreement, the term "Returned Item" means (i) any item deposited to the Account and returned unpaid or otherwise uncollected, whether for insufficient funds or for any other reason, and without regard to timeliness of the return or the occurrence or timeliness of any drawee's notice of non-payment; (ii) any item subject to, a claim against Bank for breach of transfer or presentment warranty under the Uniform Commercial Code (as adopted in the applicable state), Regulation CC (12 C.F.R. §229), clearing house operating rules or the National Automated Clearing House Association as in effect from time to time; (iii) any ACH entry credited to the Account and returned unpaid or subject to an adjustment entry under applicable clearing house rules, whether for insufficient funds or for any other reason, and without regard to timeliness of the return or adjustment; (iv) any credit to the Account from a merchant card transaction, against which a contractual demand for chargeback has been made; and (v) any credit to the Account made in error and any other adjustments including those due to encoding errors or other items posted to the Account in error.

4. Settlement Items. Lender and Company understand and agree that Bank may pay the face amount ("Settlement Item Amounts") of each "Settlement Item" (as defined herein) by debiting the applicable Account, without prior notice to Lender or Company. As used in this Agreement, the term "Settlement Item" means (i) each check or other payment order drawn on or payable against any controlled disbursement account, a "Controlled Balance Account" (as defined below) or other deposit account at any time linked to the Account by a controlled balance arrangement (each a "Linked Account"), which Bank takes for deposit or value, cashes or exchanges for a cashier's check or official check in the ordinary course of business prior to the Activation Effective Time, and which is presented for settlement against the Account (after having been presented against the Linked Account) after the Activation Effective Time, (ii) each check or other payment order drawn on or payable against the Account, which, prior to the Activation Effective Time, Bank takes for deposit or value, assures payment pursuant to a banker's acceptance, cashes or exchanges for a cashier's check or official check in the ordinary course of business after Bank's cutoff time for posting, (iii) each ACH credit entry initiated by Bank, as originating depository financial institution, on behalf of Company, as originator, prior to the Activation Effective Time, which ACH credit entry settles after commencement of the Activation Effective Time, and (iv) any other payment order drawn on or payable against the Account, which Bank has paid or funded prior to the Activation Effective Time, and which is first presented for settlement against the Account in the ordinary course of business after the Activation Effective Time. Company and Lender acknowledge and agree that, if there is a Linked Account not subject to this Agreement, upon commencement of the Activation Effective Time any such Linked Account will be de-linked and will no longer transfer balances to or from the Account. "Controlled Balance Account" is a deposit account that is linked to one or more other deposit accounts in order to allow transfers to be made between such accounts on an automated basis, pursuant to Company Instructions, in order to maintain a specified balance in one or more of any Linked Account, including, without limitation, zero balance arrangements where transfers are made to a subaccount from a master account or from a subaccount to a master account at the end of each Banking Day in order to maintain a zero balance in such subaccount at the end of such Banking Day.

5. Account Related Agreements. This Agreement supplements, rather than replaces, the Account Related Agreements. The Account Related Agreements will continue to apply to the Account, Lockbox, and cash management or similar services provided by Bank or any affiliate of Bank in connection with the Account to the extent not directly in conflict with the provisions of this Agreement (provided, however, that in the event of any such conflict, the provisions of this Agreement shall control).

6. Lockboxes. To the extent that any Funds to be deposited to the Account have been received in one or more post office lockboxes maintained for Company by Bank (each a "Lockbox") and have been or will be processed by Bank for deposit to the Account in accordance with the terms of the applicable Account Related Agreement (the "Remittances"), Company acknowledges that Company has granted to Lender a security interest in all Remittances. Company agrees that after Bank receives the Activation Notice, Company will not instruct Bank regarding the receipt, processing or deposit of Remittances nor will it attempt to change or redirect the items deposited in the Lockbox. Company and Lender acknowledge and agree that Bank's operation of each Lockbox, and the receipt, retrieval, processing and deposit of Remittances, will at all times be governed by the Account Related Agreements.

7. Bank Subordination and Permitted Debits. Bank hereby subordinates to the security interest of Lender in the Account and/or the Funds, any security interest which Bank may have or acquire in the Account or the Funds, except for debits to the Account permitted under Section 7 of this Agreement. Notwithstanding the foregoing, prior to commencement of the Activation Effective Time, Bank shall be permitted to offset, charge, deduct, debit or otherwise withdraw funds from the Account for Bank Fees (as defined below), any Returned Item Amounts, any Settlement Item Amounts, any Permitted Debits (as defined below) and any amount or amounts due Bank in accordance with the terms of other agreements, as in effect from time to time, between the Company and Bank. Bank agrees that, after the Activation Effective Time, Bank shall not offset, charge, deduct, debit or otherwise withdraw funds from the Account, except as permitted by this Section 7, until Bank has been advised in writing by Lender that this Agreement has been terminated. Lender shall notify Bank promptly in writing upon payment in full of Company's obligations by means of the "Termination Notice" (as defined below).

Continuing after commencement of the Activation Effective Time, Bank is permitted to debit the Account for:

(a) Bank's fees and charges relating to the Account or associated with this Agreement and any other charges, fees, expenses, payments and other amounts for treasury management services or card services provided by Bank to Company, including, without limitation, funds transfer (origination or receipt), trade, merchant card, lockbox, stop payment, positive pay, automatic investment, imaging, and information services (collectively, "Bank Fees");

(b) any Returned Item Amounts;

(c) any Settlement Item Amounts; and

(d) chargebacks regarding merchant card deposits, merchant card fees and debits related to cash vault coin and currency requests ("Permitted Debits").

Bank's right to debit the Account under this Section 7 shall exist notwithstanding any obligation of Company or Lender to reimburse or indemnify Bank.

8. Company and Lender Responsibilities.

(a) If the balances in the Account are not sufficient to compensate Bank for any Bank Fees, Company agrees to pay Bank on demand the amount due Bank. If Company fails to so pay Bank and such Bank Fees are incurred on or after the Activation Effective Time, Lender agrees to pay Bank within five (5) Banking Days after Bank's written demand to Lender with respect to such Bank Fees. The failure of Company or Lender to so pay Bank shall constitute a breach of this Agreement

(b) If the balances in the Account are not sufficient to compensate Bank for any Returned Item Amounts or Settlement Item Amounts, Company agrees to pay Bank on demand the amount due Bank. If Company fails to so pay Bank immediately upon demand, Lender agrees to pay Bank the amount due within five (5) Banking Days after Bank's written demand to Lender to pay such amount up to any amount transferred to an account designated by Lender. The failure by Company or Lender to so pay Bank shall constitute a breach of this Agreement.

(c) Bank is authorized, without prior notice and without regard to the Activation Notice under this Agreement or any other control agreement with Lender, from time to time to debit any other account Company may have with Bank for the amount or amounts due Bank under this Agreement or any other Account Related Agreement.

(d) At the request of Bank, Company agrees to provide Bank with monthly unaudited and annual audited financial statements within a reasonable period of time after the end of each month or year-end, as applicable, to Bank's address set forth below.

9. Bank Statements. Upon written request by Lender, in addition to the original bank statement for the Account provided to Company, Bank will provide Lender with a duplicate of such statement.

10. Bank's Responsibility/Limitation of Liability.

(a) Bank will not be liable to Company or Lender for any expense, claim, loss, damage or cost ("Damages") arising out of or relating to its performance or failure to perform under this Agreement other than those Damages that result solely and directly from Bank's acts or omissions constituting gross negligence or intentional misconduct as determined in a court of competent jurisdiction in a final non-appealable order. Bank's obligations hereunder shall be that of a depository bank, and nothing in this Agreement shall create custodial or bailee obligations.

(b) In no event will Bank be liable for any special, indirect, exemplary, punitive or consequential damages, including but not limited to lost profits.

(c) Bank will be excused from any failure to act or delay in acting, and no such failure or delay shall constitute a breach of this Agreement or otherwise give rise to any liability of Bank, if (i) such failure or delay is caused by circumstances beyond Bank's reasonable control, including but not limited to legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, acts of terrorism, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, or negligence or default of Company or Lender or (ii) such failure or delay resulted from Bank's reasonable belief that the action would have violated any of Bank's guidelines or policies, or rule or regulation of any governmental authority.

(d) Bank shall have no duty to inquire or determine whether Company's obligations to Lender are in default or whether Lender is entitled to provide the Activation Notice or any Lender Instructions to Bank. Bank may rely on notices and communications it believes in good faith to be genuine and given by the appropriate party. Bank may accept, acknowledge or act upon any notice, instructions or other directions hereunder that contain minor mistakes or other irregularities, including notices that fail to attach an accurate copy of this Agreement.

(e) Notwithstanding any of the other provisions in this Agreement, in the event of the commencement of a case pursuant to Title 11, United States Code, filed by or against Company, or in the event of the commencement of any similar case under then applicable federal or state law providing for the relief of debtors or the protection of creditors by or against Company, Bank may act as Bank deems reasonably necessary to comply with all applicable provisions of governing statutes and shall not be in violation of this Agreement as a result.

(f) Bank shall be permitted to comply with any writ, levy, order or other similar judicial or regulatory order or process concerning the Account or any Funds and shall not be in violation of this Agreement for so doing.

11. Indemnities.

(a) Company shall indemnify, defend and hold harmless Bank against all liabilities, expense, claim, loss, damage or cost of any nature (including but not limited to allocated costs of in-house legal services in accordance with Bank's established billing rates for such services and other reasonable attorney's fees, without duplication) and any other fees and expenses, whether to Bank or to third parties ("Losses") in any way arising out of or relating to this Agreement, including all documented costs of settlement of claims. This section does not apply to any Losses solely attributable to gross negligence or intentional misconduct of Bank as determined by a court of competent jurisdiction in a final non-appealable order.

(b) Lender shall indemnify, defend and hold harmless Bank against all Losses arising out of or relating to this Agreement after Bank's receipt of the Activation Notice from Lender other than Losses solely attributable to Bank's gross negligence or intentional misconduct as determined by a court of competent jurisdiction in a final non-appealable order. Lender's indemnification obligation to Bank as provided by this Section 11(b) shall be reduced by those amounts that Company shall have paid to the Bank pursuant to the provisions of Section 11(a) above; provided, however, such reduced indemnification obligation of Lender to Bank shall be reinstated automatically and to the extent that any amount paid by Company to Bank pursuant to the provisions of Section 11(a) above shall be required to be disgorged by Bank.

(c) Company shall pay to Bank, upon receipt of Bank's invoice, all documented costs, expenses and attorneys' fees (including allocated costs for in-house legal services) incurred by Bank in connection with the enforcement of this Agreement or any related instrument or agreement, including but not limited to any costs, expenses and fees arising out of the resolution of any conflict, dispute, motion regarding entitlement to rights or rights of action, or other action relating to Bank's rights or obligations in a case arising under Title 11, United States Code. Company agrees to pay Bank, upon receipt of Bank's invoice, all documented costs, expenses and reasonable attorneys' fees (including allocated costs for in house legal services) incurred by Bank in the preparation and administration of this Agreement or any related instrument or agreement (including any amendments thereto).

(d) Lender shall pay to Bank, upon receipt of Bank's invoice, all documented costs, expenses and attorneys' fees (including allocated costs for in house legal services) incurred by Bank in connection with the enforcement against Lender of its obligations hereunder.

12. Termination and Assignment of this Agreement

(a) Lender may terminate this Agreement by providing notice substantially in the form of Exhibit C (the "Termination Notice") together with a copy of this Agreement to Company and Bank, provided that Bank shall have a reasonable time to act on such termination. Lender may assign this Agreement by providing 30 days' prior written notice of such assignment and assumption together with a copy of this Agreement to Company and Bank. Bank may terminate this Agreement upon 30 days' prior written notice to Company and Lender. Company may not terminate this Agreement except with the written consent of Lender and upon prior written notice to Bank.

(b) Notwithstanding Subsection 12(a), Bank may terminate this Agreement upon five (5) Banking Days' prior written notice by written notice to Company and Lender if either Company or Lender breaches any of the terms of this Agreement, or if Company breaches any other agreement with Bank.

(c) Sections 8, 10 and 11 shall survive any termination of this Agreement.

13. Representations and Warranties.

(a) Each party represents and warrants to the other parties that (i) this Agreement constitutes its duly authorized, legal, valid, binding and enforceable obligation; (ii) the performance of its obligations under this Agreement and the consummation of the transactions contemplated hereunder will not (A) constitute or result in a breach of its certificate or articles of incorporation or organization, by-laws, limited liability company operating agreement, charter, partnership agreement, or other formation or organizational documents, as applicable, or the provisions of any material contract to which it is a party or by which it is bound or (B) result in the violation of any law, regulation, judgment, decree or governmental order applicable to it; and (iii) all approvals and authorizations required to permit the execution, delivery, performance and consummation of this Agreement and the transactions contemplated hereunder have been obtained.

(b) Company agrees that it shall be deemed to make and renew each representation and warranty in subsection 13(a) on and as of each day on which Company uses the services set forth in this Agreement. Lender agrees it shall be deemed to make and renew each representation and warranty in subsection 13(a) upon sending the Activation Notice or sending any Lender Instructions to Bank.

14. Miscellaneous.

(a) This Agreement may be amended only by a writing signed by Company, Lender and Bank; except that Bank Fees are subject to change by Bank upon 30 days' prior written notice to Company.

(b) This Agreement may be executed in counterparts; all such counterparts shall constitute but one and the same agreement. This Agreement shall become effective when it shall have been executed by Bank and when Bank shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

(c) This Agreement controls in the event of any conflict between this Agreement and any other document or written or oral statement. This Agreement supersedes all prior understandings, writings, proposals, representations and communications, oral or written, of any party relating to the subject matter hereof.

(d) This Agreement shall be interpreted in accordance with New York law, without reference to that state's conflict of law principles. Notwithstanding anything to the contrary in any agreement between the parties hereto or otherwise relating to the Account, the "bank's jurisdiction", with respect to the perfection, non-perfection and/or priority of security interests, within the meaning of Section 9-304 of the Uniform Commercial Code (as in effect from time to time in the State of New York) shall be the State of New York.

(e) Any written notice or other written communication to be given under this Agreement shall be addressed or faxed to each party at its address or fax number, as applicable, set forth on the signature page of this Agreement or to such other address or fax numbers a party may specify in writing in accordance with this Section 14. Except as otherwise expressly provided herein, any such notice sent via (i) mail or overnight courier shall be effective upon receipt or (ii) fax transmission shall be effective upon successful transmission thereof, provided such notice is also sent via overnight courier.

(f) Nothing contained in this Agreement shall create any agency, fiduciary, joint venture or partnership relationship among any of Bank, Company or Lender, and nothing in this Agreement shall create custodial or bailee obligations of Bank to any party. Company and Lender agree that nothing contained in this Agreement, nor any course of dealing among the parties to this Agreement, shall constitute a commitment or other obligation on the part of Bank to extend credit or services to Company or Lender.

(g) Each party hereto intentionally, knowingly and voluntarily irrevocably waives any right to trial by jury in any proceeding related to this Agreement.

The remainder of this page is intentionally left blank.

EXHIBIT A
DEPOSIT ACCOUNT CONTROL AGREEMENT

[Letterhead of Lender]

_____, 20____
To: Bank of America, N.A.
[Address]

Re: ACTIVATION NOTICE
[Name of Company]
Account No. _____

Ladies and Gentlemen:

Reference is made to the Deposit Account Control Agreement dated _____ (the "Agreement") among [Company Name], us and you regarding the above-described account (the "Account"), a copy of which is attached hereto. In accordance with Section 2 of the Agreement, we hereby give you notice of our exercise of control of the Account and we hereby instruct you to transfer funds to the below account as follows:

Bank Name: _____
Bank Address: _____
City, State, Zip, _____
Country: _____
ABA No.: _____
Beneficiary Account Name: _____
Beneficiary Account No.: _____
Beneficiary Address: _____
City, State, Zip, _____
Country: _____
Reference: _____

Very truly yours,

as Lender

By: _____
Name: _____
Title: _____

ACKNOWLEDGED AND AGREED:

BANK OF AMERICA, N.A., as Bank

By: _____
Name: _____
Title: _____

Date:

EXHIBIT B
DEPOSIT ACCOUNT CONTROL AGREEMENT

[Letterhead of Lender]

_____, 20____
To: Bank of America, N.A.
[Address]

Re: Wire change instruction
[Name of Company]
Account No. _____

Ladies and Gentlemen:

Reference is made to the Deposit Account Control Agreement dated _____ (the "Agreement") among [Company Name], us and you regarding the above-described account (the "Account"). In accordance with Section 2 of the Agreement, we hereby give you notice of our request to change the wire transfer instructions provided to Bank in the Activation Notice, and we hereby instruct you to transfer funds to the below account as follows:

Bank Name: _____
Bank Address: _____
City, State, Zip, _____
Country: _____
ABA No.: _____
Beneficiary Account Name: _____
Beneficiary Account No.: _____
Beneficiary Address: _____
City, State, Zip, _____
Country: _____
Reference: _____

Very truly yours,

as Lender

By: _____
Name: _____
Title: _____

ACKNOWLEDGED AND AGREED:

BANK OF AMERICA, N.A., as Bank

By _____
Name: _____
Title: _____

Date: _____

EXHIBIT C
DEPOSIT ACCOUNT CONTROL AGREEMENT

[Letterhead of Lender]

_____, 20__
Bank of America, N.A.

Attn: _____

Re: Termination of Deposit Account Control Agreement

Account(s): _____

Ladies and Gentlemen:

Reference is made to that certain Deposit Account Control Agreement dated as of , 20_ (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Agreement") among you, _____ ("Company"), and us ("Lender"), a copy of which is attached hereto.

You are hereby notified that the Agreement is terminated with respect to the undersigned, and you have no further obligations to the undersigned thereunder and we are terminating our security interest in the Account. Notwithstanding any previous instructions to you, you are hereby instructed to accept all future directions with respect to the Account from Company.

This notice terminates any obligations you may have to the undersigned with respect to the Account.

Very truly yours,

as Lender

By: _____
Name: _____
Title: _____

cc: [Company Name]

CERTIFICATION

I, Derek Dewan, certify that:

1. I have reviewed this Form 10-Q quarterly report for the nine-month period ended June 30, 2018 of GEE Group 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2018

By: /s/ Derek Dewan

Derek Dewan

(Principal Executive Officer)

CERTIFICATION

I, Kim Thorpe, certify that:

1. I have reviewed this Form 10-Q quarterly report for the nine-month period ended June 30, 2018 of GEE Group 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2018

By: /s/ Kim Thorpe

Kim Thorpe
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of GEE Group Inc. (the "Company") on Form 10-Q for the nine-month period ended June 30, 2018 filed with the Securities and Exchange Commission (the "Report"), the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: August 14, 2018

By: /s/ Derek Dewan
Derek Dewan
(Principal Executive Officer)

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

In connection with the Quarterly Report of GEE Group Inc. (the "Company") on Form 10-Q for the nine-month period ended June 30, 2018 filed with the Securities and Exchange Commission (the "Report"), the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: August 14, 2018

By: /s/ Kim Thorpe
Kim Thorpe
Chief Financial Officer
(Principal Financial Officer)