UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2019**

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	**36-6097429**
(State or other jurisdiction of incorporation or organization)	(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)

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

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, no par value	JOB	NYSE MKT

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		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 May 8, 2019 was 12,054,571.

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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, 2018, 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.

PART I -FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited)

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

	March 31, 2019	September 30, 2018
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,761	$ 3,213
Accounts receivable, less allowances ($302 and $302, respectively)	19,992	20,755
Prepaid expenses and other current assets	2,382	2,266
Total current assets	25,135	26,234
Property and equipment, net	843	891
Goodwill	76,593	76,593
Intangible assets, net	26,674	29,467
Other long-term assets	354	416
TOTAL ASSETS	$ 129,599	$ 133,601
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,897	$ 2,523
Acquisition deposit for working capital guarantee	883	883
Accrued compensation	4,836	5,212
Short-term portion of subordinated debt	-	106
Short-term portion of term loan, net of discount	1,194	2,331
Other current liabilities	2,174	2,064
Subordinated debt	1,000	-
Total current liabilities	13,984	13,119
Deferred taxes	648	146
Revolving credit facility	13,147	11,925
Term loan, net of discounts	40,100	40,253
Subordinated debt	-	1,000
Subordinated convertible debt	16,685	16,685
Other long-term liabilities	553	583
Total long-term liabilities	71,133	70,592
Commitments and contingencies		
MEZZANINE EQUITY		
Preferred stock; no par value; authorized - 20,000 shares -		
Preferred series A stock; authorized -160 shares; issued and outstanding - none	-	-
Preferred series B stock; authorized - 5,950 shares; issued and outstanding - 5,566 and 5,816 at March 31, 2019 and September 30, 2018, respectively; liquidation value of the preferred series B stock is approximately $27,050 and $28,255 at March 31, 2019 and September 30, 2018, respectively	27,551	28,788
SHAREHOLDERS' EQUITY		
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 11,721 shares at March 31, 2019 and 10,783 shares at September 30, 2018, respectively	-	-
Additional paid in capital	47,291	44,120
Accumulated deficit	(30,360)	(23,018)
Total shareholders' equity	16,931	21,102
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 129,599	$ 133,601

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

GEE GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(In Thousands, Except Per Share Data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
NET REVENUES:				
Contract staffing services	$ 31,827	$ 34,520	$ 65,840	$ 73,981
Direct hire placement services	4,350	5,337	8,880	11,108
NET REVENUES	36,177	39,857	74,720	85,089
Cost of contract services	24,459	26,231	50,271	55,689
GROSS PROFIT	11,718	13,626	24,449	29,400
Selling, general and administrative expenses (including noncash stock-based compensation expense of $549 and $336, and $1,130 and $629 respectively)	10,449	11,938	20,528	24,704
Acquisition, integration and restructuring expenses	592	181	1,751	221
Depreciation expense	101	98	180	195
Amortization of intangible assets	1,397	1,394	2,793	2,790
INCOME (LOSS) FROM OPERATIONS	(821)	15	(803)	1,490
Interest expense	(3,085)	(2,199)	(6,033)	(5,493)
LOSS BEFORE INCOME TAX PROVISION	(3,906)	(2,184)	(6,836)	(4,003)
Provision for income tax	16	(694)	(506)	(666)
NET LOSS	$ (3,890)	$ (2,878)	$ (7,342)	$ (4,669)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (3,890)	$ (2,878)	$ (7,342)	$ (4,669)
BASIC AND DILUTED LOSS PER SHARE	$ (0.34)	$ (0.28)	$ (0.65)	$ (0.46)
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	11,414	10,426	11,047	10,165

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

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, 2018	10,783	$ 44,120	$ (23,018)	$ 21,102
Share-based compensation	-	581	-	581
Issuance of stock for interest	171	401	-	401
Conversion of preferred Series B to common stock	250	1,238	-	1,238
Net loss	-	-	(3,452)	(3,452)
Balance, December 31, 2018	11,204	$ 46,340	$ (26,470)	$ 19,870
Share-based compensation	-	549	-	549
Issuance of stock for interest	517	402	-	402
Net loss	-	-	(3,890)	(3,890)
Balance, March 31, 2019	11,721	$ 47,291	$ (30,360)	$ 16,931

	Common Stock Shares	Additional Paid In Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, September 30, 2017	9,879	$ 39,517	$ (15,454)	$ 24,063
Share-based compensation	-	293	-	293
Issuance of stock for interest	136	595	-	595
Net loss	-	-	(1,791)	(1,791)
Balance, December 31, 2017	10,015	$ 40,405	$ (17,245)	$ 23,160
Share-based compensation	-	336	-	336
Issuance of stock for interest	321	999	-	999
Conversion of preferred Series B to common stock	110	545	-	545
Net loss	-	-	(2,878)	(2,878)
Balance, March 31, 2018	10,446	$ 42,285	$ (20,123)	$ 22,162

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

GEE GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(In Thousands)

	Six Months Ended March 31, 2019	Six Months Ended March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,342)	$ (4,669)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	2,973	2,985
Stock Compensation expense	1,130	629
Provision for doubtful accounts	-	(602)
Deferred income taxes	502	668
Amortization of debt discount	398	384
Interest expense paid with common stock	803	1,209
Changes in operating assets and liabilities:		
Accounts receivable	763	3,182
Accrued interest	-	(23)
Accounts payable	1,374	(607)
Accrued compensation	(376)	(2,968)
Other current items, net	(12)	(170)
Long-term items, net	14	154
Net cash provided by operating activities	227	172
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(83)	(199)
Net cash used in investing activities	(83)	(199)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on term loan	(1,687)	(1,312)
Payments on subordinated debt	(107)	(504)
Payments on capital lease	(24)	-
Net proceeds from revolving credit	1,222	1,996
Net cash provided by (used in) financing activities	(596)	180
Net change in cash	(452)	153
Cash at beginning of period	3,213	2,785
Cash at end of period	$ 2,761	$ 2,938
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 4,848	$ 4,547
Cash paid for taxes	$ 95	$ -
Non-cash financing activities		
Conversion of Series B Convertible Preferred Stock to common stock	$ 1,238	$ 545
Issuance of stock for extinguishment of debt	$ -	$ 385
Acquisition of equipment with capital lease	$ 49	$ -

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

GEE GROUP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(Dollar amounts in thousands except per share data, unless otherwise stated)

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 six-month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending September 30, 2019. 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, 2018 as filed on December 27, 2018.

Liquidity

The Company experienced significant net losses for its most recent fiscal year ended September 30, 2018, and for the six-month period ended March 31, 2019.

As of March 31, 2019, the Company had cash of approximately $2.8 million, which was a decrease of approximately $0.5 million from approximately $3.2 million at September 30, 2018. Working capital at March 31, 2019 was approximately $11.2 million, as compared to working capital of approximately $13.1 million for September 30, 2018.

Management has taken definitive actions to improve operations, reduce costs and improve profitability, and position the Company for future growth. In addition, the Company's senior lenders have worked with management in providing amendments and waivers to the Company's senior credit facilities as management works towards improving the Company's operations and restructuring its current debt and equity capitalization.

Based on its current projections, management expects that the Company can meet its future debt service requirements and comply with its financial covenants and other commitments, as amended, and will continue to seek reasonable assistance from the Company's senior lenders, as necessary. However, the Company's projections are based on assumptions and estimates about future performance and events, which are subject to change or other unforeseen conditions or uncertainties. As such, there can be no assurance that the Company will not fall into non-compliance with its loan covenants or that its Lenders will continue to provide waivers or amendments to the Company in the event of future non-compliance with debt covenants or other possible events of default that could happen in the future.

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 unaudited 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.

Revenue Recognition

Revenues from contracts with customers are generated through the following services: direct hire placement services, temporary professional services staffing, and temporary light industrial staffing. Revenues are recognized when promised services are performed for customers, and in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Our revenues are recorded net of variable consideration such as sales adjustments or allowances.

Direct hire placement service revenues from contracts with customers are recognized when employment candidates accept offers of employment, less a provision for estimated credits or refunds to customers as the result of applicants not remaining employed for the entirety of the Company's guarantee period (referred to as “falloffs”). The Company’s guarantee periods for permanently placed employees generally ranges from 60 to 90 days from the date of hire. Fees associated with candidate placement are generally calculated as a percentage of the new employee’s annual compensation. No fees for permanent placement services are charged to employment candidates.

Temporary staffing service revenues from contracts with customers are recognized in amounts for which the Company has a right to invoice, as the services are rendered by the Company’s temporary employees. The Company records temporary staffing revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of revenues and expenses. The Company has concluded that gross reporting is appropriate because the Company controls the specified service before that service is performed for a customer. The Company has the risk of identifying and hiring qualified employees, has the discretion to select the employees and establish their price, and bears the risk for services that are not fully paid for by customers.

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 $0.6 million and $0.4 million, and $1.3 million and $0.9 million for the three and six-month period ended March 31, 2019 and 2018, respectively. Expected future falloffs and refunds are reflected in the unaudited condensed consolidated balance sheet as a reduction of accounts receivable as described under Accounts Receivable, below.

See Note 13 for disaggregated revenues by segment.

Payment terms in our contracts vary by the type and location of our customer and the services offered. The terms between invoicing and when payments are due are not significant.

Cost of Contract Staffing Services

The cost of contract services includes the wages and the related payroll taxes, employee benefits and certain other employee-related costs of the Company’s contract service 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. As of March 31, 2019 and September 30, 2018, there were no cash equivalents. The Company maintains deposits in financial institutions and, at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances.

Accounts Receivable

The Company extends credit to its various customers based on evaluation of the customer's financial condition and ability to pay the Company in accordance with the 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 service business, where companies are dependent on employees for the production cycle allows for a relatively small accounts receivable allowance. As of each of March 31, 2019, and September 30, 2018 allowance for doubtful accounts was $0.3 million. The Company charges off uncollectible accounts once the invoices are deemed unlikely to be collectible. The allowance also includes permanent placement falloffs of $0.2 million as of March 31, 2019 and September 30, 2018.

Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is calculated on a straight-line basis over estimated useful lives of five years for computer equipment and two to ten years for office equipment, furniture and fixtures. The Company capitalizes computer software purchased or developed for internal use and amortizes it over an estimated useful life of five years. The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. If the carrying amount of an asset group is greater than its estimated future undiscounted cash flows, the carrying value is written down to the estimated fair value. There was no impairment of property and equipment for the six-month period ended March 31, 2019 and 2018.

Goodwill

Goodwill represents the excess of cost over the fair value of the net assets acquired in the various acquisitions. The Company evaluates 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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", 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 of 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 fair value disclosures of the Company's long-term liabilities approximates the fair value based on current yield for debt instruments with similar terms. The Company's goodwill and other intangible assets are measured at fair value on a non-recurring basis using Level 3 inputs, as discussed in Note 5.

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 and 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.

Common stock equivalents, which are excluded because their effect is anti-dilutive, were 11.7 million and 10.3 million each for the three and six-month period ended March 31, 2019 and 2018, respectively.

Advertising Expenses

The Company expenses the costs of print and internet media advertising and promotions as incurred and reports these costs in selling, general and administrative expenses. For the three and six-month periods ended March 31, 2019 and 2018, advertising expense totaled $0.6 and $1.1 million, and $0.6 and $1.2 million, respectively.

Intangible Assets

Separately identifiable intangible assets held in the form of customer lists, non-compete agreements, customer relationships, management agreements and trade names were recorded at their estimated fair value at the date of acquisition and are amortized over their estimated useful lives ranging from two to ten years using both accelerated and straight-line methods.

Impairment of Long-lived Assets

The Company records an impairment of long-lived assets used in operations, other than goodwill, 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 recognize any impairments during the six-month period ended March 31, 2019 and 2018.

Stock-Based Compensation

The Company accounts for stock-based awards to employees in accordance with FASB ASC 718, "Compensation-Stock Compensation", which requires compensation expense related to share-based transactions, including employee stock options, to be measured and recognized in the financial statements based on a determination of the fair value of the stock options. The grant date fair value is determined using the Black-Scholes-Merton ("Black-Scholes") pricing model. For all employee stock options, we recognize expense 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 FASB ASC 718, "Compensation-Stock Compensation". Such options are valued using the Black-Scholes option pricing model.

See Note 9 for the assumptions used to calculate the fair value of stock-based employee and non-employee compensation. Upon the exercise of options, it is the Company's policy to issue new shares rather than utilizing treasury shares.

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 and group interest and penalties, if any, with income tax expense in the accompanying consolidated statement of operations. As of March 31, 2019 and September 30, 2018, no material accrued interest or penalties are included on the related tax liability line in the consolidated balance sheet.

Segment Data

The Company provides the following distinctive services: (a) direct hire placement services, and (b) temporary professional contract services staffing in the fields of information technology, engineering, medical, and accounting, and (c) temporary contract light industrial staffing. The Company’s 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 Industrial 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 the Company’s operating segments.

3. Recent Accounting Pronouncements

On May 28, 2014, the 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 superseded the existing revenue recognition guidance under U.S. GAAP. 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 was adopted by the Company under the modified retrospective approach effective October 1, 2018. The adoption of this standard did not have a material impact on the Company’s financial statements.

(Dollar amounts in thousands except per share data, unless otherwise stated)

In February 2016 FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The amendment in the ASU are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all eases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. In July 2018, the FASB issued ASU No. 2018-10, "Codification of Improvement to Topic 842 Leases." The amendments in ASU 2018-10 clarify, correct or remove inconsistencies in the guidance provided under ASU 2016-02 related to sixteen specific issues identified. Also, in July 2018, the FASB issued ASU No. 2018-11 "Leases (Topic 842): Targeted Improvement" which now allows entities the option of recognizing the cumulative effect of applying the new standard as an adjustment to the opening balance of retained earnings in the year of adoption while continuing to present all prior period under previous lease accounting guidance. The effective date and transition requirement for these two ASUs are the same as the effective date and transition requirement as ASU 2016-02. While the Company continues to assess all potential impacts of the standard, the Company currently believes the most significant impact relates to recording right-to-use assets and related operating lease liabilities on the condensed consolidated balance sheets.

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.

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:

	March 31, 2019	September 30, 2018
Computer software	$ 1,447	$ 1,447
Office equipment, furniture and fixtures and leasehold improvements	3,470	3,356
Total property and equipment, at cost	4,917	4,803
Accumulated depreciation and amortization	(4,074)	(3,912)
Property and equipment, net	$ 843	$ 891

Depreciation expense for three and six-month periods ended March 31, 2019 and 2018 was approximately $0.1 and $0.2 million each.

5. Intangible Assets

The following tables set forth the costs, accumulated amortization and net book value of the Company's separately identifiable intangible assets as of March 31, 2019 and September 30, 2018, and estimated future amortization expense.

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	March 31, 2019			September 30, 2018		
(in thousands)	**Cost**	**Accumulated Amortization**	**Net Book Value**	**Cost**	**Accumulated Amortization**	**Net Book Value**
Customer relationships	$ 29,070	$ 8,890	$ 20,180	$ 29,070	$ 7,459	$ 21,611
Trade name	8,329	3,248	5,081	8,329	2,537	5,792
Non-Compete agreements	4,331	2,918	1,413	4,331	2,267	2,064
Total	$ 41,730	$ 15,056	$ 26,674	$ 41,730	$ 12,263	$ 29,467

Estimated Amortization Expense	
Remainder of Fiscal 2019	$ 2,794
Fiscal 2020	5,038
Fiscal 2021	4,088
Fiscal 2022	3,469
Fiscal 2023	2,879
Thereafter	8,406
	$ 26,674

The trade names are amortized on a straight – line basis over the estimated useful life of between five and ten years. Intangible assets that represent customer relationships are amortized on the basis of estimated future undiscounted cash flows or using the straight – line basis over estimated remaining useful lives of five to ten years. Non-compete agreements are amortized based on a straight-line basis over the term of the respective noncompete agreements, which are typically five years in duration.

The intangible assets amortization expense was $1.4 million and $2.8 million for each three and six-month periods ended March 31, 2019 and 2018, 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 Bank National Association ("PNC"), and certain investment funds managed by MGG Investment Group LP ("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 $73.8 million consisting of a four-year term loan in the principal amount of $48.8 million and revolving loans in a maximum amount up to the lesser of (i) $25.0 million 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.

The Credit Agreement, as amended, contains certain financial covenants, which are required to be maintained as of the last day of each fiscal quarter, including the following:

Fixed Charge Coverage Ratio (“FCCR”). This is the ratio of consolidated earnings before interest, taxes, depreciation and amortization (“EBITDA”) to Fixed Charges, each of which is as defined in the Credit Agreement, as amended. The minimum FCCR requirements are: 1.00 to 1.00 for the trailing two fiscal quarters ending March 31, 2019; 0.60 to 1.00 for the trailing three fiscal quarters ending June 30, 2019; 0.70 to 1.00 for the trailing four fiscal quarters ending September 30, 2019; 0.75 to 1.00 for the trailing four fiscal quarters ending December 31, 2019; 0.85 to 1.00 for the trailing four fiscal quarters ending March 31, 2020; and 1.00 to 1.00 for each of the trailing four fiscal quarterly periods ending thereafter.

Minimum EBITDA. Minimum EBITDA, which is determined on a consolidated basis and measured on a trailing four (4) quarter basis, as defined in the Credit Agreement, as amended, are: $13 million for the fiscal quarter ending March 31, 2019; $10 million for the fiscal quarter ending June 30, 2019; $10.0 million for the fiscal quarter ending September 30, 2019; $10.0 million for the fiscal quarter ending December 31, 2019; and $11.0 million for the fiscal quarter ending March 31, 2020, and each fiscal quarter thereafter.

Senior Leverage Ratio. This is the ratio of maximum Indebtedness, which is substantially comprised of consolidated senior indebtedness, to consolidated EBITDA, each of which is as defined under the Credit Agreement, as amended. The Senior Leverage Ratios are: 4.25 to 1.00 for the fiscal quarter ending March 31, 2019; 5.50 to 1.00 for the fiscal quarter ending June 30, 2019; 5.50 to 1.00 for the fiscal quarter ending September 30, 2019; 5.60 to 1.00 for the fiscal quarter ending December 31, 2019; and 5.00 to 1.00 for the fiscal quarter ended March 31, 2020, and for each fiscal quarter thereafter.

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.

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 $0.07 million 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, also was 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. 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, $10.0 million 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 Company did not meet its financial loan covenants at September 30, 2018 or at June 30, 2018 or 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 waiver (the “Third Amendment and Waiver”) to the Credit Agreement. Pursuant to the Third Amendment and Waiver, the Lenders 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.

On December 27, 2018, the Company and its subsidiaries, as Borrowers, entered into a fourth amendment and waiver (the "Fourth Amendment and Waiver") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement"). Under the Fourth Amendment and Waiver, the Company and its Lenders have negotiated and agreed to a waiver for non-compliance with the financial covenants under the Credit Agreement as of September 30, 2018, and amendments to the financial covenants and to the remaining scheduled principal payments.

On May 15, 2019, the Company and its subsidiaries, as Borrowers, entered into a fifth amendment and waiver (the "Fifth Amendment") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement"). Under the Fifth Amendment, the Company and its Lenders have negotiated and agreed to a waiver for non-compliance with the financial covenants under the Credit Agreement as of March 31, 2019, and amendments to the financial covenants and to the remaining scheduled principal payments.

Management has taken definitive actions to improve operations, reduce costs and improve profitability, and position the Company for future growth. In addition, the Company's senior lenders have worked with management in providing amendments and waivers to the Company's senior credit facilities as management works towards improving the Company's operations and restructuring its current debt and equity capitalization.

Based on its current projections, management expects that the Company can meet its future debt service requirements and comply with its financial covenants and other commitments, as amended, and will continue to seek reasonable assistance from the Company's senior lenders, as necessary. However, the Company's projections are based on assumptions and estimates about future performance and events, which are subject to change or other unforeseen conditions or uncertainties. As such, there can be no assurance that the Company will not fall into non-compliance with its loan covenants or that its Lenders will continue to provide waivers or amendments to the Company in the event of future non-compliance with debt covenants or other possible events of default that could happen in the future.

Revolving Credit Facility

As of March 31, 2019, the Company had $13.1 million in outstanding borrowings under the Revolving Credit Facility, of which approximately $9.0 million was at an interest rate of approximately 17.49%, approximately $3.7 million was at an interest rate of approximately 17.61%, and the remainder was at an interest rate of approximately 19.50%.

As of March 31, 2019, the Company had $0.5 million 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

The Company had outstanding balances under its Term Loan, as follows:

	March 31, 2019	September 30, 2018
Term loan	$ 42,905	$ 44,505
Unamortized debt discount	(1,611)	(1,921)
Term loan, net of discount	41,294	42,584
Short term portion of term loan, net of discount	1,194	2,331
Long term portion of term loan, net of discount	$ 40,100	$ 40,253

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: Remainder of Fiscal 2019 – $1.0 million, Fiscal 2020 – $5.5 million and Fiscal 2021 - $36.4 million.

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. The Company does not owe any amount as of March 31, 2019.

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.

As of March 31, 2019, the Company had $42.9 million in outstanding borrowings under the Term Loan Facility, of which approximately $36.5 million was at an interest of approximately 17.5%, and approximately $6.4 million was at an interest of approximately 17.49%.

Loan Fees and Amortization

In connection with the Credit Agreement, the Company agreed to pay an original discount fee of approximately $0.9 million, a closing fee for the term loan of approximately $0.1 million, a finder's fee of approximately $1.6 million and a closing fee for the revolving credit facility of approximately $0.5 million. The total of the loan fees paid is approximately $3.1 million. The Company has reported these direct loan-related costs in the form of a discount and reduction of the term loan in the accompanying consolidated balance sheets and is amortizing them as interest expense over the term of the loans. For the six months ended March 31, 2019 and March 31, 2018, the Company amortized approximately $0.4 million of debt discount each.

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7. Accrued Compensation

Accrued Compensation includes accrued wages, the related payroll taxes, employee benefits of the Company's employees, including those working on contract assignments, commissions earned and not yet paid and estimated commissions and bonuses payable.

8. Subordinated Debt – Convertible and Non-Convertible

The Company had outstanding balances under its Convertible and Non-Convertible Subordinated Debt agreements, as follows:

	March 31, 2019	September 30, 2018
10% Convertible Subordinated Note	$ 4,185	$ 4,185
Amended and Restated Non-negotiable promissory note	-	106
Subordinated Promissory Note	1,000	1,000
9.5% Convertible Subordinated Note	12,500	12,500
Total subordinated debt, convertible and non-convertible	17,685	17,791
Short term portion of subordinated debt, convertible and non-convertible	(1,000)	(106)
Long term portion of subordinated debt, convertible and non-convertible	$ 16,685	$ 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 $4.2 million, 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 $4.2 million. 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 $0.4 million which was expensed as loss on the extinguishment of debt during the year ended September 30, 2017.

Total discount recorded at issuance of the original JAX Legacy subordinated note payable was approximately $0.6 million. Total amortization of debt discount for the year ended September 30, 2017 was approximately $0.1 million, and the remaining $0.3 million was written off to loss on extinguishment of debt upon amendment and restatement resulting in the 10% Note.

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 $0.6 million.

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 $0.1 million.

On October 4, 2018 the Company issued approximately 40,226 shares of common stock to Jax Legacy related to interest of $0.1 million on the 10% Note.

On January 4, 2019 the Company issued approximately 148,834 shares of common stock to Jax Legacy related to interest of $0.1 million on the 10% Note.

On April 4, 2019 the Company issued approximately 87,172 shares of common stock to Jax Legacy related to interest of $0.1 million on the 10% Note.

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 approximately $1.2 million (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 $3.0 million. The Company agreed to pay William Daniel Dampier and Carol Lee Dampier 12 equal installments of approximately $107,675, commencing on November 4, 2017 and ending on October 4, 2018. The note was paid off during the three months ended December 31, 2018.

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 issued to the Sellers a subordinated promissory note in the principal amount of $1.0 million (the "Subordinated Note"), The Subordinated Note bears interest at the rate of 5.5% per annum. Interest on the Subordinated Note is payable monthly and principal can only be paid in stock until the term loan and Revolving Credit Facility are repaid. The Subordinated Note is due January 20, 2020 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 acquisition of SNIH an aggregate of $12.5 million in the form of 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 is payable 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 under its Credit Agreement (see Note 6) pursuant to Subordination and Inter-creditor Agreements dated as of March 31, 2017 by and among the Company, the Credit Agreement lenders, and each of the holders of the 9.5% Notes.

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Future minimum payments of all subordinated debt will total approximately as follows: fiscal 2019 - $0.0 million, fiscal 2020 - $1.0 million, fiscal 2021- $0.0 and fiscal 2022 - $16.7 million.

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 $0.9 million on the subordinated note through January 4, 2018.

On October 4, 2018 the Company issued approximately 130,952 shares of common stock to the SNI Sellers related to interest of $0.3 million on the 9.5% Notes.

On January 4, 2019 the Company issued approximately 367,498 shares of common stock to the SNI Sellers related to interest of $0.3 million on the 9.5% Notes.

On April 4, 2019 the Company issued approximately 246,156 shares of common stock to the SNI Sellers related to interest of $0.3 million on the 9.5% Notes.

9. Equity

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 November 9, 2018 the Company issued 250,000 shares of common stock for the conversion of approximately 250,000 shares of Series B Convertible Preferred Stock, see Note 10.

Restricted Stock

During the six months ended March 31, 2019 no restricted stock was granted or exercised. 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. Stock-based compensation expense attributable to restricted stock was $0.2 and $0.4 million, and $0.0 and $0.0 million for the three and six months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, there was approximately $1.8 million of unrecognized compensation expense related to restricted stock outstanding.

A summary of restricted stock activity is presented as follows:

	Number of Shares
Restricted stock outstanding as of September 30, 2018	1,100
Granted	-
Exercised	-
Restricted stock outstanding as of March 31, 2019	1,100

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Warrants

No warrants were granted or exercised during the six months ended March 31, 2019.

	Number of Shares	Weighted Average Exercise Price Per Share ($)	Weighted Average Remaining Contractual Life	Total Intrinsic Value of Warrants ($)
Warrants outstanding as of September 30, 2018	497	3.84	2.87	67
Granted	-	-		
Exercised	-	-		
Forfeited	(58)	2.00		
Warrants outstanding as of December 31, 2018	439	4.09	2.48	-
Granted	-	-		
Exercised	-	-		
Forfeited		-		
Warrants outstanding as of March 31, 2019	439	4.09	2.27	-
Warrants exercisable as of September 30, 2018	497	3.84	2.87	67
Warrants exercisable as of March 31, 2019	439	4.09	2.27	-

Stock Options

As of March 31, 2019, there were stock options outstanding under the Company's Second Amended and Restated 1997 Stock Option Plan and the Company's Amended and Restated 2013 Incentive Stock Plan. Both plans were approved by the shareholders. The plans granted specified numbers of options to non-employee directors, and they authorized the Compensation Committee of the Board of Directors to grant either incentive or non-statutory stock options to employees. Vesting periods are established by the Compensation Committee at the time of grant. All stock options outstanding as of March 31, 2019 and September 30, 2018 were non-statutory stock options, had exercise prices equal to the market price on the date of grant, and had expiration dates ten years from the date of grant.

Stock-based compensation expense attributable to stock options and warrants was $0.3 million and $0.7 million, and 0.3 million and $0.6 million for the three and six months ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and March 31, 2018, there was approximately $2.3 million of unrecognized compensation expense related to unvested stock options outstanding each, and the weighted average vesting period for those options was 3.9 years.

(Dollar amounts in thousands except per share data, unless otherwise stated)

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price per share ($)	Weighted Average Remaining Contractual Life (Years)	Total Intrinsic Value of Options ($)
Options outstanding as of September 30, 2018	1,578	3.76	7.53	142
Granted	394	1.91		
Forfeited/Expired	(178)	3.89		
Options outstanding as of December 31, 2018	1,794	3.34	8.58	-
Granted	-	-		
Exercised	-	-		
Forfeited/Expired	(48)	5.03		
Options outstanding as of March 31, 2019	1,746	3.29	8.34	-
Exercisable as of September 30, 2018	512	5.08	7.30	1
Exercisable as of March 31, 2019	439	5.10	6.87	-

The fair value of stock options granted was made using the Black-Scholes option pricing model and the following assumptions:

	Six Months Ended March 31, 2019
Weighted average fair value of options	$ 1.75
Weighted average risk-free interest rate	3.03%
Weighted average dividend yield	$ -
Weighted average volatility factor	104%
Weighted average expected life (years)	10

10. Mezzanine Equity

On April 3, 2017, the Company issued an aggregate of approximately 5.9 million shares of no par value, Series B Convertible Preferred Stock to certain of the SNIH Stockholders as part of the SNIH acquisition. The no par value, Series B Convertible Preferred Stock has a liquidation preference equal to $4.86 per share and ranks senior to all "Junior Securities" (including the Company's Common Stock) with respect to any distribution of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary.

In the event that the Company declares or pays a dividend or distribution on its Common Stock, whether such dividend or distribution is payable in cash, securities or other property, including the purchase or redemption by the Company or any of its subsidiaries of shares of Common Stock for cash, securities or property, the Company is required to simultaneously declare and pay a dividend on the no par value, Series B Convertible Preferred Stock on a pro rata basis with the Common Stock determined on an as-converted basis assuming all shares had been converted as of immediately prior to the record date of the applicable dividend or distribution.

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Except as set forth in the Resolution Establishing Series (as defined below) or as may be required by Illinois law, the holders of the no par value, Series B Convertible Preferred Stock have no voting rights. Pursuant to the Resolution Establishing Series, without the prior written consent of holders of not less than a majority of the then total outstanding Shares of no par value, Series B Convertible Preferred Stock, voting separately as a single class, the Company shall not create, or authorize the creation of, any additional class or series of capital stock of the Company (or any security convertible into or exercisable for any class or series of capital stock of the Company) that ranks *pari passu* with or superior to the no par value, Series B Convertible Preferred Stock in relative rights, preferences or privileges (including with respect to dividends, liquidation or voting).

Each share of Series B Convertible Preferred Stock is convertible at the option of the holder thereof into one share of Common Stock at an initial conversion price equal to $4.86 per share, which is subject to adjustment in the event of stock splits, stock combinations, capital reorganizations, reclassifications, consolidations, mergers or sales, as set forth in the Resolution Establishing Series.

None of the shares of no par value, Series B Preferred Stock issued to the SNIH Stockholders are registered under the Securities Act. Each of the SNIH Stockholders who received shares of Series B Preferred Stock is an accredited investor. The issuance of the shares of no par value, Series B Preferred Stock 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.

Based on the terms of the Series B Convertible Preferred Stock, if certain fundamental transactions were to occur, the Series B Convertible Preferred Stock would require redemption, which precludes permanent equity classification on the accompanying consolidated Balance Sheet.

During the six months ended March 31, 2019 the Company issued 250,000 shares of common stock for the conversion of approximately 250,000 shares of Series B Convertible Preferred Stock.

11. Income Tax

The following table presents the provision for income taxes and our effective tax rate for the three months ended March 31, 2019 and 2018:

	Three Months Ended, March 31,	
	2019	**2018**
Provision for Income Taxes	(16)	694
Effective Tax Rate	1%	-32%

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.

Our effective tax rate for the three months ended March 31, 2019 is lower than the statutory tax rate primarily due to a decrease in the deferred tax liability related to indefinite lived assets. Other than the deferred tax liability relating to indefinite lived asset, the Company is maintaining a full valuation allowance against the remaining net DTA position.

Our effective tax rate for the three months ended March 31, 2018 is higher than the statutory tax rate primarily due to a tax provision for state income taxes and an increase in the deferred tax liability related to indefinite lived assets.

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	Six Months Ended, March 31,	
	2019	**2018**
Provision for Income Taxes	506	666
Effective Tax Rate	-7%	-17%

Our effective tax rate for the six months ended March 31, 2019 is lower than the statutory tax rate primarily due to an decrease in the deferred tax liability related to indefinite lived assets. Other than the deferred tax liability relating to indefinite lived asset, the Company is maintaining a full valuation allowance against the remaining net DTA position.

Our effective tax rate for the six months ended March 31, 2018 is lower than the statutory tax rate primarily due to a tax provision for state income taxes and 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 six months ended March 31, 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.

12. Commitments and Contingencies

Leases

The Company leases space for all its branch offices, which are generally 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 $0.7 million and $1.5 million, and $0.9 million and $1.7 million for the three and six-month periods ended March 31, 2019 and 2018, respectively.

As of March 31, 2019 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:

Remainder of Fiscal 2019	$ 1,080
Fiscal 2020	1,649
Fiscal 2021	1,043
Fiscal 2022	979
Fiscal 2023	769
Thereafter	918
Total	$ 6,438

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 Company's 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.

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.

GEE GROUP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(Dollar amounts in thousands except per share data, unless otherwise stated)

(in thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Six Months Ended March 31, 2019	Six Months Ended March 31, 2018
Industrial Staffing Services				
Industrial services revenue	$ 5,095	$ 5,127	$ 10,715	$ 10,999
Industrial services gross margin	13.6%	13.6%	13.7%	14.7%
Operating income	$ 82	$ 62	$ 337	$ 316
Depreciation & amortization	66	66	130	132
Accounts receivable – net	3,084	3,425	3,084	3,425
Intangible assets	359	583	359	583
Goodwill	1,084	1,084	1,084	1,084
Total assets	$ 4,527	$ 4,080	$ 4,527	$ 4,080
Professional Staffing Services				
Permanent placement revenue	$ 4,350	$ 5,337	$ 8,880	$ 11,108
Placement services gross margin	100%	100%	100%	100%
Professional services revenue	$ 26,732	$ 29,393	$ 55,125	$ 62,982
Professional services gross margin	25.0%	25.8%	25.6%	26.5%
Operating income	$ 1,413	$ 1,326	$ 3,632	$ 3,762
Depreciation and amortization	1,432	1,426	2,843	2,853
Accounts receivable – net	16,908	17,173	16,908	17,173
Intangible assets	26,315	31,676	26,315	31,676
Goodwill	75,509	75,509	75,509	75,509
Total assets	$ 125,072	$ 131,017	$ 125,072	$ 131,017
Unallocated Expenses				
Corporate administrative expenses	$ 1,103	$ 752	$ 1,713	$ 1,529
Corporate facility expenses	72	104	178	209
Stock Compensation expense	549	336	1,130	629
Acquisition, integration and restructuring expenses	592	181	1,751	221
Total unallocated expenses	$ 2,316	$ 1,373	$ 4,772	$ 2,588
Consolidated				
Total revenue	$ 36,177	$ 39,857	$ 74,720	$ 85,089
Operating income (loss)	(821)	15	(803)	1,490
Depreciation and amortization	1,498	1,492	2,973	2,985
Total accounts receivables – net	19,992	20,598	19,992	20,598
Intangible assets	26,674	32,259	26,674	32,259
Goodwill	76,593	76,593	76,593	76,593
Total assets	$ 129,599	$ 135,097	$ 129,599	$ 135,097

14. Subsequent Events

On May 15, 2019, the Company obtained subscription agreements from members of its senior executive management team and board of directors for the private issuance of $2,000,000 of its 8% Subordinated Promissory Notes Payable due October 3, 2021.

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., a Georgia corporation ("Agile"), Access Data Consulting Corporation, a Colorado corporation ("Access"), Paladin Consulting Inc. ("Paladin") and SNI Companies, a Delaware corporation ("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, Triad Personnel Services and Triad Staffing. As of March 31, 2019, we operated thirty-four branch offices in downtown or suburban areas of major U.S. cities in thirteen states. We have one office located in each of Arizona, Connecticut, Georgia, Minnesota, New Jersey, Virginia and Washington DC, three offices in Colorado and Illinois, four offices in Massachusetts and Texas, six offices in Ohio and seven offices in Florida.

Management has implemented a strategy which includes 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. The Company's contract and placement services are principally provided under two operating divisions or segments: Professional Staffing Services and Industrial Staffing Services. We believe our current segments complement one another and position us for future growth.

Results of Operations

Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018

Net Revenues

Consolidated net revenues are comprised of the following:

	Three Months Ended March 31,			
(in thousands)	**2019**	**2018**	**$ Change**	**% Change**
Professional contract services	$ 26,732	$ 29,393	(2,661)	(9)
Industrial contract services	5,095	5,127	(32)	(1)
Total professional and industrial contract services	31,827	34,520	(2,693)	(8)
Direct hire placement services	4,350	5,337	(987)	(18)
Consolidated net revenues	$ 36,177	$ 39,857	(3,680)	(9)

Contract staffing services contributed $31.8 million or approximately 88% of consolidated revenue and direct hire placement services contributed $4.4 million, or approximately 12%, of consolidated revenue for the three months ended March 31, 2019. This compares to contract staffing services revenue of $34.5 million, or approximately 87%, of consolidated revenue and direct hire placement revenue of $5.3 million, or approximately 13%, of consolidated revenue for the three months ended March 31, 2018.

The overall decrease in contract staffing services revenue of $2.7 million, or 8%, for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 was primarily attributable to reductions in the temporary workforce requirements of a few key customers in the professional and industrial services divisions and, to a lesser extent, higher incidences of bad weather in mid-west and northeastern markets and additional holiday workday in the quarter ended March 31, 2019. In addition, some of the decline in revenue is attributable to the residual effects of office consolidations and office closures and other reductions in its core workforce that were undertaken by the Company to maximize productivity, reduce overall field costs and improve profitability.

Direct hire placement revenue for the three months ended March 31, 2019 decreased by $1 million over the three months ended March 31, 2018. The decrease in direct hire placement revenues also is attributable to the residual effects of office consolidations and office closures and other reductions in its core workforce that were undertaken by the Company to maximize productivity, reduce overall field costs and improve profitability.

The Company continues to pursue opportunities to selectively increase revenue-producing headcount in key markets and industry verticals. The Company also seeks to organically grow its professional contract services revenue and direct hire placement revenue, including 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. The Company's strategic plans to achieve this goal involve, setting aggressive new business growth targets, initiatives to increase services to existing customers, changes to compensation, commission and bonus plans to better incentivize producers, and frequent interaction with the field to monitor and motivate growth. The Company'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.

Cost of Contract Services

Cost of contract services includes wages and related payroll taxes, employee benefits of the Company's contract services employees, and certain other employee-related costs, while working on contract assignments. Cost of contract services for the three months ended March 31, 2019 decreased by approximately 7% to $24.5 million compared to the three months ended March 31, 2018 of $26.2 million. The $1.8 million overall decrease in cost of contract services for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 was primarily attributable to and consistent with the corresponding declines in revenues, which is discussed further below.

	Three Months Ended	
	March 31, 2019	**March 31, 2018**
Professional contract services	25.0%	25.8%
Industrial contract services	13.6%	13.6%
Professional and industrial services combined	23.2%	24.0%
Direct hire placement services	100.0%	100.0%
Combined gross profit margin %(1)	32.4%	34.2%

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

The Company's combined gross profit margin, including direct hire placement services (recorded at 100% gross margin) for the three months ended March 31, 2019 was approximately 32.4% versus approximately 34.2% for the three months ended March 31, 2018. The change in the overall gross margin from the comparable prior three months ended period was principally due to the greater reduction in direct hire placement services revenue proportionally and which have 100% gross margin than the reduction in contract professional services.

In the professional contract staffing services segment, the gross margin (excluding direct placement services) was approximately 25.0% for three months ended March 31, 2019 compared to approximately 25.8% for the three months ended March 31, 2018. The change in professional contract staffing services gross margin was primarily due to proportionally higher revenue from Vendor Management Systems ("VMS"), Managed Service Providers ("MSP"), Master Service Agreements ("MSA") and other volume corporate accounts that occurred in the three months ended March 31, 2019, all of which typically have lower gross margins. Other differences in the composition of revenues among the specialties served by the Company (information technology, engineering, healthcare, finance and accounting and others) also contributed to the change in the professional contract services gross profit and margin.

The Company's industrial staffing services gross margin for the three months ended March 31, 2019 was approximately 13.6%, which is consistent with the three months ended March 31, 2018.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include the following categories:

- ☐ Compensation and benefits in the operating divisions, which includes 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, depreciation and amortization, and other office operating expenses.
- ☐ Recruitment advertising, which includes the cost of identifying job applicants.
- ☐ Other selling, general and administrative expenses, which includes travel, bad debt expense, fees for outside professional services and other corporate-level expenses such as business insurance and taxes.

In addition to depreciation and amortization, which are broken out and reported separately in the consolidated statement of operations from other selling, general and administrative expenses (SG&A), the Company separately reports SG&A expenses incurred that are related to acquisition, integration and restructuring activities. These include expenses associated with former closed and consolidated locations, personnel costs associated with eliminated positions, and other costs incurred related to acquisitions, including associated legal and professional costs. Management believes reporting these expenses separately from other SG&A provides useful information considering the Company's dual track growth strategy of internal (organic) growth and growth by acquisitions and when comparing and considering the Company's operating results and activities with other entities.

The Company's SG&A for the three months ended March 31, 2019, excluding depreciation, amortization and acquisition, integration and restructuring expenses, decreased by approximately $1.5 million as compared to the three months ended March 31, 2018. SG&A for the three months ended March 31, 2019, excluding depreciation, amortization and acquisition, integration and restructuring expenses, as a percentage of revenue was approximately 29%, which is consistent with the three months ended March 31, 2018.

Acquisition, Integration and Restructuring Expenses

The Company classifies and reports costs incurred related to acquisition, integration and restructuring activities separately from other SG&A within its operating expenses. These costs were $0.6 million and $0.2 million for the three months ended March 31, 2019 and 2018, respectively. These costs include mainly 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.

Depreciation Expense

Depreciation expense was $0.1 for the three months ended March 31, 2019, which remained level compared to the three months ended March 31, 2018.

Amortization Expense

Amortization expense was $1.4 for the three months ended March 31, 2019, which remained level compared to the three months ended March 31, 2018.

Loss from Operations

As a result of the matters discussed regarding revenues and operating expenses above, income from operations decreased $0.9 million for the three months ended March 31, 2019 from income of approximately $15,000 for the three months ended March 31, 2018.

Interest Expense

Interest expense for the three months ended March 31, 2019, increased by approximately $0.9 million or 40% compared to the three months ended March 31, 2018. The increase in interest expense is attributable to a scheduled increase in the required interest margin under the Company's senior credit facilities of approximately 500 basis points (5%) annually, that began as of June 1, 2018. Interest expense includes non-cash payments in kind ("PIK") of the Company's common stock of $401,500 for the three months ended March 31, 2019.

Provision for Income Taxes

The Company recognized a tax provision of approximately $0.02 million for the three months ended March 31, 2019. Our effective tax rate for the three months ended March 31, 2019 is lower than the statutory tax rate primarily due to a decrease in the deferred tax liability related to indefinite lived assets. Other than the deferred tax liability relating to indefinite lived asset, the Company is maintaining a full valuation allowance against the remaining net DTA position.

Our effective tax rate for the three months ended March 31, 2018 is higher than the statutory tax rate primarily due to a tax provision for state income taxes and an increase in the deferred tax liability related to indefinite lived assets.

Net Loss

As a result of the matters discussed regarding revenues and expenses above, the Company incurred net losses for the three months ended March 31, 2019 and 2018 of $3.9 million and $2.9 million, respectively.

Six Months Ended March 31, 2019 Compared to the Six Months Ended March 31, 2018

Net Revenues

Consolidated net revenues are comprised of the following:

(in thousands)	Six Months Ended March 31, 2019	Six Months Ended March 31, 2018	$ Change	% Change
Professional contract services	$ 55,125	$ 62,982	(7,857)	(12)
Industrial contract services	10,715	10,999	(284)	(3)
Total professional and industrial contract services	65,840	73,981	(8,141)	(11)
Direct hire placement services	8,880	11,108	(2,228)	(20)
Consolidated net revenues	$ 74,720	$ 85,089	(10,369)	(12)

Contract staffing services contributed $65.8 million or approximately 88% of consolidated revenue and direct hire placement services contributed $8.9 million, or approximately 12%, of consolidated revenue for the six months ended March 31, 2019. This compares to contract staffing services revenue of $74.0 million, or approximately 87%, of consolidated revenue and direct hire placement revenue of $11.1 million, or approximately 13%, of consolidated revenue for the six months ended March 31, 2018.

The overall decrease in contract staffing services revenue of $8.1 million, or 11%, for the six months ended March 31, 2019 compared to the six months ended March 31, 2018 was primarily attributable to reductions in the temporary workforce requirements of a few key customers in the professional and industrial services divisions, and to a lesser extent, higher incidences of bad weather in mid-west and northeastern markets, an additional holiday workdays in the six months ended March 31, 2019 and December 31, 2018. In addition, some of the decline in revenue is attributable to the residual effects of office consolidations and office closures and other reductions in its core workforce that were undertaken by the Company to maximize productivity, reduce overall field costs and improve profitability.

Direct hire placement revenue for the six months ended March 31, 2019 decreased by $2.2 million over the six months ended March 31, 2018. The decrease in direct hire placement revenues also is attributable to the residual effects of office consolidations and office closures and other reductions in its core workforce that were undertaken by the Company to maximize productivity, reduce overall field costs and improve profitability. In addition, management believes market speculation of an impending recession in the U.S economy during the first fiscal quarter of 2019 had a cooling effect on hiring, especially around the holiday season.

The Company continues to pursue opportunities to selectively increase revenue producing headcount in key markets and industry verticals. The Company also seeks to organically grow its professional contract services revenue and direct hire placement revenue, including 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. The Company's strategic plans to achieve this goal involve, setting aggressive new business growth targets, initiatives to increase services to existing customers, changes to compensation, commission and bonus plans to better incentivize producers, and frequent interaction with the field to monitor and motivate growth. The Company'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.

Cost of Contract Services

Cost of contract services includes wages and related payroll taxes, employee benefits of the Company's contract services employees, and certain other employee-related costs, while working on contract assignments. Cost of contract services for the six months ended March 31, 2019 decreased by approximately 10% to $50.3 million compared to the six months ended March 31, 2018 of $55.7 million. The $5.4 million overall decrease in cost of contract services for the six months ended March 31, 2019 compared to the six months ended March 31, 2018 was primarily attributable to and consistent with the corresponding declines in revenues, which is discussed further below.

Gross Profit percentage by service:

	Six Months Ended	
	March 31, 2019	**March 31, 2018**
Professional contract services	25.6%	26.5%
Industrial contract services	13.7%	14.7%
Professional and industrial services combined	23.6%	24.7%
Direct hire placement services	100.0%	100.0%
Combined gross profit margin %(1)	32.7%	34.6%

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

The Company's combined gross profit margin, including direct hire placement services (recorded at 100% gross margin) for the six months ended March 31, 2019 was approximately 32.7% versus approximately 34.6% for the six months ended March 31, 2018. The change in the overall gross margin from the comparable prior six months ended period was principally due to the greater reduction in direct hire placement services revenue proportionally and which have 100% gross margin than the reduction in contract professional services.

In the professional contract staffing services segment, the gross margin (excluding direct placement services) was approximately 25.6% for six months ended March 31, 2019 compared to approximately 26.5% for the six months ended March 31, 2018. The change in professional contract staffing services gross margin was primarily due to proportionally higher revenue from Vendor Management Systems ("VMS"), Managed Service Providers ("MSP"), Master Service Agreements ("MSA") and other volume corporate accounts that occurred in the six months ended March 31, 2019, all of which typically have lower gross margins. Other differences in the composition of revenues among the specialties served by the Company (information technology, engineering, healthcare, finance and accounting and others) also contributed to the change in the professional contract services gross profit and margin.

The Company's industrial staffing services gross margin for the six months ended March 31, 2019 was approximately 13.7% versus approximately 14.7% for the six months ended March 31, 2018.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include the following categories:

- Compensation and benefits in the operating divisions, which includes 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, depreciation and amortization, and other office operating expenses.

- Recruitment advertising, which includes the cost of identifying job applicants.

- Other selling, general and administrative expenses, which includes travel, bad debt expense, fees for outside professional services and other corporate-level expenses such as business insurance and taxes.

In addition to depreciation and amortization, which are broken out and reported separately in the consolidated statement of operations from other selling, general and administrative expenses (SG&A), the Company separately reports SG&A expenses incurred that are related to acquisition, integration and restructuring activities. These include expenses associated with former closed and consolidated locations, personnel costs associated with eliminated positions, and other costs incurred related to acquisitions, including associated legal and professional costs. Management believes reporting these expenses separately from other SG&A provides useful information considering the Company's dual track growth strategy of internal (organic) growth and growth by acquisitions and when comparing and considering the Company's operating results and activities with other entities.

The Company's SG&A for the six months ended March 31, 2019, excluding depreciation, amortization and acquisition, integration and restructuring expenses, decreased by approximately $4.2 million as compared to the six months ended March 31, 2018. SG&A for the six months ended March 31, 2019, excluding depreciation, amortization and acquisition, integration and restructuring expenses, as a percentage of revenue was approximately 28%, which is consistent with the six months ended March 31, 2018.

Acquisition, Integration and Restructuring Expenses

The Company classifies and reports costs incurred related to acquisition, integration and restructuring activities separately from other SG&A within its operating expenses. These costs were $1.8 million and $0.2 for the six months ended March 31, 2019 and 2018, respectively. These costs include mainly 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.

Depreciation Expense

Depreciation expense was $0.2 for the six months ended March 31, 2019, which remained level compared to the six months ended March 31, 2018.

Amortization Expense

Amortization expense was $2.8 for the six months ended March 31, 2019, remained level compared to the six months ended March 31, 2018.

Loss from Operations

As a result of the matters discussed regarding revenues and operating expenses above, income from operations decreased $2.3 million, to a loss of approximately $0.8 million for the six months ended March 31, 2019 from income of approximately $1.5 million for the six months ended March 31, 2018.

Interest Expense

Interest expense for the six months ended March 31, 2019, increased by approximately $0.5 million or 10% compared to the six months ended March 31, 2018. The increase in interest expense is attributable to a scheduled increase in the required interest margin under the Company's senior credit facilities of approximately 500 basis points (5%) annually, that began as of June 1, 2018.

Provision for Income Taxes

The Company recognized a tax expense of approximately $0.5 million for the six months ended March 31, 2019. Our effective tax rate for the six months ended March 31, 2019 is lower than the statutory tax rate primarily due to an increase in the deferred tax liability related to indefinite lived assets. Other than the deferred tax liability relating to indefinite lived asset, the Company is maintaining a full valuation allowance against the remaining net DTA position.

Our effective tax rate for the six months ended March 31, 2018 is lower than the statutory tax rate primarily due to a tax provision for state income taxes and 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 six months ended March 31, 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.

Net Loss

As a result of the matters discussed regarding revenues and expenses above, the Company incurred net losses for the six months ended March 31, 2019 and 2018 of $7.3 million and $4.7 million, respectively.

Liquidity and Capital Resources

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

	Six Months Ended	
(in thousands)	**March 31, 2019**	**March 31, 2018**
Cash flows provided by operating activities	$ 227	$ 172
Cash flows used in investing activities	$ (83)	$ (199)
Cash flows provided by (used in) financing activities	$ (596)	$ 180

As of March 31, 2019, the Company had $2.8 million of cash which was a decrease of approximately $0.5 million from approximately $3.2 million as of September 30, 2018. As of March 31, 2019, the Company had working capital of $11.2 million compared to $13.1 million of working capital as of September 30, 2018.

Net cash provided by operating activities for the six months ended March 31, 2019 was consistent with the six month period ended March 31, 2018.

The primary uses of cash for investing activities were for the acquisition of property and equipment in the six months ended March 31, 2019 and 2018.

Cash flow used in financing activities for the six months ended March 31, 2019 was primarily for payments on our term loan offset by proceeds from advances taken on the revolving credit facility. Cash flow provided by financing activities for the six months ended March 31, 2018 was primarily from net borrowings of the Revolving Credit Facility offset by payment of term loan.

Minimum debt service payments (principal) for the twelve-month period commencing after the close of business on March 31, 2019, are approximately $2.2 million. 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 March 31, 2019, are approximately $2 million.

In recent years, the Company has incurred significant net losses. Management has taken definitive actions to improve operations, reduce costs and improve profitability, and position the Company for future growth. In addition, the Company’s senior lenders have worked with management in providing amendments and waivers to the Company’s senior credit facilities as management works towards improving the Company’s operations and restructuring its current debt and equity capitalization.

Based on its current projections, management expects that the Company can meet its future debt service requirements and comply with its financial covenants and other commitments, as amended, and will continue to seek reasonable assistance from the Company's senior lenders, as necessary. However, the Company's projections are based on assumptions and estimates about future performance and events, which are subject to change or other unforeseen conditions or uncertainties. As such, there can be no assurance that the Company will not fall into non-compliance with its loan covenants or that its Lenders will continue to provide waivers or amendments to the Company in the event of future non-compliance with debt covenants or other possible events of default that could happen in the future.

Revolving Credit Facility and Term Loan

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 Bank National Association ("PNC"), and certain investment funds managed by MGG Investment Group LP ("MGG"). Initial funds were distributed on April 3, 2017, the closing date to repay the 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 $73.8 million consisting of a four-year term loan in the principal amount of $48.8 million and revolving loans in a maximum amount up to the lesser of (i) $25.0 million 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 $48.8 million from term loans and borrowed approximately $7.5 million from the Revolving Credit Facility for a total of $56.2 million, 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 covenants applicable to both the Revolving Credit Facility and Term Loan. In addition to the 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 September 30, 2018 or at June 30, 2018 or 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 waiver (the "Third Amendment and Waiver") to the Credit Agreement. Pursuant to the Third Amendment and Waiver, the Lenders 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.

On December 27, 2018, the Company and its subsidiaries, as Borrowers, entered into a fourth amendment and waiver (the "Fourth Amendment and Waiver") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement"). Under the Fourth Amendment and Waiver, the Company and its Lenders negotiated and agreed to a temporary waiver for non-compliance with the financial covenants under the Credit Agreement as of September 30, 2018, and amendments to the financial covenants and to the remaining scheduled principal payments.

On May 15, 2019, the Company and its subsidiaries, as Borrowers, entered into a fifth amendment and waiver (the "Fifth Amendment") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement"). Under the Fifth Amendment, the Company and its Lenders have negotiated and agreed to a waiver for non-compliance with the financial covenants under the Credit Agreement as of March 31, 2019, and amendments to the financial covenants and to the remaining scheduled principal payments.

On May 15, 2019, in connection with the Fifth Amendment, the Company and its subsidiaries, as Borrowers, entered into a Letter Agreement (the "Letter Agreement") which is the "Specified Agreement" referred to in the Credit Agreement. Under the Letter Agreement, if the Revolving Commitments (as defined in the Credit Agreement) remain outstanding on September 30, 2019, then on the following business day the Company will be required to hire an operating consultant reasonably acceptable to the Lenders to act in an advisory capacity to the Company.

Subordinated Debt – Convertible and Non-Convertible

On October 2, 2015, the Company issued and sold a Subordinated Note in the aggregate principal amount of $4,185,000 to JAX Legacy – Investment 1, LLC ("JAX") pursuant to a Subscription Agreement dated October 2, 2015 between the Company and Jax. On April 3, 2017, the Company and JAX amended and restated the Subordinated Note in its entirety in the form of the 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 10% Note is convertible into shares of the Company's Common Stock at a conversion price equal to $5.83 per share (subject to adjustment as provided in the 10% Note upon any stock dividend, stock combination or stock split or upon the consummation of certain fundamental transactions) (the "Conversion Price"). The 10% Note is subordinated in payment to the obligations of the Company to the lending parties to the Credit Agreement, pursuant to a Subordination and Inter-creditor Agreements, dated as of March 31, 2017 by and among the Company, the Borrowers, the Agent and JAX. The 10% Note issued to JAX is not registered under the Securities Act of 1933, as amended (the "Securities Act"). JAX is an accredited investor. The issuance of the 10% Note to JAX is exempt from the registration requirements of the Act in reliance on an exemption from registration provided by Section 4(2) of the Act.

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 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.

On January 20, 2017, the Company entered into Addendum No. 1 (the "Addendum") to the Paladin Agreement 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 shall pay $250,000 in cash to the Sellers on or 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. 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). The Company has paid the $250,000 cash payment to the Sellers.

On April 3, 2017, the Company issued and paid to certain SNIH Stockholders as part of the SNIH acquisition an aggregate of $12.5 million in aggregate principal amount of its 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 lending parties to the Credit Agreement, pursuant to those certain Subordination and Inter-creditor Agreements, each dated as of March 31, 2017 by and among the Company, the other borrowers under the Credit Agreement, the Agent under the Credit Agreement and each of the holders of the 9.5% Notes.

Series B Convertible Preferred Stock

On April 3, 2017, the Company agreed to issue to certain SNIH Stockholders upon receipt of duly executed letters of transmittal as part of the SNIH acquisition, an aggregate of approximately 5,926,000 shares of its Series B Convertible Preferred Stock. The Series B Convertible Preferred Stock has a liquidation preference equal to $4.86 per share and ranks senior to all "Junior Securities" (including the Company's Common Stock) with respect to any distribution of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. In the event that the Company declares or pays a dividend or distribution on its Common Stock, whether such dividend or distribution is payable in cash, securities or other property, including the purchase or redemption by the Company or any of its subsidiaries of shares of Common Stock for cash, securities or property, the Company is required to simultaneously declare and pay a dividend on the Series B Convertible Preferred Stock on a pro rata basis with the Common Stock determined on an as-converted basis assuming all Shares had been converted as of immediately prior to the record date of the applicable dividend or distribution. On April 3, 2017, the Company filed a Statement of Resolution Establishing its Series B Convertible Preferred Stock with the State of Illinois. (the "Resolution Establishing Series"). Except as set forth in the Resolution Establishing Series, the holders of the Series B Convertible Preferred Stock have no voting rights. Pursuant to the Resolution Establishing Series, without the prior written consent of holders of not less than a majority of the then total outstanding Shares of Series B Convertible Preferred Stock, voting separately as a single class, the Company shall not create, or authorize the creation of, any additional class or series of capital stock of the Company (or any security convertible into or exercisable for any class or series of capital stock of the Company) that ranks *pari passu* with or superior to the Series B Convertible Preferred Stock in relative rights, preferences or privileges (including with respect to dividends, liquidation or voting). Each share of Series B Convertible Preferred Stock is convertible at the option of the holder thereof into one share of Common Stock at an initial conversion price equal to $4.86 per share, each as subject to adjustment in the event of stock splits, stock combinations, capital reorganizations, reclassifications, consolidations, mergers or sales, as set forth in the Resolution Establishing Series.

None of the shares of Series B Preferred Stock issued to the SNIH Stockholders are registered under the Securities Act. Each of the SNIH Stockholders who received shares of Series B Preferred Stock is an accredited investor. The issuance of the shares of Series B Preferred Stock 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.

During the six months ended March 31, 2019, the Company issued 250,000 shares of common stock for the conversion of approximately 250,000 shares of Series B Convertible Preferred Stock.

Off-Balance Sheet Arrangements

As of March 31, 2019, 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 March 31, 2019, the Company's management evaluated, with the participation of its principal executive officer and its principal financial officer, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act"). Based on that evaluation, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2019.

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 three months ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION.

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

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 May 15, 2019, the Company and its subsidiaries, as Borrowers, entered into a fifth amendment and waiver (the "Fifth Amendment") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement"). Under the Fifth Amendment, the Company and its Lenders have negotiated and agreed to a waiver for non-compliance with the financial covenants under the Credit Agreement as of March 31, 2019, and amendments to the financial covenants and to the remaining scheduled principal payments. A copy of the Fifth Amendment, dated as of May 15, 2019 is filed as Exhibit 10.1 to this quarterly report on Form 10-Q.

On May 15, 2019, in connection with the Fifth Amendment, the Company and its subsidiaries, as Borrowers, entered into a Letter Agreement (the "Letter Agreement") which is the "Specified Agreement" referred to in the Credit Agreement. Under the Letter Agreement, if the Revolving Commitments (as defined in the Credit Agreement) remain outstanding on September 30, 2019, then on the following business day the Company will be required to hire an operating consultant reasonably acceptable to the Lenders to act in an advisory capacity to the Company. A copy of the Letter Agreement, dated as of May 15, 2019 is filed as Exhibit 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*	Fifth Amendment, dated as of May 15, 2019, 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*	Letter Agreement, dated as of May 15, 2019, 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.
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

* Filed herewith.

** Furnished herewith. This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filings of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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: May 15, 2019

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)

**FIFTH AMENDMENT
TO REVOLVING CREDIT, TERM LOAN
AND SECURITY AGREEMENT**

FIFTH AMENDMENT, dated as of May 15, 2019 (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 (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 Loan Parties, the Agents and the Lenders are parties to the Credit Agreement, pursuant to which the Lenders have made and may hereafter make certain loans and have provided and may hereafter provide certain other financial accommodations to the Borrowers;

WHEREAS, the Loan Parties have requested that the Agents and the Lenders amend certain terms and conditions of the Credit Agreement; and

WHEREAS, the Agents and the Lenders are willing to amend such terms and conditions of the Credit Agreement on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are 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. Amendments.

(a) New Definitions. Section 1.2 of the Credit Agreement is hereby amended by adding the following definitions, in appropriate alphabetical order:

(i) "Amendment No. 5" shall mean the Fifth Amendment to Revolving Credit, Term Loan and Security Agreement, dated as of May 15, 2019, by and among the Loan Parties, the Agents and the Lenders.

(ii) "Amendment No. 5 Effective Date" shall mean the 'Amendment No. 5 Effective Date' as set forth in Amendment No. 5.

(iii) "Specified Agreement" mean the letter agreement, dated May 15, 2019, among the Agents and Holdings.

(iv) "Subordinated Notes (Amendment No. 5)" shall mean the 8% Convertible Subordinated Nonnegotiable Promissory Notes, dated May 15, 2019, by Holdings in favor of the respective holders in the original aggregate principal amount of $2,000,000 (as the same may be amended, modified or supplemented to the extent permitted hereby), in form and substance satisfactory to the Agents.

(v) "Subordination Agreements (Amendment No. 5)" shall mean the Subordination Agreements, dated as of May 15, 2019, by and among the Administrative Agent, the Collateral Agent and the respective holders of the Subordinated Notes (Amendment No. 5), substantially in the form attached as Exhibit A (as the same may be amended, modified or supplemented to the extent permitted hereby).

(vi) "Subscription Agreements (Amendment No. 5)" shall mean the Subscription Agreements dated as of May 1, 2019 executed by the respective holders of the Subordinated Notes (Amendment No. 5).

(b) Existing Definitions. Section 1.2 of the Credit Agreement is hereby amended as follows:

(i) "Other Documents" is hereby amended and restated in its entirety as follows:

"Other Documents" shall mean the Notes, the Perfection Certificate, any Guaranty, any Guarantor Security Agreement, any Pledge Agreement, any Lender-Provided Interest Rate Hedge, any Lender-Provided Foreign Currency Hedge, the Intercompany Subordination Agreement, the Subordination Agreements, the SNI Acquisition Collateral Assignment, the Disbursement Letter, any VCOC Management Rights Agreement, the Fee Letter, any Joinder Agreement, the Specified Agreement and any and all other agreements, instruments and documents, including the intercreditor agreements, guaranties, pledges, powers of attorney, consents, interest or currency swap agreements or other similar agreements and all other writings heretofore, now or hereafter executed by any Loan Party and/or delivered to any Agent or any Lender in respect of the transactions contemplated by this Agreement or any of the Other Documents, in each case together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof."

(ii) “Specified Subordinated Debt Documents” is hereby amended and restated in its entirety as follows:

“Specified Subordinated Debt Documents” shall mean, collectively, the following (as the same may be amended, modified or supplemented to the extent permitted hereby): (a) the Subordinated Note (JAX), (b) the Subordinated Note (Timothy), (c) the Subordinated Note (Dampier), (d) the SNI Seller Notes, (e) the Subordinated Notes (Amendment No. 5) and (f) all of the other agreements, instruments and other documents related thereto or executed in connection therewith.

(iii) “Subordination Agreements” is hereby amended and restated in its entirety as follows:

“Subordination Agreements” shall mean, collectively, the Subordination Agreement (JAX), the Subordination Agreement (Dampier), the Subordination Agreement (Timothy), the Subordination Agreement (SNI) and the Subordination Agreements (Amendment No. 5).”

(c) Section 2.3(c) (Term Loans). The table set forth in Section 2.3(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“Date	**Principal Payment Required**
June 30, 2019	$ 500,000.00
September 30, 2019	$ 500,000.00
December 31, 2019	$ 500,000.00
March 31, 2020	$ 500,000.00
June 30, 2020	$2,236,632.00
September 30, 2020	$2,236,632.00
December 31, 2020	$2,236,632.00

(d) Section 6.5(a) (Fixed Charge Coverage Ratio). Section 6.5(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(a) Fixed Charge Coverage Ratio. Cause to be maintained as of the last day of each fiscal quarter, a Fixed Charge Coverage Ratio for Holdings and its Subsidiaries on a Consolidated Basis of not less than the amount set forth below opposite such fiscal quarter:

Fiscal Quarter Ending	**Minimum Fixed Charge Coverage Ratio**
For the two (2) fiscal quarters ending March 31, 2019	1.00 to 1.00
For the three (3) fiscal quarters ending June 30, 2019	0.60 to 1.00
For the four (4) fiscal quarters ending September 30, 2019	0.70 to 1.00
For the four (4) fiscal quarters ending December 31, 2019	0.75 to 1.00
For the four (4) fiscal quarters ending March 31, 2020	0.85 to 1.00
For the four (4) fiscal quarters ending June 30, 2020 and for each four (4) fiscal quarter period ending thereafter	1.00 to 1.00

(e) Section 6.5(b) (Minimum EBITDA). Section 6.5(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) Minimum EBITDA. Cause to be maintained as of the last day of each fiscal quarter, EBITDA for Holdings and its Subsidiaries on a Consolidated Basis of not less than the amount set forth below opposite such fiscal quarter, in each case, measured on a trailing four (4) quarter basis:

Fiscal Quarter Ending	**EBITDA**
March 31, 2019	$13,000,000
June 30, 2019	$10,000,000
September 30, 2019	$10,000,000
December 31, 2019	$10,000,000
March 31, 2020 and each fiscal quarter ending thereafter	$11,000,000

(f) Section 6.5(c) (Senior Leverage Ratio). Section 6.5(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(c) Senior Leverage Ratio. Cause to be maintained as of the last day of each fiscal quarter, a Senior Leverage Ratio for Holdings and its Subsidiaries on a Consolidated Basis of not greater than the amount set forth below opposite such fiscal quarter, in each case, measured on a trailing four (4) quarter basis:

Fiscal Quarter Ending	**Senior Leverage Ratio**
March 31, 2019	4.25 to 1.00
June 30, 2019	5.50 to 1.00
September 30, 2019	5.50 to 1.00
December 31, 2019	5.60 to 1.00
March 31, 2020 and each fiscal quarter ending thereafter	5.00 to 1.00

(g) Section 6.10 (Specified Condition). Section 6.10 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 6.10 Specified Condition. The Loan Parties shall satisfy the Specified Condition (as such term is defined in the Specified Agreement)."

(h) Section 10.5 (Noncompliance). Clause (i) of Section 10.5 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(i) failure or neglect of any Loan Party to perform, keep or observe any term, provision, condition, covenant contained in Sections 4.6, 4.8(h), 6.1, 6.2(b), 6.2(c), 6.5, 6.6, and 6.7, 6.10, 6.17(d), Article VII, and Sections 9.2, 9.7, 9.8, 9.9, 9.10 and 9.12 of this Agreement".

(i) Section 16.3 (Successors and Assigns; Participations; New Lenders). Section 16.3(c) is hereby amended and restated in its entirety as follows:

"(c) Any Lender may sell, assign or transfer all or any part of its rights and obligations under or relating to Revolving Advances and/or Term Loans, as applicable, under this Agreement and the Other Documents to one or more additional Persons and one or more additional Persons may commit to make Advances hereunder (each a "Purchasing Lender"), in minimum amounts of not less than $3,000,000 or such smaller increments as the applicable Agent approves (provided that such minimum amount shall not apply to an assignment by a Lender to another Lender, an Affiliate of such Lender or a Related Fund of such Lender), pursuant to a Commitment Transfer Supplement, executed by a Purchasing Lender, the transferor Lender and Administrative Agent (or Term Loan Agent, as applicable) and delivered to Administrative Agent (or Term Loan Agent, as applicable) for recording, provided, that (i) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to each of the Revolving Advances and/or Term Loans under this Agreement in which such Lender has an interest; (ii) any assignment by any Revolving Lender or any Term Loan Lender shall require the written consent of each Agent; and (iii) no written consent of Administrative Agent or Term Loan Agent shall be required (A) in connection with any assignment by a Lender to another Lender, an Affiliate of such Lender or a Related Fund of such Lender or (B) if such assignment is in connection with any merger, consolidation, sale, transfer, or other disposition of all or any substantial portion of the business or loan portfolio of such Lender. Upon such execution, delivery, acceptance and recording, from and after the transfer effective date determined pursuant to such Commitment Transfer Supplement, (i) Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Commitment Transfer Supplement, have the rights and obligations of a Lender thereunder with a Revolving Commitment Percentage and/or Term Loan Commitment Percentage as set forth therein, and (ii) the transferor Lender thereunder shall, to the extent provided in such Commitment Transfer Supplement, be released from its obligations under this Agreement, the Commitment Transfer Supplement creating a novation for that purpose. Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of the Revolving Commitment Percentages and/or Term Loan Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Each Loan Party hereby consents to the addition of such Purchasing Lender and the resulting adjustment of the Revolving Commitment Percentages and/or Term Loan Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Loan Parties shall execute and deliver such further documents and do such further acts and things in order to effectuate the foregoing."

3. Limited Waiver.

(a) Subject to satisfaction of the conditions set forth in Section 5 hereof, and in reliance upon the representations and warranties of 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 March 31, 2019.

(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. (i) 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 No. 5 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 No. 5 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), other than (A) the representations and warranties contained in Section 5.5(a) and (b) of the Credit Agreement to the extent that the Pro Forma Balance Sheet and the Projections were prepared in part based on representations and warranties made by the Acquired Companies and/or the SNIH Stockholders (as each such term is defined in the SNI Acquisition Documents) in respect of the balance sheet and the cash flow and balance sheet projections of the Acquired Companies that were not true and correct in all material respects as of the Closing Date and (B) the representations and warranties contained in Section 5.19 of the Credit Agreement that there has been no breach of any material term or condition of the SNI Acquisition Documents to the extent that any representations and warranties made by the Acquired Companies and/or the SNIH Stockholders were not true and correct in all material respects as of the Closing Date, and (ii) no Default or Event of Default has occurred and is continuing as of the Amendment No. 5 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, or limited liability company 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.

(e) Enforceability. This Amendment is, and each Other Document to which any Loan Party is or will be a party, when delivered hereunder, will be, a legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by principles of equity.

5. Conditions to Effectiveness. This Amendment shall become effective only upon satisfaction in full, in a manner satisfactory to the Agents, of the following conditions precedent (the first date upon which all such conditions shall have been satisfied being hereinafter referred to as the "Amendment No. 5 Effective Date"):

(a) Payment of Fees, Etc. The Borrowers shall have paid, on or before the Amendment No. 5 Effective Date, all fees (including the fees of Schulte Roth & Zabel LLP, counsel to the Agents and the Lenders), costs, expenses and taxes then payable pursuant to Article III and Section 16.09 of the Credit Agreement.

(b) Representations and Warranties. The representations and warranties contained in this Amendment, 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 applicable 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 No. 5 Effective Date as though made on and as of such date, (i) except to the extent that any such representation or warranty expressly relates solely to an earlier date (in which case such representation or warranty shall be true and correct on and as of such earlier date) and (ii) other than (A) the representations and warranties contained in Section 5.5(a) and (b) of the Credit Agreement to the extent that the Pro Forma Balance Sheet and the Projections were prepared in part based on representations and warranties made by the Acquired Companies and/or the SNIH Stockholders (as each such term is defined in the SNI Acquisition Documents) in respect of the balance sheet and the cash flow and balance sheet projections of the Acquired Companies that were not true and correct in all material respects as of the Closing Date and (B) the representations and warranties contained in Section 5.19 of the Credit Agreement that there has been no breach of any material term or condition of the SNI Acquisition Documents to the extent that any representations and warranties made by the Acquired Companies and/or the SNIH Stockholders were not true and correct in all material respects as of the Closing Date.

(c) No Default; Event of Default. No Default or Event of Default shall have occurred and be continuing on the Amendment No. 5 Effective Date or result from this Amendment becoming effective in accordance with its terms.

(d) Delivery of Documents. The Agents shall have received on or before the Amendment No. 5 Effective Date copies of the following documents:

(i) this Amendment, duly executed by the Loan Parties, each Agent and each Lender;

(ii) the Subscription Agreements, the Subordinated Notes (Amendment No. 5) and the Subordination Agreements (Amendment No. 5), each duly executed by those Persons party thereto; and

(iii) the Specified Agreement, duly executed by Holdings and the Agents.

(e) Subscription Agreements. Holdings shall have received no less than $2,000,000 in cash pursuant to the terms of the Subscription Agreements.

(f) Material Adverse Effect. The Agents shall have determined, in their reasonable judgment, that no event or development shall have occurred since September 30, 2018, which could reasonably be expected to have a Material Adverse Effect.

(g) Liens; Priority. The Agents shall be satisfied that the Collateral Agent has been granted, and holds, for the benefit of the Agents and the Lenders, a perfected, first priority Lien on and security interest in all of the Collateral, subject only to Permitted Encumbrances, to the extent such Liens and security interests are required pursuant to the Credit Agreement and the Other Documents to be granted or perfected on or before the Amendment No. 5 Effective Date.

(h) Approvals. All consents, authorizations and approvals of, and filings and registrations with, and all other actions in respect of, any Governmental Body or other Person required in connection with the Credit Agreement and any Other Document or the transactions contemplated thereby or the conduct of the Loan Parties' business shall have been obtained or made and shall be in full force and effect. There shall exist no claim, action, suit, investigation, litigation or proceeding (including, without limitation, shareholder or derivative litigation) pending or, to the knowledge of any Loan Party, threatened in any court or before any arbitrator or Governmental Body which (i) relates to the Credit Agreement and the Other Documents or the transactions contemplated thereby or (ii) could reasonably be expected to have a Material Adverse Effect.

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 No. 5 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. No Novation. Nothing herein contained shall be construed as a substitution or novation of the Obligations outstanding under the Credit Agreement or instruments securing the same, which shall remain in full force and effect, except as modified hereby.

8. No Representations by Agents or Lenders. Each Loan Party hereby acknowledges that it has not relied on any representation, written or oral, express or implied, by any Agent or any Lender, other than those expressly contained herein, in entering into this Amendment.

9. Release.

(a) 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 No. 5 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 No. 5 Effective Date.

(b) 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.

(c) 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.

(d) 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 9. 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.

10. Further Assurances. The Loan Parties shall execute any and all further documents, agreements and instruments, and take all further actions, as may be required under Applicable Law or as any Agent may reasonably request, in order to effect the purposes of this Amendment.

11. 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 an “Other Document” under the Credit Agreement. Accordingly, it shall be an immediate Event of Default under the Credit Agreement if (i) any representation or warranty made by any Loan Party under or in connection with this Amendment shall have been incorrect in any respect when made or deemed 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.

[*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:
Title:

SCRIBE SOLUTIONS INC.

By: ______________________________
Name:
Title:

AGILE RESOURCES, INC.

By: ______________________________
Name:
Title:

ACCESS DATA CONSULTING CORPORATION

By: ______________________________
Name:
Title:

TRIAD PERSONNEL SERVICES, INC.

By:
Name:
Title:

TRIAD LOGISTICS, INC.

By: ______________________________
Name:
Title:

PALADIN CONSULTING, INC.

By: ______________________________
Name:
Title:

BMCH, INC.

By: ______________________________
Name:
Title:

GEE GROUP PORTFOLIO INC.

By: ______________________________
Name:
Title:

SNI COMPANIES

By: ______________________________
Name:
Title:

AGENTS:

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

By: MGG GP LLC, its general partner

By: ______________________________
Name:
Title:

LENDERS:

MGG SPECIALTY FINANCE FUND LP, as a Term Loan Lender and a Revolving Lender

By: MGG Investment Group GP LLC

By: ______________________________
Name:
Title:

MGG FUNDING II, LLC, as a Term Loan Lender

By: MGG Investment Group GP LLC

By: ______________________________
Name:
Title:

MGG SF DRAWDOWN UNLEVERED FUND LP, as a Term Loan Lender

By: MGG Investment Group GP LLC, its general partner

By: ______________________________
Name:
Title:

MGG SF EVERGREEN UNLEVERED FUND LP, as a Term Loan Lender

By: MGG Investment Group GP LLC, its general partner

By: ______________________________
Name:
Title:

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

By: MGG Investment Group GP LLC, its general partner

By: ______________________________
Name:
Title:

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

By: MGG Investment Group GP II LLC, its general partner

By: ______________________________
Name:
Title:

CM FINANCE SPV, LTD., as a Term Loan Lender

By:
Name:
Title:

EXHIBIT A

Form of Subordination Agreement (Amendment No. 5)

EXHIBIT 10.2

GEE GROUP INC.
7751 Belfort Parkway, Suite 150 Jacksonville, FL 33256

May 15, 2019

CONFIDENTIAL

MGG Investment Group LP
One Penn Plaza, Suite 5350
New York, New York 10119

Re: Letter Agreement Regarding Amendment No. 5

Ladies and Gentlemen:

Reference hereby is made to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (as amended by the Fifth Amendment to Revolving Credit, Term Loan and Security Agreement, dated as of May 15, 2019, and as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among GEE Group Inc., an Illinois corporation ("Holdings"), certain of its Subsidiaries listed on the signature pages thereto (together with Holdings and each 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 hereafter become a party thereto that make Revolving Advances hereunder (together with their respective successors and assigns, collectively, the "Revolving Lenders" and each a "Revolving Lender"), the lenders which now are or which hereafter 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 Lenders (together with its successors and assigns, in such capacity, the "Administrative Agent"), MGG, as collateral agent for the Lenders (together with its successors and assigns, in such capacity, the "Collateral Agent"), and MGG, as term loan agent for the Lenders (together with its successors and assigns, in such capacity, the "Term Loan Agent" and collectively with the Administrative Agent and the Collateral Agent, the "Agents"). Capitalized terms used herein but not specifically defined herein shall have the meanings ascribed to them in the Credit Agreement. This letter agreement is the "Specified Agreement" referred to in the Credit Agreement.

The Loan Parties and the Agents hereby agree that if the Revolving Commitments are not terminated and the Advances are not repaid in full in cash on or prior September 30, 2019, then on the following Business Day the Loan Parties shall hire an operating consultant reasonably acceptable to the Lenders (the "Operating Consultant") upon terms of employment reasonably acceptable to the Lenders after consultations with Holdings (the "Specified Condition"). The Operating Consultant is to be engaged solely by the Loan Parties and all reasonable fees and expenses of the Operating Consultant shall be solely the responsibility of the Loan Parties, and in no event shall any Agent or any Lender have any liability or responsibility for the payment of such fees or expenses. All fees and expenses of the Operating Consultant shall be excluded from the determination of EBITDA of Holdings and its Subsidiaries for purposes of calculating any financial covenants under the Credit Agreement, and neither any Agent nor any Lender shall have any obligation or liability to the Loan Parties or the Operating Consultant or any other Person by reason of any acts or omissions of the Operating Consultant. Among other things, the Operating Consultant's duties will include providing periodic updates to the Lenders regarding the business activities of the Loan Parties and other updates of the Operating Consultant as requested by the Lenders from time to time, and the Loan Parties hereby authorize the Operating Consultant to provide such updates to the Lenders. The Operating Consultant shall act in an advisory capacity only and shall not make any operational decisions unless requested to do so by Holdings.

Holdings hereby acknowledges and agrees that this agreement constitutes an "Other Document" under the Credit Agreement. Accordingly, it shall be an immediate Event of Default under the Credit Agreement if (i) any representation or warranty made by Holdings under or in connection with this agreement shall have been incorrect in any respect when made or deemed made, or (ii) Holdings shall fail to perform or observe any term, covenant or agreement contained in this agreement.

This Agreement shall be construed under and governed by the laws of the State of New York applicable to contracts made and to be performed in the State of New York, and may be executed in any number of counterparts and by different parties on separate counterparts. Each of such counterparts shall be deemed to be an original, and all of such counterparts, taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Agreement by facsimile or electronic mail shall be equally effective as delivery of a manually executed counterpart. This Agreement may not be amended or otherwise modified unless the same shall be in writing and signed by the parties hereto. If this Agreement becomes the subject of a dispute, each of the parties hereto hereby waives trial by jury.

[signature pages follow]

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed copy of this letter, which shall become a binding agreement upon our receipt.

Very truly yours,
GEE GROUP INC.

By: ______________________________
Name:
Title:

Accepted and agreed to as of the date first above written:

MGG INVESTMENT GROUP LP, as
Administrative Agent and Collateral Agent

By: MGG GP LLC, its general partner

By: ______________________________
Name:
Title:

EXHIBIT 31.01

CERTIFICATION

I, Derek Dewan, certify that:

1. I have reviewed this Form 10-Q quarterly report for the six months ended March 31, 2019 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: May 15, 2019

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

EXHIBIT 31.02

CERTIFICATION

I, Kim Thorpe, certify that:

1. I have reviewed this Form 10-Q quarterly report for the six months ended March 31, 2019 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: May 15, 2019

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

EXHIBIT 32.01

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 six months ended March 31, 2019 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: May 15, 2019

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

<u>**EXHIBIT 32.02**</u>

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 six months ended March 31, 2019 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: May 15, 2019

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