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 **December 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 American

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 February 10, 2020 was 14,056,997.

GEE GROUP INC.
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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, 2019, 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)

	December 31, 2019	September 30, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,139	$ 4,055
Accounts receivable, less allowances ($242 and $515, respectively)	20,211	20,826
Prepaid expenses and other current assets	1,334	2,221
Total current assets	23,684	27,102
Property and equipment, net	830	852
Goodwill	72,293	72,293
Intangible assets, net	22,483	23,881
Right-of-use assets	5,470	-
Other long-term assets	396	353
TOTAL ASSETS	$ 125,156	$ 124,481
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,944	$ 3,733
Acquisition deposit for working capital guarantee	383	783
Accrued compensation	4,357	5,212
Short-term portion of term loan, net of discount	1,194	4,668
Subordinated debt	-	1,000
Current operating lease liabilities	1,555	-
Other current liabilities	2,999	3,172
Total current liabilities	13,432	18,568
Deferred taxes	358	300
Revolving credit facility	14,307	14,215
Term loan, net of discount	39,204	36,029
Subordinated debt	1,000	-
Subordinated convertible debt (includes $1,347 and $1,269, net of discount, respectively, due to related parties)	18,032	17,954
Noncurrent operating lease liabilities	4,389	-
Other long-term liabilities	136	595
Total long-term liabilities	77,426	69,093
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 5,566 at December 31, 2019 and September 30, 2019, respectively; liquidation value of the preferred series B stock is approximately $27,050 and $27,050 at December 31, 2019 and September 30, 2019, respectively	27,551	27,551
Preferred series C stock; authorized - 3,000 shares; issued and outstanding - 102 and 60 at December 31, 2019 and September 30, 2019, respectively; liquidation value of the preferred series C stock is approximately $102 and $60 at December 31, 2019 and September 30, 2019, respectively	102	60
Total mezzanine equity	27,653	27,611
SHAREHOLDERS' EQUITY		
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 13,090 shares at December 31, 2019 and 12,538 shares at September 30, 2019, respectively	-	-
Additional paid in capital	50,989	49,990
Accumulated deficit	(44,344)	(40,781)
Total shareholders' equity	6,645	9,209
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 125,156	$ 124,481

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)

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
NET REVENUES:		
Contract staffing services	$ 33,078	$ 34,014
Direct hire placement services	4,479	4,529
NET REVENUES	37,557	38,543
Cost of contract services	24,962	25,812
GROSS PROFIT	12,595	12,731
Selling, general and administrative expenses (including noncash stock-based compensation expense of $597 and $581, respectively)	10,914	9,786
Acquisition, integration and restructuring expenses	377	1,451
Depreciation expense	79	79
Amortization of intangible assets	1,398	1,396
(LOSS) INCOME FROM OPERATIONS	(173)	19
Interest expense	(3,219)	(2,948)
LOSS BEFORE INCOME TAX PROVISION	(3,392)	(2,929)
Provision for income tax	(171)	(523)
NET LOSS	$ (3,563)	$ (3,452)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (3,563)	$ (3,452)
BASIC AND DILUTED LOSS PER SHARE	$ (0.27)	$ (0.32)
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	13,067	10,946

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, 2019	12,538	$ 49,990	$ (40,781)	$ 9,209
Share-based compensation	-	597	-	597
Issuance of stock for interest	552	402	-	402
Net loss	-	-	(3,563)	(3,563)
Balance, December 31, 2019	13,090	$ 50,989	$ (44,344)	$ 6,645

	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

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)

	Three Months Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,563)	$ (3,452)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation and amortization	1,477	1,475
Non-cash lease expense	430	-
Stock Compensation expense	597	581
Recovery for doubtful accounts	(273)	-
Deferred income taxes	58	523
Amortization of debt discount	279	195
Interest expense paid with common and preferred stock	444	401
Change in acquisition deposit for working capital guarantee	(400)	-
Changes in operating assets and liabilities:		
Accounts receivable	888	1,710
Accounts payable	(807)	333
Accrued compensation	(834)	(997)
Change in other assets, net of change in other liabilities	254	10
Net cash (used in) provided by operating activities	(1,450)	779
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(58)	(36)
Net cash used in investing activities	(58)	(36)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on term loan	(500)	(1,087)
Net proceeds from subordinated debt	-	(107)
Payments on finance leases	-	(13)
Net proceeds from revolving credit	92	751
Net cash used in financing activities	(408)	(456)
Net change in cash	(1,916)	287
Cash at beginning of period	4,055	3,213
Cash at end of period	$ 2,139	$ 3,500
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 2,497	$ 2,615
Cash paid for taxes	$ 45	$ 12
Non-cash investing and financing activities		
Conversion of Series B Convertible Preferred Stock to common stock	$ -	$ 1,238
Right-of-use assets, net of deferred rent	$ 5,900	$ -
Operating Lease Liability	$ 6,341	$ -

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

GEE GROUP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(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, accounting, finance, office, engineering, and medical 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

Basis of Presentation

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-month period ended December 31, 2019 are not necessarily indicative of the results that may be expected for the year ending September 30, 2020. 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, 2019 as filed on December 23, 2019.

Liquidity

The Company experienced significant net losses for its most recent fiscal years ended September 30, 2019 and 2018, and for the three-month periods ended December 31, 2019 and 2018, and which also have negatively impacted the Company's ability to generate liquidity. Management believes that the Company can generate adequate liquidity to meet its obligations for the foreseeable future and has taken definitive actions to improve operations, reduce costs and improve profitability and liquidity, and position the Company for future growth. In addition, management has successfully negotiated waivers to the Credit Agreement (as defined below) with the Company's current senior lenders, when needed, and six amendments to date as management works to improve the Company's operations and to refinance and restructure its current debt and equity capitalization. However, there can be no assurance that the Company will not fall into non-compliance with its loan covenants in the future 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. There also can be no assurance that the Company will be successful in its efforts to refinance and restructure the Company's debt and equity capitalization under reasonable terms or at all, or that it will generate adequate liquidity to fund operations and meet its debt service obligations in the future.

As of December 31, 2019, the Company had cash of approximately $2,139, which was a decrease of approximately $1,916 from approximately $4,055 at September 30, 2019. Working capital at December 31, 2019 was approximately $10,252, as compared to working capital of approximately $8,534 for September 30, 2019.

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.

Use of Estimates

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 range 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 $266 and $701 for the three-month periods ended December 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 14 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 December 31, 2019 and September 30, 2019, 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 December 31, 2019, and September 30, 2019, the allowance for doubtful accounts was $242 and $515, respectively. The Company charges off uncollectible accounts once the invoices are deemed unlikely to be collectible. The allowance also includes permanent placement falloffs of $137 and $197 as of December 31, 2019 and September 30, 2019.

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 three-month periods ended December 31, 2019 and 2018.

Leases

The Company determines if a contractual arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and noncurrent operating lease liabilities on the Company's unaudited condensed consolidated balance sheet. The Company evaluates and classifies leases as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date and the lease term used in the evaluation includes the non-cancellable period for which the Company has the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option which result in an economic penalty. All the Company's real estate leases are classified as operating leases.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. The lease payments included in the present value are fixed lease payments. As most of the Company's leases do not provide an implicit rate, the Company estimates its collateralized incremental borrowing rate, based on information available at the commencement date, in determining the present value of lease payments. The Company applies the portfolio approach in applying discount rates to its classes of leases. The operating lease ROU assets include any payments made before the commencement date. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company does not currently have subleases. The Company does not currently have residual value guarantees or restrictive covenants in its leases.

Goodwill

In 2019, the Company early adopted ASU 2017-04, Intangibles — Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by eliminating the second step from the quantitative goodwill impairment test. Under this guidance, annual or interim goodwill impairment testing is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the carrying value of goodwill.

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 6.

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 approximately 14,001 and 11,761 for the three-month periods ended December 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-month periods ended December 31, 2019 and 2018, advertising expense totaled $484 and $572, 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 recognizes 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 and record any impairments of long-lived assets used in operations during the three-month periods ended December 31, 2019 and 2018.

Beneficial Conversion Feature

The Company evaluates embedded conversion features within a convertible instrument under ASC 815 Derivatives and Hedging to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require treatment under ASC 815, the instrument is evaluated under ASC 470-20 Debt with Conversion and Other Options for consideration of any beneficial feature.

The Company records a beneficial conversion feature ("BCF") when the convertible instrument is issued with conversion features at fixed or adjustable rates that are below market value when issued. The BCF for convertible instruments is recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. The intrinsic value is generally calculated at the commitment date as the difference between the conversion price and the fair value of the common stock or other securities into which the security is convertible, multiplied by the number of shares into which the security is convertible. If certain other securities are issued with the convertible security, the proceeds are allocated among the different components. The portion of the proceeds allocated to the convertible security is divided by the contractual number of the conversion shares to determine the effective conversion price, which is used to measure the BCF. The effective conversion price is used to compute the intrinsic value. The value of the BCF is limited to the basis that is initially allocated to the convertible security.

The BCF for the convertible instrument is recorded as a reduction, or discount, to the carrying amount of the convertible instrument equal to the fair value of the conversion feature. The discount is then amortized as interest or deemed dividends over the period from the date of the convertible instrument's issuance to the earliest redemption date, provided that the convertible instrument is not currently redeemable but probable of becoming redeemable in the future.

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 10 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 December 31, 2019, and September 30, 2019, no material accrued interest or penalties are included on the related tax liability line in the consolidated balance sheet.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net loss. Approximately $292 was reclassified from selling, general and administration expenses to acquisition, integration and restructuring expenses reported for the fiscal quarter ended December 31, 2018, corresponding with the estimated effects of certain restructuring actions taken later during the fiscal year 2018.

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. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Lease Accounting. In February 2016, the FASB issued ASU 2016-02, Leases (“ASC 842”), which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous ASC 840 guidance. The original guidance required application on a modified retrospective basis with the earliest period presented. In August 2018, the FASB issued ASU 2018-11, Targeted Improvements to ASC 842, which includes an option to not restate comparative periods in transition and elect to use the effective date of ASC 842, Leases, as the date of initial application of transition. We adopted this guidance as of October 1, 2019 and elected the transition method provided under ASU 2018-11. This standard has a material effect on our consolidated balance sheets with the recognition of new right of use assets and lease liabilities for all operating leases, except for those leases where we elected the short-term lease recognition exemption, as these leases have a non-cancelable lease term of approximately one year or less. Adoption of the new standard did not have a material effect on the Company’s results of operations. As of the transition date, the ROU asset and total lease liability (current and long-term) were $5,900 and $6,341, respectively.

GEE GROUP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
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The Company elected the package of practical expedients available under the transition provisions of the new lease standard, including (i) not reassessing whether expired or existing contracts contain leases, (ii) lease classification, and (iii) not revaluing initial direct costs for existing leases. Also, the Company elected the practical expedient which allows aggregation of non-lease components with the related lease components when evaluating accounting treatment. Lastly, the Company applied the modified retrospective adoption method, utilizing the simplified transition option available in the ASC 842, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. See Note 5 for further discussion of leases.

Stock Compensation. In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation ("ASC 718"), which simplifies the accounting for nonemployee share-based payment transactions. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The update is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods, with early adoption permitted (but no sooner than the adoption of Topic 606). The Company adopted the new guidance as of October 1, 2019. The adoption of this guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

Current Expected Credit Losses Model. In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses ("ASC 326"), authoritative guidance amending how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance requires the application of a current expected credit loss model, which is a new impairment model based on expected losses. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2022. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and related disclosures.

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:

	December 31, 2019	September 30, 2019
Computer software	$ 1,497	$ 1,497
Office equipment, furniture, fixtures and leasehold improvements	3,657	3,599
Total property and equipment, at cost	5,154	5,096
Accumulated depreciation and amortization	(4,324)	(4,244)
Property and equipment, net	$ 830	$ 852

Depreciation expense for three-month periods ended December 31, 2019 and 2018 was approximately $79 each.

5. 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.

Operating lease expenses was approximately $660 and $760 for the three-month periods ended December 31, 2019 and 2018, respectively.

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Supplemental cash flow information related to leases consisted of the following:

	Three Months Ended December 31, 2019
Cash paid for operating lease liabilities	$ 555

Supplemental balance sheet information related to leases consisted of the following:

	December 31, 2019
Weighted average remaining lease term for operating leases	2.8 years
Weighted average discount rate for operating leases	6.0%

The table below reconciles the undiscounted future minimum lease payments under non-cancelable lease agreements having initial terms in excess of one year to the total operating lease liabilities recognized on the unaudited condensed consolidated balance sheet as of December 31, 2019, including certain closed offices are as follows:

Remainder of Fiscal 2020	$ 1,469
Fiscal 2021	1,597
Fiscal 2022	1,485
Fiscal 2023	1,007
Fiscal 2024	779
Thereafter	427
Less: Imputed interest	(820)
Present value of operating lease liabilities (a)	$ 5,944

(a) Includes current portion of $1,555 for operating leases.

6. 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 December 31, 2019 and September 30, 2019 and estimated future amortization expense.

	December 31, 2019			September 30, 2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 29,070	$ 11,038	$ 18,032	$ 29,070	$ 10,321	$ 18,749
Trade name	8,329	4,314	4,015	8,329	3,958	4,371
Non-Compete agreements	4,331	3,895	436	4,331	3,570	761
Total	$ 41,730	$ 19,247	$ 22,483	$ 41,730	$ 17,849	$ 23,881

Estimated Amortization Expense

Remaining Fiscal 2020	$ 3,640
Fiscal 2021	4,088
Fiscal 2022	3,469
Fiscal 2023	2,879
Fiscal 2024	2,879
Thereafter	5,528
	$ 22,483

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 $1,398 and $1,396 for each three-month periods ended December 31, 2019 and 2018, respectively.

7. 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 $73,800 consisting of a four-year term loan in the principal amount of $48,800 and revolving loans in a maximum amount up to the lesser of (i) $25,000 or (ii) an amount determined pursuant to a borrowing base that is calculated based on the outstanding amount of the Company's eligible accounts receivable, as described in the Credit Agreement. The loans under the Credit Agreement, as amended, mature on June 30, 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: $13,000 for the fiscal quarter ending March 31, 2019; $10,000 for the fiscal quarter ending June 30, 2019; $10,000 for the fiscal quarter ending September 30, 2019; $10,000 for the fiscal quarter ending December 31, 2019; and $11,000 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 $700 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 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, $10,000 in principal amount of Advances (as defined in the Credit Agreement) outstanding, which amount shall be applied to prepay the Term Loans in accordance with the applicable terms of the Credit Agreement. Any prepayment to the term loan is contingent upon a future financing, non-operational cash flow or excess cash flow as defined in the agreement. The Company also agreed to certain amendments to the loan covenants required to be maintained.

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.

Following the Fifth Amendment, the Company has met its financial covenants, as amended, for the quarters ended June 30, 2019, September 30, 2019 and December 31, 2019.

On February 12, 2020, the Company and its subsidiaries, as Borrowers, entered into a sixth amendment (the "Sixth Amendment") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement"). Under the Sixth Amendment, the Company and its Lenders have negotiated and agreed to amendments to the remaining scheduled principal payments and to the maturity date of the Credit Agreement. The maturity date was extended to June 30, 2021.

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The Company experienced significant net losses for its most recent fiscal years ended September 30, 2019 and 2018, and for the three-month periods ended December 31, 2019 and 2018, and which also have negatively impacted the Company's ability to generate liquidity. Management believes the Company can generate adequate liquidity to meet its obligations for the foreseeable future and has taken definitive actions to improve operations, reduce costs and improve profitability and liquidity, and position the Company for future growth. In addition, management has successfully negotiated waivers to the Credit Agreement with the Company's current senior lenders, when needed, and six amendments to date as management works to improve the Company's operations and to refinance and restructure its current debt and equity capitalization. However, there can be no assurance that the Company will not fall into non-compliance with its loan covenants in the future 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. There also can be no assurance that the Company will be successful in its efforts to refinance and restructure its debt and equity capitalization under reasonable terms or at all, or that it will generate adequate liquidity to fund operations and meet its debt service obligations in the future.

Revolving Credit Facility

As of December 31, 2019, the Company had $14,307 in outstanding borrowings under the Revolving Credit Facility, of which approximately $11,989 was at an interest rate of approximately 16.8%, approximately $1,434 was at an interest rate of approximately 16.72%, and the remainder was at an interest rate of approximately 18.75%.

As of December 31, 2019, the Company had approximately $100 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.

Term Loan

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

	December 31, 2019	September 30, 2019
Term loan	$ 41,405	$ 41,905
Unamortized debt discount	(1,007)	(1,208)
Term loan, net of discount	40,398	40,697
Short term portion of term loan, net of discounts	1,194	4,668
Long term portion of term loan, net of discounts	$ 39,204	$ 36,029

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 June 30, 2021. Principal payments are required as follows: fiscal 2020 – $1,500 and fiscal 2021 - $39,905.

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

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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 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 December 31, 2019, the Company had $41,405 in outstanding borrowings under the Term Loan Facility, of which approximately $35,254 was at an interest of approximately 16.8%, and approximately $6,151 was at an interest of approximately 16.79%.

Loan Fees and Amortization

In connection with the Credit Agreement, the Company agreed to pay an original discount fee of approximately $900, a closing fee for the term loan of approximately $100, a finder's fee of approximately $1,600 and a closing fee for the revolving credit facility of approximately $500. The total of the loan fees paid is approximately $3,100. 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 three-month periods ended December 31, 2019 and 2018, the Company amortized approximately $201 of debt discount each.

8. Accrued Compensation

Accrued Compensation, is comprised of 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.

9. Subordinated Debt – Convertible and Non-Convertible

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

	December 31, 2019	September 30, 2019
10% Convertible Subordinated Note	$ 4,185	$ 4,185
Subordinated Promissory Note	1,000	1,000
9.5% Convertible Subordinated Note	12,500	12,500
8% Convertible Subordinated Notes, net of discount, due to related parties	1,347	1,269
Total subordinated debt, convertible and non-convertible	19,032	18,954
Short term portion of subordinated debt, convertible and non-convertible	-	(1,000)
Long term portion of subordinated debt, convertible and non-convertible	$ 19,032	$ 17,954

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 $4,200, 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 $4,200. 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 $400 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 $600. Total amortization of debt discount for the year ended September 30, 2017 was approximately $100, and the remaining $300 was written off to loss on extinguishment of debt upon amendment and restatement resulting in the 10% Note.

The Company issued shares of common stock to JAX Legacy related to the conversion of the subordinated note and the interest approximately 149 shares and 40 shares for the three-month periods ended December 31, 2019 and 2018, respectively. The stock was valued at approximately $105 for the three-month periods ended December 31, 2019 and 2018.

On January 3, 2020 the Company issued 262 shares of common stock to Jax Legacy related to interest of $105 on the 10% Note.

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 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 $1,000 (the "Subordinated Note"). The Subordinated Note originally bore 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 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).

On February 8, 2020, the Company and its subsidiaries, as Borrowers, entered into a first amendment (the "First Amendment") to the Subordinated Note, dated as of January 20, 2017 (the "Subordinated Note"). Under the First Amendment, the Company and its lender have negotiated and agreed to amend the Subordinated Note to change the maturity date to January 20, 2022.

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 $12,500 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.

The Company issued shares of common stock to the SNI Sellers related to interest of $297 on the 9.5% Notes approximately 403 shares and 131 shares for the three-month periods ended December 31, 2019 and 2018, respectively.

On January 3, 2020 the Company issued approximately 706 shares of common stock to the SNI Sellers related to interest of $297 on the 9.5% Notes.

8% Convertible Subordinated Notes to Related Parties

On May 15, 2019, the Company issued and sold to members of its executive management and Board of Directors (the "Investors") $2,000 in aggregate principal amount of its 8% Notes. The 8% Notes mature on October 3, 2021 (the "Maturity Date"). The 8% Notes are convertible into shares of the Company's Series C 8% Cumulative Convertible Preferred Stock ("Series C Preferred Stock") at a conversion price equal to $1.00 per share (subject to adjustment as provided in the 8% Notes upon any stock dividend, stock combination or stock split or upon the consummation of certain fundamental transactions) (the "Conversion Price"). Interest on the 8% Notes accrues at the rate of 8% per annum and shall be paid quarterly in non-cash payments-in-kind ("PIK") in arrears on June 30, September 30, December 31 and March 31, beginning on June 30, 2019, on each conversion date with respect to the 8% Notes (as to that principal amount then being converted), and on the Maturity Date (each such date, an "Interest Payment Date"). Interest shall be paid on an Interest Payment Date in shares of Series C Preferred Stock of the Company, which Series C Preferred Stock shall be valued at its liquidation value. All or any portion of the 8% Notes may be redeemed by the Company for cash at any time. The redemption price shall be an amount equal to 100% of the then outstanding principal amount of the 8% Notes being redeemed, plus accrued and unpaid PIK interest thereon. The Company may, at its option, prepay any portion of the principal amount of the 8% Notes without the prior consent of the holders thereof; provided, however, that any prepayments of the 8% Notes shall be made on a pro rata basis to all holders of 8% Notes based on the aggregate principal amount of 8% Notes held by such holders. The Company shall be required to prepay the 8% Notes together with accrued and unpaid PIK interest thereon upon the consummation by the Company of any Change of Control.

For purposes of the 8% Notes, a Change of Control of the Company shall mean any of the following: (A) the Company effects any sale of all or substantially all of its assets in one transaction or a series of related transactions or (B) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or entity together with their affiliates, becomes the beneficial owner, directly or indirectly, of more than 50% of the Common Stock of the Company. Each of the 8% Notes is subordinated in payment to the obligations of the Company to the lenders parties to that certain Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017, as amended, by and among the Company, the Company's subsidiaries named as borrowers therein (collectively with the Company, the "Borrowers"), the senior lenders named therein and MGG Investment Group LP, as administrative agent and collateral agent (the "Agent") for the senior lenders (the "Senior Credit Agreement"), pursuant to those certain Subordination and Intercreditor Agreements, each dated as of May 15, 2019 by and among the Company, the Borrowers, the Agent and each of the holders of the 8% Notes.

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The Company issued approximately 42 shares and 0 shares of Series C Preferred Stock to Investors related to interest of $42 and $0 on the 8% Notes for the three-month periods ended December 31, 2019 and 2018, respectively.

The BCF for the 8% Notes is recorded as a discount to their carrying value and is equal to the fair value of the conversion feature. The discount will be amortized as interest over the period from the date of issuance to maturity. The total BCF recorded was approximately $841. For the three-month periods ended December 31, 2019 and 2018, the Company amortized approximately $78 and $0 of debt discount, respectively.

Future minimum payments of all subordinated debt will total approximately as follows: fiscal 2020 - $0, fiscal 2021- $0.0 and fiscal 2022 - $19,700.

10. Equity

During three-month period ended December 31, 2018, the Company issued 250 shares of common stock for the conversion of approximately 250 shares of Series B Convertible Preferred Stock, respectively (See Note 11).

Restricted Stock

The Company did not grant or exercise restricted stock during the three-month periods ended December 31, 2019 and 2018. Stock-based compensation expense attributable to restricted stock was $757 and $203 during the three-month periods ended December 31, 2019 and 2018, respectively. As of December 31, 2019, there was approximately $827 of unrecognized compensation expense related to restricted stock outstanding. On November 23, 2019, 500 shares of restricted common stock held by the Company's former president became fully vested upon his passing.

A summary of restricted stock activity is presented as follows:

	Number of Shares	Weighted Average Fair Value ($)
Non-vested restricted stock outstanding as of September 30, 2019	1,500	1.76
Granted	-	-
Exercised	-	-
Vested	(500)	2.21
Non-vested restricted stock outstanding as of December 31, 2019	1,000	1.53
Vested restricted stock outstanding as of December 31, 2019	500	2.21

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Warrants

No warrants were granted or exercised during the three-month period ended December 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, 2019	439	4.09	1.39	-
Granted	-	-		
Exercised/Forfeited	-	-		
Warrants outstanding as of December 31, 2019	439	4.09	1.14	-
Warrants exercisable as of September 30, 2019	439	4.09	1.39	-
Warrants exercisable as of December 31, 2019	439	4.09	1.14	-

Stock Options

As of December 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 December 31, 2019 and September 30, 2019 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 $(160) and $378 for the three-month periods ended December 31, 2019 and 2018, respectively. As of December 31, 2019, there was approximately $1,238 of unrecognized compensation expense related to unvested stock options outstanding, and the weighted average vesting period for those options was 3.96 years.

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, 2019	1,734	3.22	7.84	-
Granted	-	-		
Forfeited/Expired	(202)	2.79		
Options outstanding as of December 31, 2019	1,532	3.27	7.80	-
Exercisable as of September 30, 2019	720	4.24	6.50	-
Exercisable as of December 31, 2019	794	4.00	7.18	-

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11. Mezzanine Equity

Series A Convertible Preferred Stock

On April 3, 2017, the Company filed a Statement of Resolution Establishing its Series A Preferred Stock with the State of Illinois. (the Resolution Establishing Series"). Pursuant to the Resolution Establishing Series, the Company designated 160 shares of its authorized preferred stock as Series A Preferred Stock. There are no shares issued and outstanding under this designation.

Series B Convertible Preferred Stock

On April 3, 2017, the Company issued an aggregate of approximately 5,900 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.

Except as set forth in the Resolution Establishing Series 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 three-month period ended December 31, 2018, the Company issued 250 shares of common stock for the conversion of approximately 250 shares of Series B Convertible Preferred Stock.

Series C Convertible Preferred Stock

On May 17, 2019, the Company filed a Statement of Resolution Establishing its Series C Preferred Stock with the State of Illinois. (the Resolution Establishing Series"). Pursuant to the Resolution Establishing Series, the Company designated 3,000 shares of its authorized preferred stock as “Series C 8% Cumulative Convertible Preferred Stock”, without par value. The Series C Preferred Stock has a Liquidation Value equal to $1.00 per share and ranks pari passu with the Company’s Series B Convertible Preferred Stock (“Series B Preferred Stock”) and 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. Holders of shares of Series C Preferred Stock are entitled to receive an annual non-cash (“PIK”) dividend of 8% of the Liquidation Value per share. Such dividend shall be payable quarterly on June 30, September 30, December 31 and March 31 of each year commencing on June 30, 2019, in preference to any dividend paid on or declared and set aside for the Series B Preferred Stock or any Junior Securities and shall be paid-in-kind in additional shares of Series C Preferred Stock. Except as set forth in the Resolution Establishing Series or as may be required by Illinois law, the holders of the Series C Preferred Stock have no voting rights.

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

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 C 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 superior to the Series C Preferred Stock in relative rights, preferences or privileges (including with respect to dividends, liquidation or voting). Each share of Series C Preferred Stock shall be convertible at the option of the holder thereof into one share of Common Stock at an initial conversion price equal to $1.00 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.

The Company issued approximately 42 shares and 0 shares of Series C Preferred Stock to Investors related to interest of $42 and $0 on the 8% Notes during three-month periods ending December 31, 2019 and 2018, respectively.

12. Income Tax

The following table presents the provision for income taxes and our effective tax rate for the three-month periods ended December 31, 2019 and 2018:

	Three Months Ended, December 31,	
	2019	**2018**
Provision for Income Taxes	171	523
Effective Tax Rate	-4%	-17%

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 December 31, 2019 and 2018, 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 valuation allowance against the remaining net DTA position.

13. Commitments and Contingencies

Litigation and Claims

The Company and its subsidiaries are involved in various litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Company is a party for which management believes the ultimate outcome would have a material adverse effect on the Company's financial position.

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14. 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, accounting, finance, office, engineering, and medical, 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 compensation expenses, consulting expenses, audit fees, corporate rent and facility costs, board fees, acquisition, integration and restructuring expenses, and interest expense.

	Three Months Ended December 31,	
	2019	**2018**
Industrial Staffing Services		
Industrial services revenue	$ 5,655	$ 5,620
Industrial services gross margin	15.6%	13.9%
Operating income	$ 281	$ 255
Depreciation & amortization	$ 69	$ 64
Professional Staffing Services		
Permanent placement revenue	$ 4,479	$ 4,529
Placement services gross margin	100%	100%
Professional services revenue	$ 27,423	$ 28,394
Professional services gross margin	26.4%	26.1%
Operating income	$ 1,562	$ 2,219
Depreciation and amortization	$ 1,408	$ 1,411
Unallocated Expenses		
Corporate administrative expenses	$ 952	$ 609
Corporate facility expenses	90	106
Stock Compensation expense	597	581
Acquisition, integration and restructuring expenses	377	1,159
Total unallocated expenses	$ 2,016	$ 2,455
Consolidated		
Total revenue	$ 37,557	$ 38,543
Operating (loss) income	(173)	19
Depreciation and amortization	$ 1,477	$ 1,475

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

Overview

We specialize in the placement of information technology, accounting, finance, office, and engineering 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, accounting, finance, office and engineering professionals.

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 (including Staffing Now, Accounting Now, and Certes), Triad Personnel Services and Triad Staffing. As of December 31, 2019, we operated thirty-three branch offices in downtown or suburban areas of major U.S. cities in fourteen states. We have one office located in each of Arizona, Washington D.C., Iowa, Connecticut, Georgia, Minnesota, New Jersey, and Virginia, three offices in Colorado and Massachusetts, two offices in Illinois, four offices in Texas, seven offices in Ohio and six 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 December 31, 2019 Compared to the Three Months Ended December 31, 2018

Net Revenues

Consolidated net revenues are comprised of the following:

	Three Months Ended December 31,			
(in thousands)	**2019**	**2018**	**$ Change**	**% Change**
Professional contract services	$ 27,423	$ 28,394	(971)	(3)
Industrial contract services	5,655	5,620	35	1
Total professional and industrial contract services	33,078	34,014	(936)	(3)
Direct hire placement services	4,479	4,529	(50)	(1)
Consolidated net revenues	$ 37,557	$ 38,543	(986)	(3)

Contract staffing services contributed $33,078 or approximately 88% of consolidated revenue and direct hire placement services contributed $4,479, or approximately 12%, of consolidated revenue for the three-month period ended December 31, 2019. This compares to contract staffing services revenue of $34,014, or approximately 88%, of consolidated revenue and direct hire placement revenue of $4,529, or approximately 12%, of consolidated revenue for the three-month period ended December 31, 2018.

The overall decrease in contract staffing services revenues of $936, or 3%, for the three months ended December 31, 2019 compared to the three months ended December 31, 2018 was primarily attributable to a lower number of work days during the fiscal quarter ended December 31, 2019 as compared with the fiscal quarter ended December 31, 2018. The lower number of net work days in the fiscal quarter ended December 31, 2019 was due to the Christmas and New Year's holidays falling mid-week and inclement weather in some portions of the country resulting in higher incidences of client closures, holidays taken and other ancillary time off taken. In addition, lower temporary workforce requirements and reorganization of a few key customers in the quarter ended December 31, 2019 contributed to the net reduction in revenues. Industrial contract services revenue grew by 1% on higher demand, despite experiencing these same conditions in addition to the negative effects of an auto industry strike on some of its clients.

Direct hire placement revenue for the three months ended December 31, 2019 decreased by $50, or approximately 1%, over the three months ended December 31, 2018. The Company believes demand for its direct hire services remains stable and strong and that the decrease in direct hire placement revenue can also be attributed to the holidays and weather conditions and related postponements in recruiting activities at some of its clients.

Cost of Contract Services

Cost of contract services includes wages and related payroll taxes and employee benefits of the Company's contract services employees, and certain other contract employee-related costs, while working on contract assignments. Cost of contract services for the three-month period ended December 31, 2019 decreased by approximately 3% to $24,962 compared to $25,812 for the three-month period ended December 31, 2018. The $850 overall decrease in cost of contract services for the three-month period ended December 31, 2019 compared to the three-month period ended December 31, 2018 was primarily attributable to and consistent with the corresponding decline in revenues, which is discussed further below.

Gross Profit percentage by service:

	Three Months Ended	
	December 31, 2019	**December 31, 2018**
Professional contract services	26.4%	26.1%
Industrial contract services	15.6%	13.9%
Professional and industrial services combined	24.5%	24.1%
Direct hire placement services	100.0%	100.0%
Combined gross profit margin %(1)	33.5%	33.0%

(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-month period ended December 31, 2019 was approximately 33.5% as compared with approximately 33.0% for the three-month period ended December 31, 2018.

In the professional contract staffing services segment, the gross margin (excluding direct placement services) was approximately 26.4% for three months ended December 31, 2019, which is 0.3% (30 basis points) higher than the gross margin for the three months ended December 31, 2018. This increase is primarily the result of increases in the amounts and mix of higher margin contract services business in IT end markets, including growth in several of the Company's higher end IT brands during the fiscal quarter ended December 31, 2019, as compared with the same quarter of the prior fiscal year.

The Company's industrial staffing services gross margin for the three-month period ended December 31, 2019 was approximately 15.6% versus approximately 13.9% for the three-month period ended December 31, 2018. The increase in industrial staffing services gross margin is due to an increase in the estimated amounts of return premiums the Company's light industrial business is eligible to receive under the Ohio Bureau of Workers' Compensation retrospectively-rated insurance program.

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 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-month period ended December 31, 2019 increased by approximately $1,128 as compared to the three-month period ended December 31, 2018. SG&A for the three-month period ended December 31, 2019, as a percentage of revenues was approximately 29% compared to approximately 25% for the three-month period ended December 31, 2018. The increase in SG&A expenses is primarily attributable to the benefit recognized for return premiums the Company was eligible to receive from Ohio Bureau of Workers' Compensation retrospectively-rated insurance program three-month period ended December 31, 2018; an increase in sales-related compensation, including increased incentive compensation intended to accelerate the Company's return to sustainable growth; and an increase in professional services fees incurred in connection with the Company's fiscal 2019 year end audit, tax compliance and SEC reporting.

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 $377 and $1,451 for the three-month periods ended December 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. The significant decline in these costs is the direct result of lessening activities in these areas.

Depreciation Expense

Depreciation expense was $79 for the three-month period ended December 31, 2019, which remained approximately level compared to the three-month period ended December 31, 2018.

Amortization Expense

Amortization expense was $1,398 for the three-month period ended December 31, 2019, which remained approximately level compared to the three-month period ended December 31, 2018.

Loss from Operations

As the net result of the matters discussed regarding revenues and operating expenses above, income from operations decreased by approximately $192 for the three-month period ended December 31, 2019 compared to the three-month period ended December 31, 2018. The decrease is a function of a combination of factors discussed above, including the accelerated vesting of restricted stock to a former president, higher sales-related compensation, including increased incentive compensation intended to accelerate the Company's return to sustainable growth, and professional services fees incurred in connection with the Company's fiscal 2019 year end audit, tax compliance and SEC reporting.

Interest Expense

Interest expense for the three-month period ended December 31, 2019, increased by approximately $271 compared to the three-month period ended December 31, 2018. The increase in interest expense is attributable to an increase in the loan balances under the Credit Agreement for the three-month period ended December 31, 2019.

Provision for Income Taxes

The Company recognized a tax expense of approximately $171 for the three-month period ended December 31, 2019. Our effective tax rate for the three-month periods ended December 31, 2019 and 2018, 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 valuation allowance against the remaining net DTA position.

Net Loss

As the net result of the matters discussed regarding revenues and expenses above, the Company incurred net losses for the three-month periods ended December 31, 2019 and 2018 of $3,563 and $3,452, respectively. The most significant drivers of the Company's net loss continue to be the interest costs associated with debt and the amortization expenses associated with the Company identifiable intangible assets.

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, including initiatives to increase services to existing customers, increasing its numbers of revenue producing core professionals, including primarily, business development managers and recruiters, 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.

Liquidity and Capital Resources

The primary sources of liquidity for the Company are revenues earned and collected from its clients for the placement of contractors and permanent employment candidates and borrowings available under the Credit Agreement. Uses of liquidity include primarily the costs and expenses necessary to fund operations, including payment of compensation to the Company's contract and permanent employees, operating costs and expenses, payment of taxes, payment of interest and principal under its debit agreements, and capital expenditures.

The Company experienced significant net losses for its most recent fiscal years ended September 30, 2019 and 2018, and for the three-month periods ended December 31, 2019 and 2018, and which also have negatively impacted the Company's ability to generate liquidity. Management believes the Company can generate adequate liquidity to meet its obligations for the foreseeable future and has taken definitive actions to improve operations, reduce costs and improve profitability and liquidity, and position the Company for future growth. In addition, management has successfully negotiated waivers to the Credit Agreement with the Company's current senior lenders, when needed, and six amendments to date as management works to improve the Company's operations and to refinance and restructure its current debt and equity capitalization. However, there can be no assurance that the Company will not fall into non-compliance with its loan covenants in the future 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. There also can be no assurance that the Company will be successful in its efforts to refinance and restructure the Company's debt and equity capitalization under reasonable terms or at all, or that it will generate adequate liquidity to fund operations and meet its debt service obligations in the future.

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

	Three Months Ended	
(in thousands)	**December 31, 2019**	**December 31, 2018**
Cash flows (used in) provided by operating activities	$ (1,450)	$ 766
Cash flows used in investing activities	$ (58)	$ (36)
Cash flows used in financing activities	$ (408)	$ (443)

As of December 31, 2019, the Company had $2,139 of cash, which was a decrease of approximately $1,916 from approximately $4,055 as of September 30, 2019. As of December 31, 2019, the Company had working capital of approximately $10,252 compared to approximately $8,534 of working capital as of September 30, 2019.

Net cash (used in) provided by operating activities for the three-month periods ended December 31, 2019 and 2018 was approximately $(1,450) and $766, respectively. The negative operating cash flow in the three-month period ended December 31, 2019 is attributable to negative income (lower operating income excluding depreciation and amortization) from operations and other net changes in working capital.

The primary uses of cash for investing activities were for the acquisition of property and equipment in the three-month periods ended December 31, 2019 and 2018.

Cash flow used in financing activities for the three-month periods ended December 31, 2019 and 2018 was primarily for payments on our term loan offset by proceeds from advances taken on the revolving credit facility.

Minimum debt service payments (principal) for the twelve-month period commencing after the close of business on December 31, 2019, are approximately $2,000. All the Company's office facilities are leased. Minimum lease payments under all the Company's lease agreements for the twelve-month period commencing after the close of business on December 31, 2019, are approximately $1,891.

Revolving Credit Facility and Term Loan

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 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 $73,800 consisting of a four-year term loan in the principal amount of $48,800 and revolving loans in a maximum amount up to the lesser of (i) $25,000 or (ii) an amount determined pursuant to a borrowing base that is calculated based on the outstanding amount of the Company's eligible accounts receivable, as described in the Credit Agreement. The loans under the Credit Agreement, as amended, mature on June 30, 2021.

On the closing date of the Credit Agreement, the Company borrowed $48,800 from term loans and borrowed approximately $7,500 from the Revolving Credit Facility for a total of $56,200, 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.

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.

Following the Fifth Amendment, the Company has met its financial covenants, as amended, for the quarters ended June 30, 2019, September 30, 2019 and December 31, 2019.

On February 12, 2020, the Company and its subsidiaries, as Borrowers, entered into a sixth amendment (the "Sixth Amendment") to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017 (the "Credit Agreement"). Under the Sixth Amendment, the Company and its Lenders have negotiated and agreed to amendments to the remaining scheduled principal payments and to the maturity date of the Credit Agreement. The maturity date was extended to June 30, 2021.

Subordinated Debt – Convertible and Non-Convertible

10% Convertible Subordinated Note

On October 2, 2015, the Company issued and sold a Subordinated Note in the aggregate principal amount of $4,185 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. 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.

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 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 $1,000 (the “Subordinated Note”). The Subordinated Note originally bore 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 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).

On February 8, 2020, the Company and its subsidiaries, as Borrowers, entered into a first amendment (the “First Amendment”) to the Subordinated Note, dated as of January 20, 2017 (the “Subordinated Note”). Under the First Amendment, the Company and its lender have negotiated and agreed to amend the Subordinated Note to change the maturity date to January 20, 2022.

9.5% Convertible Subordinated Notes

On April 3, 2017, the Company issued and paid to certain SNIH Stockholders as part of the SNIH acquisition an aggregate of $12,500 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.

8% Convertible Subordinated Notes to Related Parties

On May 15, 2019, the Company issued and sold to members of its executive management and Board of Directors (the “Investors”) $2,000 in aggregate principal amount of its 8% Notes. The 8% Notes mature on October 3, 2021 (the “Maturity Date”). The 8% Notes are convertible into shares of the Company’s Series C 8% Cumulative Convertible Preferred Stock (“Series C Preferred Stock”) at a conversion price equal to $1.00 per share (subject to adjustment as provided in the 8% Notes upon any stock dividend, stock combination or stock split or upon the consummation of certain fundamental transactions) (the “Conversion Price”). Interest on the 8% Notes accrues at the rate of 8% per annum and shall be paid quarterly in non-cash payments-in-kind (“PIK”) in arrears on June 30, September 30, December 31 and March 31, beginning on June 30, 2019, on each conversion date with respect to the 8% Notes (as to that principal amount then being converted), and on the Maturity Date (each such date, an “Interest Payment Date”). Interest shall be paid on an Interest Payment Date in shares of Series C Preferred Stock of the Company, which Series C Preferred Stock shall be valued at its liquidation value. All or any portion of the 8% Notes may be redeemed by the Company for cash at any time. The redemption price shall be an amount equal to 100% of the then outstanding principal amount of the 8% Notes being redeemed, plus accrued and unpaid PIK interest thereon.

The Company may, at its option, prepay any portion of the principal amount of the 8% Notes without the prior consent of the holders thereof; provided, however, that any prepayments of the 8% Notes shall be made on a pro rata basis to all holders of 8% Notes based on the aggregate principal amount of 8% Notes held by such holders. The Company shall be required to prepay the 8% Notes together with accrued and unpaid PIK interest thereon upon the consummation by the Company of any Change of Control. For purposes of the 8% Notes, a Change of Control of the Company shall mean any of the following: (A) the Company effects any sale of all or substantially all of its assets in one transaction or a series of related transactions or (B) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or entity together with their affiliates, becomes the beneficial owner, directly or indirectly, of more than 50% of the Common Stock of the Company. Each of the 8% Notes is subordinated in payment to the obligations of the Company to the lenders parties to that certain Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017, as amended, by and among the Company, the Company's subsidiaries named as borrowers therein (collectively with the Company, the "Borrowers"), the senior lenders named therein and MGG Investment Group LP, as administrative agent and collateral agent (the "Agent") for the senior lenders (the "Senior Credit Agreement"), pursuant to those certain Subordination and Intercreditor Agreements, each dated as of May 15, 2019 by and among the Company, the Borrowers, the Agent and each of the holders of the 8% 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 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 three months ended December 31, 2018, the Company issued 250 shares of common stock for the conversion of approximately 250 shares of Series B Convertible Preferred Stock.

Series C Convertible Preferred Stock

On May 17, 2019, the Company filed a Statement of Resolution Establishing its Series C Preferred Stock with the State of Illinois. (the Resolution Establishing Series”). Pursuant to the Resolution Establishing Series, the Company designated 3,000 of its authorized preferred stock as “Series C 8% Cumulative Convertible Preferred Stock”, without par value. The Series C Preferred Stock has a Liquidation Value equal to $1.00 per share and ranks pari passu with the Company’s Series B Convertible Preferred Stock (“Series B Preferred Stock”) and 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. Holders of shares of Series C Preferred Stock shall be entitled to receive an annual non-cash (“PIK”) dividend of 8% of the Liquidation Value per share. Such dividend shall be payable quarterly on June 30, September 30, December 31 and March 31 of each year commencing on June 30, 2019, in preference to any dividend paid on or declared and set aside for the Series B Preferred Stock or any Junior Securities and shall be paid-in-kind in additional shares of Series C Preferred Stock. Except as set forth in the Resolution Establishing Series or as may be required by Illinois law, the holders of the Series C 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 C 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 superior to the Series C Preferred Stock in relative rights, preferences or privileges (including with respect to dividends, liquidation or voting). Each share of Series C Preferred Stock shall be convertible at the option of the holder thereof into one share of Common Stock at an initial conversion price equal to $1.00 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.

During the three months ended December 31, 2019 and 2018, the Company issued approximately 42 shares and 0 shares of Series C Preferred Stock to Investors related to interest of $42 and $0 on the 8% Notes, respectively.

Off-Balance Sheet Arrangements

As of December 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 December 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 December 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-month period ended December 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.

None.

Item 6. Exhibits

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

No.	Description of Exhibit
10.01*	Six Amendment, dated as of February 12, 2020, 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.
10.02*	First Amendment to the Subordinated Promissory Note dated as of February 8, 2020 by and among GEE Group, Inc., Enoch S. Timothy and Dorothy Timothy.
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: February 13, 2020

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)

EXHIBIT 10.01

SIXTH AMENDMENT
TO REVOLVING CREDIT, TERM LOAN
AND SECURITY AGREEMENT

SIXTH AMENDMENT, dated as of February 12, 2020 (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. 6" shall mean the Sixth Amendment to Revolving Credit, Term Loan and Security Agreement, dated as of February 12, 2020, by and among the Loan Parties, the Agents and the Lenders.

(ii) "Amendment No. 6 Effective Date" shall mean the 'Amendment No. 6 Effective Date' as set forth in Amendment No. 6.

(b) 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
March 31, 2020	$500,000.00
June 30, 2020	$500,000.00
September 30, 2020	$500,000.00
December 31, 2020	$500,000.00
March 31, 2021	$500,000.00"

(c) Section 13.1 (Term). Section 13.1 is hereby amended and restated in its entirety as follows:

"13.1 Term This Agreement, which shall inure to the benefit of and shall be binding upon the respective successors and permitted assigns of each Loan Party, each Agent and each Lender, shall become effective on the Closing Date and shall continue in full force and effect until June 30, 2021 (the "Term") unless sooner terminated as herein provided."

3. 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. 6 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. 6 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. 6 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.

4. 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. 6 Effective Date"):

(a) Payment of Fees, Etc. The Borrowers shall have paid, on or before the Amendment No. 6 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. 6 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. 6 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. 6 Effective Date this Amendment, duly executed by the Loan Parties, each Agent and each Lender.

(e) Material Adverse Effect. The Agents shall have determined, in their reasonable judgment, that no event or development shall have occurred since September 30, 2019, which could reasonably be expected to have a Material Adverse Effect.

(f) 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. 6 Effective Date.

(g) 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.

5. 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. 6 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.

6. 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.

7. 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.

8. 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. 6 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. 6 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 8. 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.

9. 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.

10. 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 (BVI) LIMITED, as a
Revolving Lender

By: ______________________________
Name:
Title:

MGG SF EVERGREEN UNLEVERED MASTER FUND II (CAYMAN) LP, as a
Term Loan Lender and a Revolving Lender

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

By: ______________________________
Name:
Title:

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

By: MGG Investment Group GP LLC, its general partner

By: ______________________________
Name:
Title:

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

By: MGG Investment Group GP LLC, its general partner

By: ______________________________
Name:
Title:

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

By: MGG Investment Group GP LLC, its general partner

By: ______________________
Name:
Title:

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

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

By: ______________________
Name:
Title:

MGG INSURANCE FUND SERIES OF INTERESTS IN
SALI MULTI-SERIES FUND, LP (IDF), as a Term Loan Lender

By: MGG Investment Group LP, its investment sub-adviser

By: MGG GP LLC, its general partner

By: ______________________
Name: Kevin Griffin
Title: Chief Executive Officer

MGG OFFSHORE FUNDING I, LLC, as a Term Loan Lender

By: MGG Offshore Holding I LLC,
its sole member

By: MGG Investment Group LP, its manager

By: MGG GP LLC, its general partner

By: ______________________
Name: Kevin Griffin
Title: Chief Executive Officer

MGG OFFSHORE FUNDING II, LLC, as a Term Loan Lender

By: MGG Offshore Holding I LLC,
its sole member

By: MGG Investment Group LP, its manager

By: MGG GP LLC, its general partner

By: ______________________________
Name: Kevin Griffin
Title: Chief Executive Officer

MGG ONSHORE HOLDING II LLC, as a Term Loan Lender

By: MGG (BVI) Limited, its sole member

By: ______________________________
Name: Kevin Griffin
Title: Authorized Signatory

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

By: ______________________________
Name:
Title:

FIRST AMENDMENT TO PROMISSORY NOTE

THIS FIRST AMENDMENT TO PROMISSORY NOTE (this "Amendment"), dated as of February 8, 2020, is entered into by GEE GROUP, INC., an Illinois corporation (the "Maker") and ENOCH S. TIMOTHY and DOROTHY TIMOTHY (collectively, the "Payee").

WHEREAS, the Maker and the Payee executed that certain Subordinated Nonnegotiable Promissory Note, dated as of January 20, 2017 (the "Promissory Note"); and

WHEREAS, the Maker and the Payee desire to amend the Promissory Note to change the maturity date and interest rate.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed by each party hereto as follows:

1. Amendment to the Promissory Note. It is hereby agreed and understood that the Promissory Note shall be amended as follows:

   a. *Interest Rate.* The interest rate shall remain at an annual rate of 5.5% (applicable to the unpaid and outstanding principal balance of the Promissory Note as of the date hereof for the remaining amended term of the Promissory Note).

   b. *Interest Payments*. Interest only will continue to be paid in consecutive monthly payments as before until the "Amended Maturity Date" (as defined below).

   c. *Maturity Date.* The balloon payment of principal is changed from the third (3rd) anniversary of the date of the Promissory Note to be the fifth (5th) anniversary of the date of the Promissory Note (the "Amended Maturity Date"), and the prior failure to pay on the third (3rd) anniversary shall be treated as cured and shall not be a default.

   d. *Subordination*. The Promissory Note indebtedness and obligations thereunder remain subordinated, and payments under the Promissory Note remain restricted as prior to this Amendment.

2. Miscellaneous.

   a. Except as expressly amended and modified by this Amendment, the Promissory Note is and shall continue to be in full force and effect in accordance with the terms thereof.

   b. This Amendment may be executed by the parties hereto in counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

   c. The Amendment shall be construed in accordance and governed by the internal laws of the state of Florida.

   d. The headings contained in this Amendment are for ease of reference only and shall not be considered in construing this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to the Promissory Note to duly executed as of the day and year first written above.

MAKER:

GEE GROUP, INC., an Illinois corporation

By: ____________________________
Print name: ____________________________
Title: ____________________________

PAYEE:

____
ENOCH S. TIMOTHY

____
DOROTHY TIMOTHY

EXHIBIT 31.01

CERTIFICATION

I, Derek Dewan, certify that:

1. I have reviewed this Form 10-Q quarterly report for the three months ended December 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: February 13, 2020

/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 three months ended December 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: February 13, 2020

/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 three months ended December 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: February 13, 2020

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

EXHIBIT 32.02

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 three months ended December 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: February 13, 2020

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