UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2020**

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 August 10, 2020 was 17,667,123.

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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, the negative effects of the Coronavirus Pandemic, including uncertainties regarding economic recovery and changed socioeconomic norms, 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)

	June 30, 2020	September 30, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 16,577	$ 4,055
Accounts receivable, less allowances ($2,149 and $515, respectively)	13,689	20,826
Prepaid expenses and other current assets	1,449	2,221
Total current assets	31,715	27,102
Property and equipment, net	811	852
Goodwill	72,293	72,293
Intangible assets, net	19,960	23,881
Right-of-use assets	4,679	-
Other long-term assets	292	353
TOTAL ASSETS	$ 129,750	$ 124,481
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,627	$ 3,733
Acquisition deposit for working capital guarantee	3	783
Accrued compensation	6,351	5,212
Short-term portion of term loan, net of discount	-	4,668
Subordinated debt	-	1,000
Current Paycheck Protection Program Loans	7,851	-
Current operating lease liabilities	1,690	-
Other current liabilities	6,313	3,172
Total current liabilities	24,835	18,568
Deferred taxes	400	300
Paycheck Protection Program Loans	12,076	-
Revolving credit facility	11,828	14,215
Term loan, net of discount	36,767	36,029
Subordinated convertible debt (includes $0 and $1,269, net of discount, respectively, due to related parties)	-	17,954
Noncurrent operating lease liabilities	4,036	-
Other long-term liabilities	148	595
Total long-term liabilities	65,255	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 - 0 and 5,566 at June 30, 2020 and September 30, 2019, respectively; liquidation value of the preferred series B stock is approximately $0 and $27,050 at June 30, 2020 and September 30, 2019, respectively	-	27,551
Preferred series C stock; authorized - 3,000 shares; issued and outstanding - 0 and 60 at June 30, 2020 and September 30, 2019, respectively; liquidation value of the preferred series C stock is approximately $0 and $60 at June 30, 2020 and September 30, 2019, respectively	-	60
Total mezzanine equity	-	27,611
SHAREHOLDERS' EQUITY		
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 17,667 shares at June 30, 2020 and 12,538 shares at September 30, 2019, respectively	-	-
Additional paid in capital	57,762	49,990
Accumulated deficit	(18,102)	(40,781)
Total shareholders' equity	39,660	9,209
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 129,750	$ 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 June 30,		Nine Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
NET REVENUES:				
Contract staffing services	$ 23,493	$ 33,217	$ 86,835	$ 99,057
Direct hire placement services	3,101	4,884	11,996	13,764
NET REVENUES	26,594	38,101	98,831	112,821
Cost of contract services	16,925	24,521	64,654	74,093
GROSS PROFIT	9,669	13,580	34,177	38,728
Selling, general and administrative expenses (including noncash stock-based compensation expense of $337 and $531, and $1,290 and $1,661 respectively)	10,208	11,559	34,299	34,537
Depreciation expense	33	89	181	269
Amortization of intangible assets	1,125	1,396	3,921	4,189
Goodwill impairment charge	-	4,300	-	4,300
LOSS FROM OPERATIONS	(1,697)	(3,764)	(4,224)	(4,567)
Gain on extinguishment of debt	12,316	-	12,316	-
Interest expense	(3,334)	(3,176)	(9,618)	(9,209)
INCOME (LOSS) BEFORE INCOME TAX PROVISION	7,285	(6,940)	(1,526)	(13,776)
Provision for income tax expense (benefit)	90	(106)	271	400
NET INCOME (LOSS)	7,195	(6,834)	(1,797)	(14,176)
Gain on redeemed preferred stock	24,475	-	24,475	-
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 31,670	$ (6,834)	$ 22,678	$ (14,176)
BASIC EARNINGS (LOSS) PER SHARE	$ 2.01	$ (0.57)	$ 1.58	$ (1.22)
DILUTED EARNINGS (LOSS) PER SHARE	$ 1.88	$ (0.57)	$ 1.48	$ (1.22)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	15,792	12,041	14,368	11,609
DILUTED	16,805	12,041	15,373	11,609

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
Share-based compensation	-	356	-	356
Issuance of stock for restricted stock	500	-	-	-
Issuance of stock for interest	967	401	-	401
Net loss	-	-	(5,428)	(5,428)
Balance, March 31, 2020	14,557	$ 51,746	$ (49,772)	$ 1,974
Share-based compensation	23	337	-	337
Issuance of stock for interest	1,276	401	-	401
Issuance of stock for debt conversion	1,718	5,185	-	5,185
Issuance of stock for preferred stock conversion	93	93	-	93
Net Income	-	-	7,195	7,195
Gain on redemption of preferred stock	-	-	24,475	24,475
Balance, June 30, 2020	17,667	$ 57,762	$ (18,102)	$ 39,660

	Common Stock Shares	Additional Paid In Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, September 30, 2018	10,783	$ 44,120	$ (23,018)	$ 21,102
Share-based compensation	-	581	-	581
Issuance of stock for interest	171	401	-	401
Conversion of preferred Series B to common stock	250	1,238	-	1,238
Net loss	-	-	(3,452)	(3,452)
Balance, December 31, 2018	11,204	$ 46,340	$ (26,470)	$ 19,870
Share-based compensation	-	549	-	549
Issuance of stock for interest	517	402	-	402
Net loss	-	-	(3,890)	(3,890)
Balance, March 31, 2019	11,721	$ 47,291	$ (30,360)	$ 16,931
Share-based compensation	-	531	-	531
Issuance of stock for interest	333	401	-	401
Beneficial conversion features on subordinated debt	-	841	-	841
Net loss	-	-	(6,834)	(6,834)
Balance, June 30, 2019	12,054	$ 49,064	$ (37,194)	$ 11,870

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)

	Nine Months Ended June 30,	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,797)	$ (14,176)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Gain on Extingishment of Debt	(12,316)	-
Depreciation and amortization	4,102	4,458
Goodwill impairment charge	-	4,300
Non-cash lease expense	1,302	-
Stock Compensation expense	1,290	1,661
Provision for doubtful accounts	1,633	-
Deferred income taxes	100	396
Amortization of debt discount	1,334	634
Interest expense paid with common and preferred stock	1,288	1,224
Paid in kind interest on term loan	701	-
Change in acquisition deposit for working capital guarantee	(780)	-
Changes in operating assets and liabilities:		
Accounts receivable	5,503	318
Accounts payable	(1,557)	1,390
Accrued compensation	1,139	(25)
Change in other assets, net of change in other liabilities	(1,697)	(731)
Cash provided by (used in) operating activities	245	(551)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(105)	(108)
Net cash used in investing activities	(105)	(108)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on term loan	(500)	(2,187)
Net proceeds from (payments on) subordinated debt	(1,724)	1,893
Payment on preferred stock redemption	(2,931)	-
Net proceeds from CARES Act Paycheck Protection Program Loans	19,927	-
Payments on finance leases	-	(37)
Net proceeds from (payments on) revolving credit	(2,390)	1,940
Net cash provided by financing activities	12,382	1,609
Net change in cash	12,522	950
Cash at beginning of period	4,055	3,213
Cash at end of period	$ 16,577	$ 4,163
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 7,375	$ 7,373
Cash paid for taxes	$ 29	$ 75
Non-cash investing and financing activities		
Conversion of 8% subordinated notes to common stock by related parties	$ 1,000	$ -
Conversion of 10% subordinated notes to common stock	$ 4,185	$ -
Conversion of series C preferred stock to common by related parties	$ 93	$ -
Redemption of series B preferred stock	$ 24,441	$ -
Redemption of series C preferred stock	$ 34	$ -
Conversion of series B convertible preferred stock to common stock	$ -	$ 1,238
Beneficial conversion features on subordinated debt	$ -	$ 841
Accrued fees on term loan	$ 4,978	$ -
Right-of-use assets, net of deferred rent	$ 5,981	$ -
Operating lease liability	$ 6,422	$ -
Acquisition of equipment with finance lease	$ 37	$ 102

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. was incorporated in the State of Illinois in 1962 and is the successor to employment offices doing business since 1893. GEE Group Inc. and its wholly material operating subsidiaries, Access Data Consulting Corporation, Agile Resources, Inc., BMCH, Inc., Paladin Consulting, Inc., Scribe Solutions, Inc., SNI Companies, Triad Logistics, Inc., and Triad Personnel Services, Inc. (collectively referred to as the "Company", "us", "our", or "we") are providers 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 nine-month period ended June 30, 2020 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 the first nine months of its current fiscal year, and for its most recent fiscal years ended September 30, 2019 and 2018, which also negatively impacted the Company's ability to generate liquidity. During much of this period, the Company significantly restructured its operations, made significant cost reductions, including closing and consolidating unprofitable locations and eliminating underperforming personnel, implemented strategic management changes, and intensified focus on stabilizing the business and restoring profitable growth. As a result, management believes the Company had begun to see its operations and business stabilize.

In approximately mid-March 2020, the Company began to experience the severe negative effects of the economic disruptions resulting from the Coronavirus Pandemic ("COVID-19"). These have included abrupt reductions in demand for the Company's primary sources of revenue, its temporary and direct hire placements, lost productivity due to business closings both by clients and at the Company's own operating locations, and the significant disruptive impacts to many other aspects of normal operations. These effects have continued to be felt across all businesses, with the most severe impacts being felt in the commercial (light industrial) and finance, accounting and office clerical (FAO) end markets within the professional segment.

Following months of extensive negotiations, effective April 28, 2020, the Company entered into the Seventh Amendment to the Credit Agreement with its senior lenders. The Seventh Amendment (as defined below) is the most significant modification of the Company's senior credit facilities since inception and provides several important concessions and features, including extending the maturity by two years to June 30, 2023, and adjusting (reducing) cash debt service and thereby improving the Company's ability to generate liquidity. Effective May 5, 2020 the Company entered into the Eighth Amendment to the Credit Agreement with its senior lenders (the "Eighth Amendment") which allowed the Company and its subsidiaries to obtain loans from BBVA USA ("BBVA") pursuant to the Payroll Protection Plan (the "PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("the CARES Act") and administered by the U.S. Small Business Administration ("SBA").

Between April 29 and May 4, 2020, the Company was able to obtain CARES Act relief financing under the Paycheck Protection Program ("PPP Loans") for each of its operating subsidiaries, in the aggregate amount of $19,927. These funds are the only source of financing available to our companies and businesses and are absolutely critical to our ability to maintain operations, including the employment of our temporary and full-time employees, in order to produce and meet our foreseeable liquidity requirements in the midst of this continuing worldwide pandemic.

On June 30, 2020, the Company completed a financial restructuring and eliminated approximately $19,685 of its subordinated indebtedness and approximately $27,695 of its convertible preferred stock as agreed pursuant to the terms of Seventh Amendment, dated as of April 28, 2020, to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017. The Company entered into a Repurchase Agreement for Preferred Stock and Subordinated Notes (the "Repurchase Agreement"), dated as of June 30, 2020 with Ronald R. Smith ("Mr. Smith"), Thrivent Financial for Lutherans ("Thrivent"), Madison Capital Funding LLC ("Madison"), Maurice R. Harrison IV ("Mr. Harrison"), Peter Langlois ("Mr. Langlois"), Vincent Lombardo ("Mr. Lombardo") and Shane Parr (Mr. Parr, and collectively with Mr. Smith, Thrivent, Madison, Mr. Harrison, Mr. Langlois, and Mr. Lombardo), the "SNI Group Members" pursuant to which the SNI Group Members agreed to allow the Company to repurchase and settle all of the 9.5% Convertible Subordinated Notes (the "9.5% Notes"), Series B Convertible Preferred Stock, no par value ("Series B Preferred Stock"), 8% Convertible Subordinated Notes ("8% Notes") and Series C 8% Cumulative Convertible Preferred Stock, no par value ("Series C Preferred Stock") held by each of them as set forth below. All of the outstanding 9.5% Notes and all of the outstanding Series B Preferred Stock were held by SNI Group Members.

Management believes that the Company can generate adequate liquidity to meet its obligations for the foreseeable future assuming the negative economic effects of COVID-19 do not worsen, and that economic recovery occurs.

As of June 30, 2020, the Company had cash of approximately $16,577, which was an increase of approximately $12,522 from approximately $4,055 at September 30, 2019. Working capital at June 30, 2020 was approximately $6,880, 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.

In March 2020, the World Health Organization announced that a novel strain of coronavirus ("COVID-19") had become pandemic. COVID-19 had a significant impact on global economies as a result of Federal and Local orders and business closures designed to stop the spread of the virus. We are continuing to monitor developments related to COVID-19 pandemic and related risks including risks related to efforts to mitigate the disease's spread. The rapid development and fluidity of recent events related to the pandemic creates uncertainty related to the ultimate impact on the Company's results of operations, financial condition, and liquidity. Due to uncertainties related to the duration and severity of COVID-19, we may make changes in the judgments and estimates needed to apply the Company's significant accounting policies that could result in significant impacts on the Company's financial statements in future periods. Actual results and outcomes may differ from management's estimates and assumptions.

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 $338 and $1,130, and $552 and $1,858 for the three and nine-month periods ended June 30, 2020 and 2019, 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 June 30, 2020 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 June 30, 2020, and September 30, 2019, the allowance for doubtful accounts was $2,149 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 $287 and $197 as of June 30, 2020 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 nine-month periods ended June 30, 2020 and 2019.

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 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.

Due to the recent decline in global economic and labor market conditions caused by the global outbreak of the COVID-19 pandemic, the Company considered and reviewed the recoverability of its goodwill and determined, during the nine-month period ended June 30, 2020, and determined that no impairment charge was necessary. There were no other events or circumstances that have changed since the last annual test that could more likely than not reduce the fair value of the Company’s reporting segments below its carrying values.

Due to a sustained decline in the market capitalization of our common stock during the third quarter of 2019, we performed goodwill impairment test in accordance with the provisions of ASU 2017-04. The outcome of this goodwill impairment test resulted in a non-cash charge for the impairment of goodwill of $4.3 million, which was recorded in the consolidated unaudited condensed financial statements for the three and nine-month periods ended June 30, 2019.

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 earnings and loss per share are computed by dividing net income or loss attributable to common stockholders by the weighted average common shares outstanding for the period. Diluted earnings per share is computed giving effect to all potentially dilutive common shares. Potentially dilutive common shares may consist of incremental shares issuable upon the vesting of restricted shares granted but unissued, exercise of stock options and warrants and the conversion of notes payable and preferred stock to common stock.

For the three and nine-month periods ended June 30, 2020, the weighted average dilutive incremental shares, or common stock equivalents, included in the calculations of dilutive shares were 1,013 and 1,005, respectively. Common stock equivalents, which are excluded because their effect is anti-dilutive, were approximately 1,761 and 9,675 for the three and nine-month periods ended June 30, 2020, and 13,696 and 12,390 for the three and nine-month periods ended June 30, 2019, respectively.

For the three and nine-month periods June 30, 2019, in which net loss has been incurred, all potentially dilutive common shares are considered antidilutive and thus are excluded from the calculation.

Advertising Expenses

The Company expenses the costs of print and internet media advertising and promotions as incurred and reports these costs in selling, general and administrative expenses. For the three and nine-month periods ended June 30, 2020 and 2019, advertising expense totaled $837 and $1,874, and $592 and $1,740, 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 nine-month periods ended June 30, 2020 and 2019.

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. As a result of the settlement and conversion of the Company's subordinated debt and preferred stock as of June 30, 2020, the Company charged off the remaining unamortized BCF associated with these instruments to interest expense and gain recognized from extinguishment of subordinated debt.

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 unaudited condensed consolidated statement of operations. As of June 30, 2020, and September 30, 2019, no material accrued interest or penalties are included on the related tax liability line in the consolidated balance sheet.

Segment Data

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

Reclassifications

Certain amounts in the prior period presentation have been reclassified to conform with the current presentation.

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.

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.

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

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 has not yet determined 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:

	June 30, 2020	September 30, 2019
Computer software	$ 1,493	$ 1,497
Office equipment, furniture, fixtures and leasehold improvements	3,692	3,599
Total property and equipment, at cost	5,185	5,096
Accumulated depreciation and amortization	(4,374)	(4,244)
Property and equipment, net	$ 811	$ 852

Depreciation expense for each three and nine-month periods ended June 30, 2020 and 2019 was $33 and $181, and $89 and $269 respectively.

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 2021. 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 $575 and $1,844, and $734 and $2,201 for the three and nine-month periods ended June 30, 2020 and 2019, respectively.

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

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

	Nine Months Ended June 30, 2020
Cash paid for operating lease liabilities	$ 1,431
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 471

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

	June 30, 2020
Weighted average remaining lease term for operating leases	2.6 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 June 30, 2020, including certain closed offices are as follows:

Remainder of Fiscal 2020	$ 477
Fiscal 2021	1,921
Fiscal 2022	1,620
Fiscal 2023	1,088
Fiscal 2024	831
Thereafter	449
Less: Imputed interest	(660)
Present value of operating lease liabilities (a)	$ 5,726

(a) Includes current portion of $1,690 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 June 30, 2020 and September 30, 2019 and estimated future amortization expense.

	June 30, 2020			September 30, 2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$ 29,070	$ 12,472	$ 16,598	$ 29,070	$ 10,321	$ 18,749
Trade names	8,329	5,024	3,305	8,329	3,958	4,371
Non-Compete agreements	4,331	4,274	57	4,331	3,570	761
Total	$ 41,730	$ 21,770	$ 19,960	$ 41,730	$ 17,849	$ 23,881
Estimated Amortization Expense						
Remaining Fiscal 2020	$ 1,117					
Fiscal 2021	4,088					
Fiscal 2022	3,469					
Fiscal 2023	2,879					
Fiscal 2024	2,879					
Thereafter	5,528					
	$ 19,960					

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

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 non-compete agreements, which are typically five years in duration.

The amortization expense for intangible assets was $1,125 and $3,921, and $1,396 and $4,189 for three and nine-month periods ended June 30, 2020 and 2019, respectively.

7. Revolving Credit Facility and Term Loan

Revolving Credit, Term Loan and Security Agreement

The Company and its subsidiaries, as borrowers, are parties to a Revolving Credit, Term Loan and Security Agreement (the "Credit Agreement") with certain investment funds managed by MGG Investment Group LP ("MGG"). The Revolving Credit Facility and Term Loan under the Credit Agreement, as amended, mature on June 30, 2023.

Revolving Credit Facility

As of June 30, 2020, the Company had $11,828 in outstanding borrowings under the Revolving Credit Facility, which was at an interest rate of approximately 11%.

As of June 30, 2020, the Company had $697 then currently available for borrowing under the terms of 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:

	June 30, 2020	September 30, 2019
Term loan	$ 42,105	$ 41,905
Unamortized debt discount	(5,338)	(1,208)
Term loan, net of discount	36,767	40,697
Short term portion of term loan, net of discounts	-	4,668
Long term portion of term loan, net of discounts	$ 36,767	$ 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 any and all unpaid principal, accrued and unpaid interest and all unpaid fees and expenses shall be due and payable in full on maturity as of June 30, 2023. Principal payments are required as follows: fiscal 2020 – $0, fiscal 2021- $889, fiscal 2022 – $1,778, and fiscal 2023 - $39,438.

The Company also has been required to make prepayments on the Term Loan in amounts 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 (refer to Seventh Amendment to Credit Agreement, below, which includes certain modifications to this prepayment requirement). To date, the Company has not been required to make any prepayments on the Term Loan.

As of June 30, 2020, the Company had $42,105 in outstanding borrowings under the Term Loan Facility that was at an interest of approximately 11%, plus additional interest at an annual rate 5% in the form of PIK (noncash, paid-in-kind), which accrues and is added to the balance of the Term Loan on a monthly basis.

The Credit Agreement includes financial and other restrictive covenants. Financial covenants include minimum fixed charge coverage ratios, minimum EBITDA, as defined under the Credit Agreement to include certain adjustments, and maximum senior leverage ratios. The Company measures and certifies these covenants quarterly. The financial covenants are measured on a trailing four quarter basis as of the end of each quarter. The Company met its financial covenants for the trailing four quarters ended June 30, 2020.

The Credit Agreement also 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.

Seventh Amendment to Credit Agreement

On April 28, 2020, the Company and its subsidiaries entered into Seventh Amendment, dated as of April 28, 2020 (the “Seventh 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”). The Seventh Amendment represents the most significant loan modification of the Company’s Credit Agreement since inception. The Company and its senior lenders previously entered into the Sixth Amendment on February 12, 2020, while negotiating and in contemplation of the larger loan modification contained in Seventh Amendment.

The Seventh Amendment extends the maturity of the Credit Agreement from June 30, 2021 to June 30, 2023, lowered cash interest approximately 500 basis points (5%) per annum, postponed quarterly principal payments to recommence beginning June 30, 2021, and reduced the amounts of quarterly principal payments from the current $500,000 per quarter to $445,525. The Company has agreed to pay 5% PIK (non-cash, paid-in-kind) interest on the Term Loan only, which is accrued and added to the balance of the Term Loan, and to pay a restructuring fee of $3,478 and an exit fee of $1,500, which became fully earned upon the effective date, but are payable upon the occurrence of a triggering event. The triggering events include a change in control, refinancing, maturity or other termination of the senior loans, and in the case of the restructuring fee, an acquisition by the Company also is considered a triggering event. In addition, the Company has agreed that for each six month period commencing with the period ending on March 31, 2021 and for each fiscal year commencing with the fiscal year ending on September 30, 2021, it shall utilize its “Specified Excess Cash Flow Amount” (as defined in the Credit Agreement) to repay amounts outstanding under the Credit Agreement.

Under the Seventh Amendment, the Company also agreed to the condition that it will pursue, negotiate and execute conversions of all of the Company’s outstanding subordinated debt and preferred stock into shares of the Company’s common stock. In the event the Company was able to meet the conversion conditions of the agreement, it would have then had the option to settle the restructuring fee, exit fee, and accumulated PIK balance, each when due, in cash or in shares of the Company’s common stock. In the case of the latter, the amount or number of shares distributable to the Senior Lenders would be determined using the most favorable conversion rate at which the holders of the Company’s subordinated indebtedness or preferred stock converted their securities to shares of common stock of the Company in their conversion transactions.

On June 30, 2020, the Company completed the transactions contemplated above, as planned, except that the Company was able to settle a significant portion of outstanding subordinated debt and preferred stock for cash and at very attractive terms, thereby eliminating the need to issue substantially more of its common stock and avoiding significant dilution to existing shareholders. (Refer to *Ninth Amendment to Credit Agreement*, below.)

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

Eighth Amendment to Credit Agreement and CARES Act Payroll Protection Program Loans

On May 5, 2020 the Company and its subsidiaries entered into nine (9) unsecured promissory notes payable under CARES Act Payroll Protection Program ("PPP") and received net funds totaling $19,927 in order to obtain needed relief funds for allowable expenses under the CARES Act PPP. On May 5, 2020, the Company also entered into Eighth Amendment, dated as of May 5, 2020 (the "Eighth Amendment") to the Credit Agreement. The Eighth Amendment to the Credit Agreement serves as the conforming amendment under the Credit Agreement to enable the Company and its subsidiaries to enter into the PPP loans and additional permitted indebtedness in compliance with the Credit Agreement.

Ninth Amendment to Credit Agreement

On June 30, 2020, the Company and its subsidiaries entered into Ninth Amendment, dated as of June 30, 2020 (the "Ninth 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"). Under the Ninth Amendment, the Company's senior lender agreed to modify the earlier conversion condition of the Seventh Amendment and allow the Company to settle a significant portion of the subordinated debt and preferred stock with up to $5.1 million in cash, instead of by converting all of it into the Company's common stock. In exchange, the Company agreed to settle the Exit and Restructuring Fees agreed to in the Seventh Amendment totaling $4,978, by September 30, 2020, or by such other date if requested by the Company and agreed to by the Senior Lender, in cash or in shares of the Company's common stock, except under the Ninth Amendment, the determination of cash or stock would be at the Senior Lender's discretion and no longer at the Company's discretion as provided in the earlier Seventh Amendment.

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:

	June 30, 2020	September 30, 2019
10% Convertible Subordinated Note	$ -	$ 4,185
Subordinated Promissory Note	-	1,000
9.5% Convertible Subordinated Note	-	12,500
8% Convertible Subordinated Notes, net of discount, due to related parties	-	1,269
Total subordinated debt, convertible and non-convertible	-	18,954
Short term portion of subordinated debt, convertible and non-convertible	-	(1,000)
Long term portion of subordinated debt, convertible and non-convertible	$ -	$ 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 $4,185.

On April 3, 2017, the Company and JAX Legacy amended and restated the Subordinated Note in its entirety in the form of a 10% Convertible Subordinated Note (the "10% Note") in the aggregate principal amount of $4,185. The 10% Note matures on October 3, 2021 (the "Maturity Date"). The 10% Note was 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 was redeemable 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 exceeded the then applicable Conversion Price for a period of 20 trading days. The redemption price was 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 issued shares of common stock related to JAX Legacy for the interest on the subordinated note of approximately 345 and 756 for the three and nine-month periods ended June 30, 2020 and 87 and 276 for the three and nine-month periods ended June 30, 2019, respectively. The stock was valued at approximately $105 and $314 for each three and nine-month periods ended June 30, 2020 and June 30, 2019.

On June 30, 2020, the Company and Jax Legacy, the sole holder of the Company's 10% Note entered into a Note Conversion Agreement (the "Note Conversion Agreement") whereby Jax Legacy agreed to immediately convert the $4,185 aggregate principal amount of the 10% Note to 718 shares of Common Stock at the $5.83 per share conversion rate stated in the 10% Notes. The conversion of the 10% Note was executed on June 30, 2020 and the Company issued 718 shares of Common Stock to Jax Legacy on that date.

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 was payable monthly and principal could only be paid in stock until the term loan and Revolving Credit Facility was repaid.

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 agreed to amend Subordinated Note to change maturity date to January 20, 2022.

On June 30, 2020, the Company and Enoch S. Timothy and Dorothy Timothy entered into a Note Settlement Agreement (the "Note Settlement Agreement"). Timothy agreed to accept an aggregate amount of $89 in cash consideration for the purchase by the Company of the $1,000 aggregate principal amount of the Subordinated Note dated January 20, 2017. The Subordinated Note was settled at a conversion rate of $5.83 per share (the agreed conversion price at which the Subordinated Note would be convertible to Common Stock) and purchased at $0.52 per share (the closing price on the NYSE American for the Common Stock on June 16, 2020). The Timothy note settlement amount was paid to Timothy on June 30, 2020.

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 maturity date was October 3, 2021 (the "Maturity Date"). The 9.5% Notes were 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 accrued at the rate of 9.5% per annum and was 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 was payable on an Interest Payment Date either in cash or in shares of Common Stock of the Company, which Common Stock was valued based on the terms of the agreement, subject to certain limitations defined in the loan agreement. Each of the 9.5% Notes was subordinated in payment to the obligations of the Company under its Credit Agreement 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 holders of the 9.5% Notes related to interest of $300 on the 9.5% Notes of approximately 930 and 2,039 for the three and nine-month periods ended June 30, 2020, and 246 and 745 for the three and nine-month periods ended June 30, 2019, respectively. The stock was valued at approximately $300 and $900 for each three and nine-month periods ended June 30, 2020 and June 30, 2019.

On June 30, 2020, the holders of the 9.5% Notes agreed to accept an aggregate amount of $1,115 in cash in consideration for the purchase by the Company of the entire $12,500 aggregate principal amount of the 9.5% Notes. The 9.5% Notes were settled at a conversion rate of $5.83 (the price at which the 9.5% Notes were converted into shares of the Company's common stock and purchased by the Company at $0.52 (the closing price on the NYSE American for the Common Stock on June 16, 2020). The payment was made to the note holders on June 30, 2020.

Registration Rights Agreement

On June 30, 2020 the Company and the SNI Group Members entered into a Registration Rights Agreement dated as of June 30, 2020 (the "Registration Rights Agreement"). Pursuant to the terms of the Registration Rights Agreement, the Company has agreed to file on or prior to July 31, 2020, an initial registration statement with respect to the resale of shares of Common Stock currently owned by the SNI Group members that are "Registrable Securities" (as defined in the Registration Rights Agreement) on or prior to July 31, 2020. In addition, the Company has agreed that it shall, on one occasion, on or after September 30, 2020 and upon the written request of the holders of 51% or more of the Registrable Securities, file a registration statement with respect to the Registrable Securities held by such holders. The demanding holders may require, in connection with the registration, that the such demand registration take the form of an underwritten public offering of such Registrable Securities. The Registration Rights Agreement also provides that for a period of three years after the closing date of the Restructuring, the holders of Registrable Securities shall have piggyback registration rights with respect to all registration statements filed by the Company (other than those on Form S-4 or Form S-8).

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 maturity date of the 8% Notes was on October 3, 2021 (the "Maturity Date"). The 8% Notes were converted 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 accrued at the rate of 8% per annum and was payable 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 was payable on an Interest Payment Date in shares of Series C Preferred Stock of the Company, which Series C Preferred Stock was valued at its liquidation value. All or any portion of the 8% Notes was redeemable by the Company for cash at any time. The redemption price was 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 could, 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 was 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" (as defined in the 8% Notes).

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 was 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.

The Company issued approximately 21 shares and 104 shares of Series C Preferred Stock to Investors related to interest of $21 and $104 on the 8% Notes for the three and nine-month periods ended June 30, 2020, respectively. There were 20 shares issued of Series C Preferred Stock to Investors related to interest of $20 for the three and nine-month periods ended June 30, 2019.

The BCF for the 8% Notes was recorded as a discount to their carrying value and was equal to the fair value of the conversion feature upon the date of issuance. The discount was being amortized as interest over the period from the date of issuance to maturity. The total BCF recorded was $841. For the three and nine-month periods ended June 30, 2020 and 2019, the Company amortized $572 and $731, and $36 and $36 of debt discount, respectively.

Pursuant to the Repurchase Agreement, Mr. Smith (a former member of the Company's board of directors) agreed to accept an aggregate amount of $520 in cash (the "Smith Note Payment Amount") in consideration for the purchase by the Company of the $1,000 aggregate principal amount of 8% Notes (the "Smith Note Amount") held by him. The Smith Note Payment Amount was calculated based on the following formula: the Smith Note Amount, divided by $1.00 (the price at which the Smith Notes are convertible to Common Stock), times $0.52 (the closing price on the NYSE American for the Common Stock on June 16, 2020). The Smith Note Payment Amount was paid to Mr. Smith on June 30, 2020.

On June 30, 2020, the holders of the remaining $1,000 aggregate principal amount of the 8% Notes converted such 8% Notes to an aggregate of 1,000 shares of Series C Preferred Stock which were immediately and simultaneously converted into 1,000 shares of Common Stock at the $1.00 per share conversion price stated in the 8% Notes and in the Series C Preferred Stock. These holders also converted an aggregate of 93 additional shares of Series C Preferred Stock issued or issuable to them into a total of 93 shares of Common Stock at the $1.00 per share conversion price stated in the Series C Preferred Stock. The issuance of the 1,093 shares of Common Stock to these former holders of 8% Notes and Series C Preferred Stock was completed on June 30, 2020. These shares, along with those of the SNI Sellers that previously held the 9.5% Notes, also were included in the registration statement on SEC Form S-3 filed by the Company on July 31, 2020.

10. Equity

On June 30, 2020, the Company issued 1,718 shares of common stock for debt conversion of $1,000 aggregate principal amount of the 8% Notes, related shares of Series C Preferred Stock and 10% Note. The Company also issued 93 shares of common stock for Series C Preferred Stock discussed above (Note 9).

During nine-month period ended June 30, 2019, 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 granted 150 restricted shares of common stock during nine-month period ended June 30, 2020. The restricted shares are to be earned over a three-year period and cliff vest at the end of the third year from the date of grant. The Company did not grant restricted stock during nine-month period ended June 30, 2019. Stock-based compensation expense attributable to restricted stock was $130 and $1,015, and $203 and $608 during the three and nine-month periods ended June 30, 2020 and 2019, respectively. As of June 30, 2020, there was approximately $650 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. These shares were issued during nine-month period ended June 30, 2020. No shares were issued during the nine-month period ended June 30, 2019.

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

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	150	0.54
Issued	(500)	2.21
Non-vested restricted stock outstanding as of June 30, 2020	1,150	1.40

Warrants

No warrants were granted or exercised during the nine-month period ended June 30, 2020.

	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	-	-	-	-
Expired	-	-	-	-
Warrants outstanding as of December 31, 2019	439	4.09	1.14	-
Granted	-	-	-	-
Expired	(237)	2.50	-	-
Warrants outstanding as of March 31, 2020	202	5.95	2.11	-
Granted	-	-	-	-
Expired	-	-	-	-
Warrants outstanding as of June 30, 2020	202	5.95	1.86	-
Warrants exercisable as of September 30, 2019	439	4.09	1.39	-
Warrants exercisable as of June 30, 2020	202	5.95	1.86	-

Stock Options

As of June 30, 2020, 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 June 30, 2020 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 $207 and $274 for the three and nine-month periods ended June 30, 2020, and $329 and $1,054 for the three and nine-month periods ended June 30, 2019, respectively. As of June 30, 2020, there was approximately $787 of unrecognized compensation expense related to unvested stock options outstanding, and the weighted average vesting period for those options was 3.96 years.

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

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price per share ($)	Weighted Average Remaining Contractual Life (Years)	Total Intrinsic Value of Options ($)
Options outstanding as of September 30, 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	-
Granted	-	-		
Forfeited/Expired	(42)	6.70		
Options outstanding as of March 31, 2020	1,490	3.17	7.61	-
Granted	75	0.54		
Forfeited/Expired	(6)	3.46		
Options outstanding as of June 30, 2020	1,559	3.05	7.49	-
Exercisable as of September 30, 2019	720	4.24	6.50	-
Exercisable as of June 30, 2020	1,016	3.59	7.01	-

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).

Pursuant to the Repurchase Agreement the holders of the Series B Preferred Stock agreed to accept an aggregate amount of $2,894 in cash (the "Series B Preferred Stock Purchase Price") in consideration for the purchase by the Company of all 5,566 currently outstanding shares of Series B Preferred Stock (the "Series B Preferred Stock Amount") held by them. The Series B Preferred Stock Purchase Price was calculated based on the following formula: the Series B Preferred Stock Amount, divided by $4.86 (the price at which the Series B Preferred Stock is convertible to Common Stock in the Statement of Resolution Establishing Series of the Series B Preferred Stock), times $0.52 (the closing price on the NYSE American for the Common Stock on June 16, 2020). The Series B Preferred Stock Purchase Price was paid to the SNI Group Members on June 30, 2020. A net gain attributable to common stockholders of $24,475 was recognized on the redemption of Series B Preferred Stock and Smith Series C Preferred Stock, discussed below, for the three-month period ended June 30, 2020.

During nine-month period ended June 30, 2019, 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.

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 21 shares and 104 shares of Series C Preferred Stock to Investors related to interest of $21 and $104 on the 8% Notes for the three and nine-month periods ended June 30, 2020, respectively. There were 20 shares issued of Series C Preferred Stock to Investors related to interest of $20 for the three and nine-month periods ended June 30, 2019.

Pursuant to the Repurchase Agreement, Mr. Smith also agreed to accept an aggregate amount equal to $37 in cash (the "Smith Series C Preferred Stock Purchase Price") in consideration for the purchase by the Company of the 72 shares of Series C Preferred Stock (the "Series C Preferred Stock Amount") held by him. The Smith Preferred Stock Purchase Price was calculated based on the following formula: the Smith Series C Preferred Stock Amount, divided by $1.00, times $0.52 (the closing price on the NYSE American for the Common Stock on June 16, 2020). The Smith Series C Preferred Stock Purchase Price was paid to Mr. Smith on June 30, 2020.

The remaining holders of Series C Preferred Stock converted an aggregate of 93 shares of Series C Preferred Stock into a total of 93 shares of Common Stock at the $1.00 per share conversion price stated in the Series C Preferred Stock. The conversion was completed on June 30, 2020.

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

12. Income Tax

The following table presents the provision for income taxes and our effective tax rate for the three and nine-month periods ended June 30, 2020 and 2019:

	Three Months Ended, June 30,		Nine Months Ended, June 30,	
	2020	**2019**	**2020**	**2019**
Provision for Income Taxes	90	(106)	271	400
Effective Tax Rate	1%	2%	-18%	-3%

Our effective tax rate for the three and nine-month periods ended June 30, 2020 and 2019, is lower than the statutory tax rate primarily due to an increase in the deferred tax liability related to indefinite lived assets. Other than the deferred tax liability relating to indefinite lived asset, the Company is maintaining a full valuation allowance against the remaining net DTA position.

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.

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 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.

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

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 June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Industrial Staffing Services				
Industrial services revenue	$ 2,898	$ 5,442	$ 13,025	$ 16,157
Industrial services gross margin (1)	37.1%	26.8%	19.9%	22.5%
Operating (loss) income	$ 580	$ 1,572	$ (755)	$ 1,908
Depreciation & amortization	$ 67	$ 65	$ 206	$ 195
Professional Staffing Services				
Permanent placement revenue	$ 3,101	$ 4,884	$ 11,996	$ 13,764
Placement services gross margin	100%	100%	100%	100%
Professional services revenue	$ 20,595	$ 27,775	$ 73,810	$ 82,900
Professional services gross margin	26.6%	26.1%	26.5%	25.7%
Operating income (loss)	$ 715	$ (3,333)	$ 4,402	$ 975
Depreciation and amortization	$ 1,091	$ 1,420	$ 3,896	$ 4,263
Unallocated Expenses				
Corporate administrative expenses (2)	$ 2,539	$ 1,393	$ 6,283	$ 5,532
Corporate facility expenses	116	79	298	257
Stock Compensation expense	337	531	1,290	1,661
Total unallocated expenses	$ 2,992	$ 2,003	$ 7,871	$ 7,450
Consolidated				
Total revenue	$ 26,594	$ 38,101	$ 98,831	$ 112,821
Operating loss	(1,697)	(3,764)	(4,224)	(4,567)
Depreciation and amortization	$ 1,158	$ 1,485	$ 4,102	$ 4,458

(1) Includes $697 and $658 of annual premium refunds from the Ohio Bureau of Workers Compensation for the three months ended June 30, 2020 and 2019, respectively; and $747 and $1,357 for the nine months ended June 30, 2020 and 2019, respectively. The Industrial Services gross margins normalized for the effects of these items were approximately 13% and 15% for the three months ended June 30, 2020 and 2019, respectively; and approximately 14% and 14% for the nine months ended June 30, 2020 and 2019, respectively.

(2) Includes certain costs and expenses incurred related to restructuring activities, including corporate legal and general expenses associated with capital markets activities and not directly associated with core business operations. These costs were $1,557 and $564 for the three-month periods ended June 30, 2020 and 2019, respectively, and 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. These costs were $3,247 and $2,990 for the nine-month periods ended June 30, 2020 and 2019, respectively.

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 June 30, 2020, we operated thirty-two 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, two offices in Illinois and Massachusetts, 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 June 30, 2020 Compared to the Three Months Ended June 30, 2019

Net Revenues

Consolidated net revenues are comprised of the following:

	Three Months Ended June 30,			
(in thousands)	2020	2019	Change	Change
Professional contract services	$ 20,595	$ 27,775	$ (7,180)	-26%
Industrial contract services	2,898	5,442	(2,544)	-47%
Total professional and industrial contract services	23,493	33,217	(9,724)	-29%
Direct hire placement services	3,101	4,884	(1,783)	-37%
Consolidated net revenues	$ 26,594	$ 38,101	$ (11,507)	-30%

Contract staffing services contributed $23,493 or approximately 88% of consolidated revenue and direct hire placement services contributed $3,101, or approximately 12%, of consolidated revenue for the three-month period ended June 30, 2020. This compares to contract staffing services revenue of $33,217, or approximately 87%, of consolidated revenue and direct hire placement revenue of $4,884, or approximately 13%, of consolidated revenue for the three-month period ended June 30, 2019.

The overall decrease in contract staffing services revenues of $9,724, or 29%, for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 was primarily attributable to the Coronavirus Pandemic outbreak that resulted in client closures, postponements in recruiting activities at some clients, and layoffs. The Company experienced the majority, but not all, of these contract staffing services reductions in its finance, accounting and office professional end markets and in its light industrial segment. In addition to reductions in temporary workforce requirements brought about as a result of the coronavirus, reorganization of a few key customers in the three-month period ended June 30, 2020 contributed to the net reduction in revenues.

Direct hire placement revenue for the three months ended June 30, 2020 decreased by $1,783, or approximately 37%, over the three months ended June 30, 2019. The demand for direct hire services also declined significantly due to adverse impact of the Coronavirus Pandemic outbreak.

The Company continues to observe, analyze and make modifications and changes to its core business operating model and practices on a daily basis in response to the on-going Coronavirus Pandemic and related health and safety concerns. These include, but are not limited to, implementation of policies and procedures in observance of Federal, state and/or local guidelines regarding the coronavirus, including matters ranging working from home, use of personal protective equipment (principally, protective masks), social distancing, personal hygiene and sanitary practices, and other preventative and responsive measures, impacting both our core human resources, as well as our contract laborers serving 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 months ended June 30, 2020 decreased by approximately 31% to $16,925 compared to $24,521 for the three months ended June 30, 2019. The $7,596 overall decrease in cost of contract services for the three months ended June 30, 2020 compared to the three months ended June 30, 2019 was primarily attributable to and consistent with the corresponding decline in revenues.

Gross Profit percentage by service:

	Three Months Ended June 30,	
	2020	**2019**
Professional contract services	26.6%	26.1%
Industrial contract services	37.1%	26.8%
Professional and industrial services combined	28.0%	26.2%
Direct hire placement services	100.0%	100.0%
Combined gross profit margin % (1)	36.4%	35.6%

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

The Company's combined gross profit margin, including direct hire placement services (recorded at 100% gross margin) for the three-month period ended June 30, 2020 was approximately 36.4% as compared with approximately 35.6% for the three-month period ended June 30, 2019.

In the professional contract staffing services segment, the gross margin (excluding direct placement services) was approximately 26.6% for three-month period ended June 30, 2020 compared to approximately 26.1% for the three-month period ended June 30, 2019. 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 June 30, 2020, 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 June 30, 2020 was approximately 37.1% versus approximately 26.8% for the three-month period ended June 30, 2019. The increase in industrial staffing services gross margin is due to a significant decrease in cost of services ratio to an amount of return premiums the Company's light industrial business is eligible to receive under the Ohio Bureau of Workers' Compensation retrospectively-rated insurance program. It includes $697 and $658 of annual premium refunds from the Ohio Bureau of Workers Compensation for the three months ended June 30, 2020 and 2019, respectively; and $747 and $1,357 for the nine months ended June 30, 2020 and 2019, respectively. The Industrial Services gross margins normalized for the effects of these items were approximately 13% and 15% for the three months ended June 30, 2020 and 2019, respectively; and approximately 14% and 14% for the nine months ended June 30, 2020 and 2019, respectively.

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.

The Company's SG&A for the three-month period ended June 30, 2020 decreased by $1,351 as compared to the three-month period ended June 30, 2019. SG&A for the three-month period ended June 30, 2020, as a percentage of revenues, was approximately 38% compared to approximately 30% for the three-month period ended June 30, 2019. The decrease in SG&A expenses is primarily attributable to a decrease in employee related expenses associated with eliminated positions in response to the downturn associated with the coronavirus outbreak. The increase in the SG&A percentage for the three-month period ended June 30, 2020 over the three-month period ended June 30, 2019, is primarily due to the corresponding significant reduction in revenues, which results in less coverage of our SG&A fixed or semi-variable expenses.

SG&A also includes certain non-cash costs and expenses incurred related to acquisition, integration and restructuring and other non-recurring activities, such as certain corporate legal and general expenses associated with capital markets activities that either are not directly associated with core business operations or have been eliminated on a going forward basis. These costs were estimated to be $1,557 and $564 for the three-month periods ended June 30, 2020 and 2019, respectively, and 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 net increase in these costs for the three-month period ended June 30, 2020 compared to the three-month period ended June 30, 2019 is primarily attributable to personnel costs eliminated to align operational needs related to coronavirus outbreak.

Depreciation Expense

Depreciation expense was $33 and $89 for the three-month period ended June 30, 2020, and 2019, respectively. The decrease is due to closed locations resulted from coronavirus outbreak.

Amortization Expense

Amortization expense was $1,125 and $1,396 for the three-month period ended June 30, 2020 and 2019, respectively. The decrease is due to amortization completion of SNI intangible assets related to non-compete agreements.

Loss from Operations

The loss from operations decreased by $2,067 for the three-month period ended June 30, 2020 compared to the three-month period ended June 30, 2019. The decrease is entirely attributable to the goodwill impairment charge recognized for the three-month period ended June 30, 2019. Excluding the impact of the goodwill impairment charge, the loss from operations increased by $(2,233). This net increase in our loss from operations is directly attributable to the matters discussed regarding revenues and operating expenses above; including most notably, the negative effects of the Coronavirus Pandemic.

Interest Expense

Interest expense was $3,334 for the three-month period ended June 30, 2020, which remained approximately level compared to the three-month period ended June 30, 2019. Interest expense for the three-month period ended June 30, 2020 includes an increase in amortization of the debt issue costs related to exit and restructuring fees originated under Seventh Amendment to the Company's Senior Credit Agreement. Also, included in the interest expense was the charge-off of the remaining unamortized beneficial conversion feature associated with the former 8% Notes in the amount of $243 for the three-month period ended June 30, 2020.

Provision for Income Taxes

The Company recognized a tax expense of $90 for the three-month period ended June 30, 2020. Our effective tax rate for the three-month periods ended June 30, 2020 and 2019, is lower than the statutory tax rate primarily due to an increase in the deferred tax liability related to indefinite lived assets. Other than the deferred tax liability relating to indefinite lived assets, the Company is maintaining a valuation allowance against the remaining net DTA position.

Net Income (Loss)

The Company's net income (loss) was $7,195 and $(6,834) for the three-month periods ended June 30, 2020 and 2019, respectively. The increase in net income for the three-month periods ended June 30, 2020 resulted from the gain recognized of $12,316 on extinguishment of subordinated debt. The significant sources or drivers of the Company's net loss during the three-month period ended June 30, 2019 have been the interest costs associated with debt, the amortization expenses associated with the Company identifiable intangible assets, and a goodwill impairment charge.

The Company continues to closely manage costs and 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 strategy entails both internal and acquisition growth objectives to increase revenue in the aforementioned higher margin and more profitable professional services sectors of staffing.

In approximately mid-March 2020, the Company began to experience the severe negative effects of the economic disruptions resulting from the Coronavirus Pandemic ("COVID-19"). These have included abrupt reductions in demand for the Company primary sources of revenue, its temporary and direct hire placements, lost productivity due to business closings both by clients and at the Company's own operating locations, and the significant disruptive impacts to many other aspects of normal operations. These effects have and continue to be felt across all businesses, with the most severe impacts being felt in the commercial (light industrial) and finance, accounting and office clerical (FAO) end markets within the professional segment.

On April 28, 2020, the Company and its subsidiaries entered into Seventh Amendment, dated as of April 28, 2020 (the "Seventh 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"). The Seventh Amendment represents the most significant loan modification of the Company's Credit Agreement since inception.

On May 5, 2020 the Company and its subsidiaries entered into nine (9) unsecured promissory notes payable under CARES Act Payroll Protection Program ("PPP") and received net funds totaling $19,927 in order to obtain needed relief funds for allowable expenses under the CARES Act PPP. On May 5, 2020, the Company also entered into Eighth Amendment, dated as of May 5, 2020 (the "Eighth Amendment") to the Credit Agreement. The Eighth Amendment served as the conforming amendment under the Credit Agreement to enable the Company and its subsidiaries to enter into the PPP loans and additional permitted indebtedness in compliance with the Credit Agreement. The CARES Act PPP relief funds are the only source of financing available to our companies and businesses to help withstand the significant downturn and disruptions we are now undergoing and are absolutely critical to our ability to maintain operations, including the employment of our temporary and full-time employees, in order to produce and meet our foreseeable liquidity requirements in the midst of this continuing worldwide pandemic.

Management believes that the execution of the amendments to the Company's senior Credit Agreement and the CARES Act PPP loans and related funding are providing significant relief to the otherwise negative effects of the present Coronavirus Pandemic.

On June 30, 2020, the Company and its subsidiaries entered into Ninth Amendment, dated as of June 30, 2020 (the "Ninth 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"). Under the Ninth Amendment, the Company's senior lender agreed to modify the earlier conversion condition of the Seventh Amendment and allow the Company to settle a significant portion of the subordinated debt and preferred stock with up to $5,083 million in cash, instead of by converting all of it into the Company's common stock. As a result, the Company was able to negotiate and settle $46,900 in subordinated debt and preferred stock for $5,083 in cash and 1,811 shares of the Company's common stock. These transactions resulted in recognition of a net gain on the extinguishment of debt of $12,316, and a net gain on redemption of preferred stock of $24,475 and positive net income and net income attributable to common shareholders of $7,195 and $31,670, respectively, for the three-month period ended June 30, 2020.

Nine Months Ended June 30, 2020 Compared to the Nine Months Ended June 30, 2019

Net Revenues

Consolidated net revenues are comprised of the following:

	Nine Months Ended June 30,			
(in thousands)	**2020**	**2019**	**$ Change**	**Change**
Professional contract services	$ 73,810	$ 82,900	(9,090)	-11%
Industrial contract services	13,025	16,157	(3,132)	-19%
Total professional and industrial contract services	86,835	99,057	(12,222)	-12%
Direct hire placement services	11,996	13,764	(1,768)	-13%
Consolidated net revenues	$ 98,831	$ 112,821	(13,990)	-12%

Contract staffing services contributed $86,835 or approximately 88% of consolidated revenue and direct hire placement services contributed $11,996, or approximately 12%, of consolidated revenue for the nine-month period ended June 30, 2020. This compares to contract staffing services revenue of $99,057, or approximately 88%, of consolidated revenue and direct hire placement revenue of $13,764, or approximately 12%, of consolidated revenue for the nine-month period ended June 30, 2019.

The overall decrease in contract staffing services revenues of $12,222, or 12%, for the nine-month period ended June 30, 2020 compared to the nine-month period ended June 30, 2019 was primarily attributable to the Coronavirus Pandemic that resulted in client closures, postponements in recruiting activities at some clients, and layoffs. The Company experienced the majority, but not all, of these contract staffing services reductions its finance, accounting and office professional end markets and in its light industrial segment. In addition to reductions in temporary workforce requirements brought about as a result of the coronavirus, reorganization of a few key customers in the nine-month period ended June 30, 2020 contributed to the net reduction in revenues.

Direct hire placement revenue for the nine-month period ended June 30, 2020 also declined by $1,768 to $11,996 compared to the nine-month period ended June 30, 2019. The Company has seen demand for its direct hire services drop significantly due to negative impacts related to the Coronavirus Pandemic outbreak.

The Company continues to observe, analyze and make modifications and changes to its core business operating model and practices on a daily basis in response to the on-going Coronavirus Pandemic and related health and safety concerns. These include, but are not limited to, implementation of policies and procedures in observance of Federal, state and/or local guidelines regarding the coronavirus, including matters ranging working from home, use of personal protective equipment (principally, protective masks), social distancing, personal hygiene and sanitary practices, and other preventative and responsive measures, impacting both our core human resources, as well as our contract laborers serving 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 nine-month period ended June 30, 2020 decreased by approximately 13% to $64,654 compared to $74,093 for the nine-month period ended June 30, 2019. The $9,439 overall decrease in cost of contract services for the nine-month period ended June 30, 2020 compared to the nine-month period ended June 30, 2019 was primarily attributable to and consistent with the corresponding decline in revenues, which is discussed further below.

Gross Profit percentage by service:

	Nine Months Ended June 30,	
	2020	**2019**
Professional contract services	26.5%	25.7%
Industrial contract services	19.9%	22.5%
Professional and industrial services combined	25.5%	25.2%
Direct hire placement services	100.0%	100.0%
Combined gross profit margin % (1)	34.6%	34.3%

(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 nine-month period ended June 30, 2020 was approximately 34.6% as compared with approximately 34.3% for the nine-month period ended June 30, 2019.

In the professional contract staffing services segment, the gross margin (excluding direct placement services) was approximately 26.5% for nine-month period ended June 30, 2020. The 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 nine-month period ended June 30, 2020, as compared with the same period of the prior fiscal year.

The Company’s industrial staffing services gross margin for the nine-month period ended June 30, 2020 was approximately 19.9% versus approximately 22.5% for the nine-month period ended June 30, 2019. The decrease in industrial staffing services gross margin is due to a decrease 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.

The Company’s SG&A for the nine-month period ended June 30, 2020 decreased by $237 as compared to the nine-month period ended June 30, 2019. SG&A for the nine-month period ended June 30, 2020, as a percentage of revenues was approximately 35% compared to approximately 31% for the nine-month period ended June 30, 2019. The increase in the SG&A percentage for the nine-month period ended June 30, 2020 over the nine-month period ended June 30, 2019, is primarily due to the corresponding significant reduction in revenues, which results in less coverage of our SG&A fixed or semi-variable expenses. SG&A expenses for the nine-month period ended June 30 2020, also included increases in our allowance for doubtful accounts of approximately $1,887 during the nine-month period ended June 30, 2020, including $1,653 associated with a single large customer of our light industrial segment that has declared bankruptcy.

SG&A also includes certain costs and expenses incurred related to acquisition, integration and restructuring and other non-recurring activities, such as certain corporate legal and general expenses associated with capital markets activities that either are not directly associated with core business operations or have been eliminated on a going forward basis. These costs were $3,247 and $2,990 for the nine-month periods ended June 30, 2020 and 2019, respectively, and 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. Such costs for the nine-month period ended June 30, 2020, included approximately $1,496 attributable to personnel costs eliminated to align operational needs related to coronavirus outbreak.

Depreciation Expense

Depreciation expense was $181 for the nine-month period ended June 30, 2020, which decreased by $88 compared to the nine-month period ended June 30, 2019.

Amortization Expense

Amortization expense was $3,921 and $4,189 for the nine-month period ended June 30, 2020 and 2019, respectively. The decrease is due to amortization completion of SNI intangible asset related to non-compete agreements. In addition to amortization expense, the Company recognized an impairment charge related to its goodwill of $4,300 for the nine-month period ended June 30, 2019.

Loss from Operations

The loss from operations decreased by $343 for the nine-month period ended June 30, 2020 compared to the nine-month period ended June 30, 2019. The decrease is entirely attributable to the goodwill impairment charge recognized for the three-month period ended June 30, 2019. Excluding the impact of the goodwill impairment charge, the loss from operations increased by $(3,956). This remaining net increase in our loss from operations is directly attributable to the matters discussed regarding revenues and operating expenses above; including most notably, the negative effects of the Coronavirus Pandemic and increases in our allowance for doubtful accounts of approximately $1,887, including $1,653 associated with a single large customer of our light industrial segment that has declared bankruptcy.

Interest Expense

Interest expense for the nine-month period ended June 30, 2020, increased by $409 compared to the nine-month period ended June 30, 2019. The increase in interest expense is attributable to an increase in an amortization of the debt issue costs related to exit and restructuring fees originated under Seventh Amendment during nine-month period ended June 30, 2020. Also, included in the interest expense was the charge-off of the remaining unamortized beneficial conversion feature associated with the former 8% Notes in the amount of $243 for the three-month period ended June 30, 2020.

Provision for Income Taxes

The Company recognized a tax expense of $271 for the nine-month period ended June 30, 2020. Our effective tax rate for the nine-month periods ended June 30, 2020 and 2019, is lower than the statutory tax rate primarily due to an increase in the deferred tax liability related to indefinite lived assets. Other than the deferred tax liability relating to indefinite lived asset, the Company is maintaining a valuation allowance against the remaining net DTA position.

Net Loss

The Company's net loss was $1,797 and $14,176 for the nine-month periods ended June 30, 2020 and 2019, respectively. The significant decrease in the net loss for the nine-month period ended June 30, 2020, principally the result of the gain recognized of $12,316 on an extinguishment of subordinated debt. In addition to the items discussed above, other significant drivers of the Company's net loss have been the interest costs associated with debt and the amortization expenses associated with the Company identifiable intangible assets. The Company also incurred a goodwill impairment charge of $4,300 for the nine-month period ended June 30, 2019.

The Company continues to closely manage costs and 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.

In approximately mid-March 2020, the Company began to experience the severe negative effects of the economic disruptions resulting from the Coronavirus Pandemic ("COVID-19"). These have included abrupt reductions in demand for the Company primary sources of revenue, its temporary and direct hire placements, lost productivity due to business closings both by clients and at the Company's own operating locations, and the significant disruptive impacts to many other aspects of normal operations. These effects have and continue to be felt across all businesses, with the most severe impacts being felt in the commercial (light industrial) and finance, accounting and office clerical ("FA&O) end markets within the professional segment.

On April 28, 2020, the Company and its subsidiaries entered into Seventh Amendment, dated as of April 28, 2020 (the "Seventh 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"). The Seventh Amendment represents the most significant loan modification of the Company's Credit Agreement since inception.

On May 5, 2020 the Company and its subsidiaries entered into nine (9) unsecured promissory notes payable under CARES Act Payroll Protection Program ("PPP") and received net funds totaling $19,927 in order to obtain needed relief funds for allowable expenses under the CARES Act PPP. On May 5, 2020, the Company also entered into Eighth Amendment, dated as of May 5, 2020 (the "Eighth Amendment") to the Credit Agreement. The Eighth Amendment served as the conforming amendment under the Credit Agreement to enable the Company and its subsidiaries to enter into the PPP loans and additional permitted indebtedness in compliance with the Credit Agreement. The CARES Act PPP relief funds are the only source of financing available to our companies and businesses to help withstand the significant downturn and disruptions we are now undergoing and are absolutely critical to our ability to maintain operations, including the employment of our temporary and full-time employees, in order to produce and meet our foreseeable liquidity requirements in the midst of this continuing worldwide pandemic.

Management believes that the execution of the amendments to the Company's senior Credit Agreement and the CARES Act PPP loans and related funding are providing significant needed relief to the otherwise negative effects of the present Coronavirus Pandemic.

On June 30, 2020, the Company and its subsidiaries entered into Ninth Amendment, dated as of June 30, 2020 (the "Ninth 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"). Under the Ninth Amendment, the Company's senior lender agreed to modify the earlier conversion condition of the Seventh Amendment and allow the Company to settle a significant portion of the subordinated debt and preferred stock with up to $5,083 million in cash, instead of by converting all of it into the Company's common stock. As a result, the Company was able to negotiate and settle $46,900 in subordinated debt and preferred stock for $5,083 in cash and 1,811 shares of the Company's common stock. These transactions resulted in recognition of a net gain on the extinguishment of debt of $12,316, and a net gain on redemption of preferred stock of $24,475 and smaller net income (loss) and net income attributable to common shareholders of $(1,767) and $22,678, respectively, for the nine-month period ended June 30, 2020.

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

(in thousands)	Nine Months Ended June 30, 2020	Nine Months Ended June 30, 2019
Cash flows used in operating activities	$ 245	$ (551)
Cash flows used in investing activities	$ (105)	$ (108)
Cash flows provided by financing activities	$ 12,382	$ 1,609

As of June 30, 2020, the Company had $16,577 of cash, which was an increase of $12,522 from $4,055 as of September 30, 2019. As of June 30, 2020, the Company had working capital of $6,880 compared to $8,534 of working capital as of September 30, 2019.

Net cash used in operating activities for the nine-month periods ended June 30, 2020 and 2019 was $245 and $(551), respectively. The positive operating cash flow in the nine-month period ended June 30, 2020 is attributable to lowered cash interest payments per Seventh Amendment. The negative operating cash flow in the fiscal nine months period ended June 30, 2019 corresponds with negative income 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 nine-month periods ended June 30, 2020 and 2019.

Cash flow provided by financing activities for the nine-month periods ended June 30, 2020 and 2019 was primarily attributed to the net funds received from nine (9) unsecured promissory notes payable under CARES Act Payroll Protection Program ("PPP") totaling $19,927 in order to provide needed relief for allowable expenses under the CARES Act PPP. Offsetting the effect of the new PPP funds received were payments required to pay down the Company's Revolving Credit Facility resulting from the decline in the Company's business and accounts receivable that serve as borrowing base collateral as a direct result of the Coronavirus Pandemic and settlement payments on the extinguishment of subordinated notes and preferred stock.

Minimum debt service payments (principal) for the twelve-month period commencing after the close of business on June 30, 2020, are approximately $445. All the Company's office facilities are leased. Minimum lease payments under all the Company's lease agreements for the twelve-month period commencing after the close of business on June 30, 2020, are approximately $1,840.

The Company experienced significant net losses for the first nine months of its current fiscal year, and for its most recent fiscal years ended September 30, 2019 and 2018, which also negatively impacted the Company's ability to generate liquidity. During much of this period, the Company significantly restructured its operations, made significant cost reductions, including closing and consolidating unprofitable locations and eliminating underperforming personnel, implemented strategic management changes, and intensified focus on stabilizing the business and restoring profitable growth. As a result, management believes the Company had begun to see its operations and business stabilize.

In approximately mid-March 2020, the Company began to experience the severe negative effects of the economic disruptions resulting from the Coronavirus Pandemic ("COVID-19"). These have included abrupt reductions in demand for the Company primary sources of revenue, its temporary and direct hire placements, lost productivity due to business closings both by clients and at the Company's own operating locations, and the significant disruptive impacts to many other aspects of normal operations. These effects have continued to be felt across all businesses, with the most severe impacts being felt in the commercial (light industrial) and finance, accounting and office clerical (FAO) end markets within the professional segment.

Following months of extensive negotiations, effective April 28, 2020, the Company entered into the Seventh Amendment to the Credit Agreement with its senior lenders. The Seventh Amendment (as defined below) is the most significant modification of the Company's senior credit facilities since inception and provides several important concessions and features, including extending the maturity by two years to June 30, 2023, and adjusting (reducing) cash debt service and thereby improving the Company's ability to generate liquidity. Effective May 5, 2020 the Company entered into the Eighth Amendment to the Credit Agreement with its senior lenders (the "Eighth Amendment") which allowed the Company and its subsidiaries to obtain loans from BBVA USA ("BBVA") pursuant to the Payroll Protection Plan (the "PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("the CARES Act") and administered by the U.S. Small Business Administration ("SBA").

Between April 29 and May 4, 2020, the Company was able to obtain CARES Act relief financing under the Paycheck Protection Program ("PPP Loans") for each of its operating subsidiaries, in the aggregate amount of $19,927. These funds are the only source of financing available to our companies and businesses and are absolutely critical to our ability to maintain operations, including the employment of our temporary and full-time employees, in order to produce and meet our foreseeable liquidity requirements in the midst of this continuing worldwide pandemic.

On June 30, 2020, the Company completed a financial restructuring and eliminated $19,685 of its subordinated indebtedness and $27,695 of its convertible preferred stock as required pursuant to the terms of Seventh Amendment, dated as of April 28, 2020, to the Revolving Credit, Term Loan and Security Agreement, dated as of March 31, 2017. The Company entered into a Repurchase Agreement for Preferred Stock and Subordinated Notes (the "Repurchase Agreement"), dated as of June 30, 2020 with Ronald R. Smith ("Mr. Smith"), Thrivent Financial for Lutherans ("Thrivent"), Madison Capital Funding LLC ("Madison"), Maurice R. Harrison IV, Peter Langlois, Vincent Lombardo and Shane Parr (collectively with Smith, Thrivent and Madison, the "SNI Group Members" pursuant to which the SNI Group Members agreed to allow the Company to repurchase and settle all of the 9.5% Convertible Subordinated Notes (the "9.5% Notes"), Series B Convertible Preferred Stock, no par value ("Series B Preferred Stock"), 8% Convertible Subordinated Notes ("8% Notes") and Series C 8% Cumulative Convertible Preferred Stock, no par value ("Series C Preferred Stock") held by each of them. All of the outstanding 9.5% Notes and all of the outstanding Series B Preferred Stock were held by SNI Group Members.

Management believes that the Company can generate adequate liquidity to meet its obligations for the foreseeable future assuming the negative economic effects of COVID-19 do not worsen, and that economic recovery occurs.

Off-Balance Sheet Arrangements

As of June 30, 2020, there were no transactions, agreements or other contractual arrangements to which an unconsolidated entity was a party, under which the Company (a) had any direct or contingent obligation under a guarantee contract, derivative instrument or variable interest in the unconsolidated entity, or (b) had a retained or contingent interest in assets transferred to the unconsolidated entity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of June 30, 2020, the Company's management evaluated, with the participation of its principal executive officer and its principal financial officer, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act"). Based on that evaluation, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2020.

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 nine-month period ended June 30, 2020, 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.

The full extent of the impact of COVID-19 on our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict. In evaluating us and our common stock, in addition to the risk factor below, we urge you to carefully consider the risks and other information in this Quarterly Report on Form 10-Q, as well as the risk factors disclosed in Item 1A. of Part I of our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 ("2019 Form 10-K"), and filed with the SEC on December 23, 2019. Any of the risks discussed in this Quarterly Report on Form 10-Q or any of the risks disclosed in Item 1A. of Part I of our 2019 Form 10-K, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition.

Our business, results of operations, and financial condition have been and may continue to be adversely impacted in material respects by the coronavirus pandemic, and future adverse impacts could be material and difficult to predict.

Our business, results of operations, and financial condition have been, and may continue to be, adversely impacted in material respects by COVID-19 and by related government actions (including declared states of emergency and quarantine, "shelter in place" orders, or similar orders), non-governmental organization recommendations, and public perceptions, all of which have led and may continue to lead to disruption in global economic and labor markets. These effects have had a significant impact on our business, including reduced demand for our services and workforce solutions, early terminations or reductions in projects, and hiring freezes, and a shift of a majority of our workforce to remote operations, all of which have contributed to a decline in revenues and other significant adverse impacts on our financial results. Other potential impacts of COVID-19 may include continued or expanded closures or reductions of operations with respect to our client partners' operations or facilities, the possibility our client partners will not be able to pay for our services or workforce solutions, or that they will attempt to defer payments owed to us, either of which could materially impact our liquidity, the possibility that the uncertain nature of the pandemic may not yield the increase in certain of our workforce solutions that we have historically observed during periods of economic downturn, and the possibility that various government-sponsored programs to provide economic relief may be inadequate. Further, we may continue to experience adverse financial impacts, some of which may be material, if we cannot offset revenue declines with cost savings through expense-related initiatives, human capital management initiatives, or otherwise. As a result of these observed and potential developments, we expect our business, results of operations, and financial condition to continue to be negatively affected.

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
10.1	Repurchase Agreement for Preferred Stock and Subordinated Notes dated as of June 30, 2020 with Ronald R. Smith, Thrivent Financial for Lutherans, Madison Capital Funding LLC, Maurice R. Harrison IV, Peter Langlois, Vincent Lombardo and Shane Parr. Filed as Exhibit 10.1 to the current report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2020 and incorporated herein by reference.
10.2	Note Conversion Agreement dated as of June 30, 2020 by and between GEE Group, Inc. and JAX Legacy Investment I, LLC. Filed as Exhibit 10.2 to the current report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2020 and incorporated herein by reference.
10.3	Note Settlement Agreement dated as of June 27, 2020 by and among GEE Group, Inc.,, Enoch S. Timothy and Dorothy Timothy. Filed as Exhibit 10.3 to the current report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2020 and incorporated herein by reference.
10.4	Registration Rights Agreement dated as of June 30, 2020 by and among GEE Group, Inc. and Ronald R. Smith, Thrivent Financial for Lutherans Madison Capital Funding LLC, Maurice R. Harrison IV, Peter Langlois, Vincent Lombardo and Shane Parr (included as Exhibit B to Exhibit 10.1). Filed as Exhibit 10.4 to the current report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2020 and incorporated herein by reference.
10.5	Ninth Amendment dated as of June 30, 2020 to Revolving Credit, Term Loan and Security Agreement dated as of March 31, 2017 by and among GEE Group, Inc., the other Borrowers and Guarantors named therein, the lenders named therein and MGG Investment Group LP, as administrative agent, term loan agent and collateral agent for the lenders named therein. Filed as Exhibit 10.5. to the current report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2020 and incorporated herein by reference.
10.6*	Amendment No. 1 to Executive Employment Agreement dated and effective as of August 12, 2020 between GEE Group Inc. and Kim Thorpe
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: August 14, 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 10.6

AMENDMENT NO. 1 TO EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDMENT TO THE EXECUTIVE EMPLOYMENT AGREEMENT between GEE Group Inc., an Illinois corporation, whose principal place of business is 7751 Belfort Parkway Suite 150 Jacksonville, Florida 32256 (the "Company" or "Employer") and Kim Thorpe, an individual whose address is in Jacksonville Beach, Florida (the "Executive") is made and effective as of August 12, 2020 (the "Effective Date").

RECITALS

A. The Employer is an Illinois corporation and is principally engaged in the business of staffing and permanent placement, and related personnel activities, including benefit and insurance programs (the "Business").

B. The Employer recognizes that the Executive's talents and abilities are unique and have been integral to the success of the Employer and thus wishes to secure the ongoing services of the Executive on the terms and conditions set forth herein.

C. The Employer desires to continue to employ the Executive and the Executive desires to continue to be employed by the Employer.

D. The parties agree that a covenant not to compete is essential to the growth and stability of the Business of the Employer.

E. Executive previously entered into an Executive Employment Agreement with Employer, dated February 13, 2019. This Amendment is hereby made to such Executive Employment Agreement by mutual consent of the Company and Executive.

NOW, THEREFORE, in consideration of the mutual promises and agreements and covenants, and subject to the terms and conditions contained in this Amendment, the Employer and Executive, intending to be legally bound, hereby agree to amend and supersede in its entirety, section 4.a., as follows:

4. Compensation. During the Employment Period, which is in the Term of this Agreement, Executive shall receive the following compensation:

a. Base Salary. A base annual salary of $250,000, payable in accordance with the Employer's standard practice for other senior executives. Executive's base salary shall be subject to annual review by the Chief Executive Officer for discretionary periodic increases in accordance with the Employer's compensation policies. References to "Base Salary" in this Agreement shall be to the base salary set forth in this Paragraph 4.a and shall include any increases to such base salary made hereby.

In all other respects, the Executive Employment Agreement, dated February 13, 2019, between the Executive and the Company as Employer remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

EXECUTIVE:	**Witness:**
By: ______________________	______________________
Kim Thorpe	Print Name: ______________________
Its: Senior Vice President and Chief Financial Officer	

EMPLOYER:	**Witness:**
By: ______________________	______________________
Derek Dewan	Print Name: ______________________
Its: Chief Executive Officer	

EXHIBIT 31.01

CERTIFICATION

I, Derek Dewan, certify that:

1. I have reviewed this Form 10-Q quarterly report for the nine months ended June 30, 2020 of GEE Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 14, 2020

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

EXHIBIT 31.02

CERTIFICATION

I, Kim Thorpe, certify that:

1. I have reviewed this Form 10-Q quarterly report for the nine months ended June 30, 2020 of GEE Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date:August 14, 2020

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

EXHIBIT 32.01

CERTIFICATIONS PURSUANT TO SECTION 1350

OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the Quarterly Report of GEE Group Inc. (the "Company") on Form 10-Q for the nine months ended June 30, 2020 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:August 14, 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 nine months ended June 30, 2020 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: August 14, 2020

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