GENERAL EMPLOYMENT ENTERPRISES INC
Form PRER14C
March 03, 2015

Schedule 14C

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14C

Information Statement Pursuant to Section 14(c) of the

Securities Exchange Act of 1934

Check the appropriate box:

x Preliminary Information Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))

¨ Definitive Information Statement

GENERAL EMPLOYMENT ENTERPRISES, INC.

(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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GENERAL EMPLOYMENT ENTERPISES, INC.

184 Shuman Blvd., Suite 420

Naperville, Illinois 60563

February , 2015

NOTICE OF ACTION TAKEN

PURSUANT TO A WRITTEN CONSENT OF SHAREHOLDERS

To our Shareholders:

General Employment Enterprises, Inc. (the Company) hereby gives notice to the holders of its common stock (Common Stock), that certain holders of greater than one half (1/2) of the voting power of its outstanding Common Stock are taking certain action by written consent, which is set forth in Appendix A hereto, to approve of the issuance of greater than 20 percent of the Company s outstanding Common Stock for the acquisition of Scribe Solutions, Inc., et al (Scribe).

The Company s Common Stock is listed and traded on the NYSE MKT under the symbol JOB. Under the NYSE MKT rules, the holders of a majority of the outstanding shares of the Common Stock must approve the issuance of the Common Stock because we will have issued securities equal to or in excess of 20 percent of the number of shares of Common Stock outstanding before such issuance. Section 7.10 of the Illinois Business Corporation Act (IBCA) and our organizational documents permit any action that may be taken at a meeting of the shareholders to be taken by written consent by the holders of the number of shares of voting stock required to approve the action at a meeting. Accordingly, the holders of a majority of the outstanding shares of the Common Stock have approved the issuance of the Common Stock for the acquisition of Scribe, subject to the terms and conditions set forth more fully in this Information Statement. All necessary corporate approvals in connection with the matters referred to in this Information Statement have been obtained, subject to such notice requirement. This Information Statement is being furnished to all shareholders of the Company pursuant to Section 14(c) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, solely for the purpose of informing shareholders of these corporate actions before they take effect. In accordance with Rule 14c-2 under the Exchange Act, the shareholder consent is expected to become effective twenty (20) calendar days following the mailing of this information statement.

We are mailing this Information Statement to our holders of record as of the close of business on December 10, 2014. This Information Statement is being provided to you for your information to comply with the requirements of the Securities Exchange Act of 1934, as amended. You are urged to read this Information Statement carefully in its entirety. However, no action is required on your part in connection with this document. No shareholder meeting will be held in connection with this Information Statement. **We are not asking you for a proxy and you are requested not to send us a proxy.**

We thank you for your continued support.

By order of the Board of Directors

Dennis Baker
Chairperson of the Board of Directors

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GENERAL EMPLOYMENT ENTERPRISE, INC.

184 Shuman Blvd., Suite 420

Naperville, Illinois 60563

INFORMATION STATEMENT

We are required to deliver this Information Statement to holders of our common stock (the Common Stock) in order to inform them that certain holders of greater than one-half (1/2) of the voting power of our outstanding Common Stock, without holding a meeting of shareholders at which shareholders would be entitled to vote, have taken certain actions that would normally require such a meeting. December 10, 2014 has been fixed as the record date for the determination of shareholders who are entitled to receive this Information Statement.

THIS INFORMATION STATEMENT IS FIRST BEING SENT OR GIVEN TO THE HOLDERS OF OUR COMMON STOCK ON OR ABOUT FEBRUARY , 2015.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

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SUMMARY TERM SHEET

This Summary Term Sheet and the section entitled Questions and Answers About the Acquisition summarize certain information contained in this Information Statement, but do not contain all of the information that is important to you. You should carefully read this entire Information Statement, including the attached Appendices.

ISSUANCE OF UP TO 640,000 SHARES OF SERIES A PREFERRED STOCK & ISSUANCE OF WARRANTS TO PURCHASE UP TO 6,400,000 SHARES OF OUR COMMON STOCK

On December 11, 2014, General Employment Enterprises, Inc. (the Company) entered into a Stock Exchange Agreement (the SCRIBE Agreement) with Brittany M. Dewan as Trustee of the Derek E. Dewan Irrevocable Living Trust II dated the 27th of July, 2010, Brittany M. Dewan, individually, Allison Dewan, individually, Mary Menze, individually, and Alex Stuckey, individually (collectively, the Scribe Shareholders). Pursuant to the terms of the SCRIBE Agreement the Company will acquire 100% of the outstanding stock of Scribe Solutions Inc., (Scribe) from the Scribe Shareholders for 640,000 shares of Series A Preferred Stock (the Preferred Stock) of the Company. In addition, the Company will exchange warrants to purchase up to 6,400,000 shares of the Company s common stock, for $0.20 per share, with a term of 5 years (the Warrants), for Scribe warrants held by three individuals. The issuances of Preferred Stock and Warrants by the Company shall be effected in reliance on the exemptions from registration afforded by Section 4(a)(2) of the Securities Act of 1933, (the Securities Act), and Rule 506 of Regulation D promulgated thereunder. The transactions set forth in the SCRIBE Agreement are based on a valuation of Scribe of not less than $6,400,000.

The transaction has been unanimously approved by the written consent of the Board of Directors of the Company (the Board) and the holders of a majority of the Company s outstanding common stock. The closing of the transactions set forth in the SCRIBE Agreement is subject to customary conditions to closing, and is expected to occur prior to March 31, 2015.

The Company s Common Stock is listed and traded on the NYSE MKT under the symbol JOB. The Company must obtain the approval of the Company s shareholders in accordance with Sections 705 and 712 of the NYSE MKT Company Guide in order for the NYSE MKT to approve the application to list the additional shares to be issued. Section 712 of the NYSE MKT Company Guide requires shareholder approval as a prerequisite to approval of applications to list additional shares to be issued when the present or potential issuance of Common Stock (or securities convertible into Common Stock) could result in an increase in outstanding common shares of 20% or more. The issuance of the Preferred Stock and of the Warrants in the transactions set forth in the SCRIBE Agreement could result in the issuance of Common Stock greater than 20% of the currently outstanding number of shares of Common Stock.

Under Illinois law, our Board has the authority to issue securities of the Company in such amounts and for such consideration as the Board may deem appropriate under Section 6.25 of the IBCA.

The foregoing transactions were approved by our Board at a special meeting on December 9, 2014, and by two shareholders that hold a majority of our issued and outstanding Common Stock by a written consent dated December 11, 2014.

This Information Statement is being mailed on or about February , 2015, to our shareholders of record on December 10, 2014. The actions described in this Information Statement will not become effective until the 21st day after the Information Statement is mailed to our shareholders. On or after such time, the actual share certificates covering 640,000 shares of Preferred Stock and the Warrants to purchase up to 6,400,000 shares of Common Stock will be issued to the Scribe Shareholders upon the satisfaction of certain requirements set forth in the SCRIBE Agreement.

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QUESTIONS AND ANSWERS ABOUT THE ACQUISITION

Q: Why am I receiving this Information Statement?

A: The Company has agreed to acquire Scribe under the terms of the SCRIBE Agreement as described in this Information Statement. We are mailing this Information Statement to our holders of record as of the close of business on December 10, 2014. This Information Statement is being provided to you for your information to comply with the requirements of the Securities Exchange Act of 1934, as amended. You are urged to read this Information Statement carefully in its entirety. However, no action is required on your part in connection with this document. **We are not asking you for a proxy and you are requested not to send us a proxy.**

A copy of the agreement is attached to this information statement as Appendix B, which we encourage you to read.

Q: When and where is the stockholder meeting?

A: No shareholder meeting will be held in connection with this Information Statement.

Q: Why is the Company acquiring Scribe?

A: The Company is a staffing company that is publicly traded under the ticker symbol JOB, with approximately $40 million in revenue. The staffing industry has more than $100 billion in annual sales and is expected to grow at a rate higher than 10% per year. This outlook is only expected to improve with anticipated additional governmental regulation, such as the new health care requirements and as companies increase their use of staffing companies to augment their human resource requirements.

The staffing industry is highly competitive with few barriers to entry, other than access to working capital, as many of the companies strategically use their staffing companies to extend their own cash flow requirement for payroll. This has created a dynamic where more than 6,000 staffing firms in the United States have been open for more than one year. There are only a few staffing companies with more than $100 million in revenue and the majority of staffing companies have less than $5 million in annual revenue.

The Company is caught in the middle of the industry, not big enough to fully capitalize on economies of scale, however too big to not have a corporate reporting structure. The Company is also a public entity, which makes it subject to the reporting requirements of the Exchange Act of 1934 and increases its need for a corporate governance structure. Being a public company, however, also enables the Company to incentivize its employees with equity and align their focus with the Company s overall goals.

The Company is seeking significant growth in revenue and profitability over the course of the next two years through a series of acquisitions and internal expansion strategies. The Company seeks to acquire companies that (i) are cash flow positive and are accretive to the Company s net income, or that can be in less than 180 days from acquisition, (ii) provide additional services to sell through its current infrastructure, (iii) strategically align with the Company s culture, and (iv) provide or align with core technology, infrastructure and management.

The acquisition of Scribe meets all of these criteria. In addition, Scribe provides the Company entry into the medical staffing industry and significantly adds to its core executive management team.

Q: What will the owners of Scribe receive in the proposed transactions?

A: Pursuant to the terms of the SCRIBE Agreement the Company will acquire 100% of the outstanding stock of Scribe from the Scribe Shareholders for 640,000 shares of Series A Preferred Stock (the Preferred Stock) of the Company. In addition, the Company will issue Company warrants in exchange for certain Scribe warrants.

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Q: What will be the total outstanding voting shares after the transaction?

A: If the proposed acquisition is completed, the following shares will be outstanding post transaction.

Type of Stock	Shares	Converted to Common
Preferred Shares, Issued January 8, 2015	200,000	10,000,000
Preferred Shares, Issued related to acquisition	640,000	32,000,000
Common Shares	28,994,014	28,994,014
Total		70,994,014

Q: Who will own the Company after the proposed acquisition?

A: If the proposed acquisition is completed, the current stockholders of the Company are expected to own approximately 55% of the outstanding shares of Common Stock of the Company. The current owners of Scribe are expected to own approximately 45% of the outstanding Common Stock of the Company. The foregoing presumes the conversion of all shares of the Preferred Stock.

Q: What is the record date?

A: The record date is December 10, 2014.

Q: Who will manage the Company post closing?

A: Following the acquisition, the Company will be overseen by its Board of Directors, which will replace one of its current board members with Derek Dewan. Mr Dewan will immediately also be elected Chairman of the Board. The current Chief Executive officer will remain with the Company as the Chief Financial Officer and Derek Dewan will be immediately elected as the Chief Executive Officer.

Q: When do you expect to complete the acquisition?

A: We are working to complete the acquisition as soon as possible. We expect to complete the acquisition prior to March 31, 2015. The closing of the acquisition is subject to the conditions and approvals described in this Information Statement and more specifically set forth in the SCRIBE Agreement.

Q: *Why are we mailing this Information Statement to you*?

A: This Information Statement is being provided to you for your information to comply with the requirements of the Securities Exchange Act of 1934, as amended. You are urged to read this Information Statement carefully in its entirety. However, no action is required on your part in connection with this document. No shareholder meeting will be held in connection with this Information Statement. We are not asking you for a proxy and you are requested not to send us a proxy.

WHO CAN HELP ANSWER YOUR QUESTIONS

If you have more questions about the acquisition, you should contact:

General Employment Enterprises, Inc.

184 Shuman Blvd., Suite 420

Naperville, Illinois 60563

Attention: Andrew J. Norstrud

Phone: 630-954-0400

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS.

This information statement may contain statements about future events and expectations known as forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We have based these statements on current expectations and projections about future results.

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The words anticipates, may, can, believes, expects, projects, intends, likely, will, to be and other predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of GEE and/or Scribe differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These risks and uncertainties include, but are not limited to, uncertainties regarding the timing of the proposed transaction with Scribe and economic conditions, competitive, legal, governmental and technological factors. There is no assurance that GEE or Scribes expectations will be realized. If one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated or projected.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

DESCRIPTION OF THE BUSINESS OF SCRIBE SOLUTIONS, INC.

Scribe Solutions, Inc.

Scribe was incorporated in the State of Florida on December 30, 2008. Scribe Solutions was formed to meet the demands that physicians face with overcrowded waiting rooms, and to overcome the challenges presented by electronic medical records (EMR) and the rising cost of quality patient care. By providing physicians with personal assistants (medical scribes), Scribe offers turnkey programs where it recruits, qualifies, hires, and trains resources to serve as scribes at sites across the United States, and alleviates the burden of documentation and clerical duties. Scribe Solutions has developed a low cost staffing solution that improves productivity by providing scribe programs to emergency departments, physician practices, and outpatient and inpatient facilities. Scribe s principal office is located at: 13500 Sutton Park Drive South, Suite 204, Jacksonville, FL 32224.

Services Provided

Emergency departments (ED) are fast paced environments in which ED physicians take multi-tasking to the extreme, and they often find themselves performing data entry and clerical duties. As the emergency room physician takes more and more time to document in the electronic medical record (EMR) he or she spends less time caring for patients. In fact, ED physicians now spend 45 minutes of every hour documenting or performing clerical duties. This results in decreased productivity, decreased patient satisfaction, decreased relative value units (RVUs), decreased turnaround times (TAT) and poor patient care.

Scribe offers emergency department medical scribes to allow the ER physician to spend less time on clerical duties and more time caring for patients. Scribe s clinical information managers (scribes) provide specific emergency department services to aid doctors in documentation and minimize their clerical duties. Not only does Scribe offer physician assistant (medical scribe) services to emergency departments, but also to busy specialty physician practices and clinics. Physicians in these specialty practices and clinics benefit from scribe services by spending less time on charting and more time on providing quality patient care.

In addition, Scribe provides an online and live didactic series designed to develop quality scribes. Scribe s medical scribes have an excellent knowledge base and can adapt to any documentation system. The scribes also perform other emergency department services such as tracking labs, transcribing radiology reports, attending to patient needs, and helping physicians organize data.

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The transaction will allow the Company to enhance its traditional staffing products with other non-traditional offerings as outlined above for which the Company can now offer a complete suite of products and services for corporate clients and staffing companies alike.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SCRIBE SOLUTIONS, INC.

Overview

Scribe was incorporated in the State of Florida on December 30, 2008. Scribe Solutions was formed to meet the demands that physicians face with overcrowded waiting rooms, and to overcome the challenges presented by electronic medical records (EMR) and the rising cost of quality patient care. By providing physicians with personal assistants (medical scribes), Scribe offers turnkey programs where it recruits, qualifies, hires, and trains resources to serve as scribes at sites across the United States, and alleviates the burden of documentation and clerical duties. Scribe Solutions has developed a low cost staffing solution that improves productivity by providing scribe programs to emergency departments, physician practices, and outpatient and inpatient facilities. Scribe s principal office is located at: 13500 Sutton Park Drive South, Suite 204, Jacksonville, FL 32224.

Results of Operations

Net Revenues

Consolidated net revenues increased by approximately $525,000 or 16% compared with the same period last year. The revenue increased based on the growth of transcription and other services derived from increased resources for multiple scribe shifts provided to existing hospital customers for their emergency rooms plus select additions of scribes to physician practices and the addition of several new customers including clinical medical groups and other health care institutions.

Cost of Contract Services

Cost of services includes wages, payroll taxes and other expenses directly paid to the employees for services provided under contract assignments. Cost of contract services for the year ended, increased by approximately 5% to approximately $2,100,000 compared with the prior year of approximately $2,000,000. Cost of contract services, as a percentage of contract revenue, for the year ended, decreased by 5.5% to 55.6% compared to 61.1% in the prior year. The increase in cost of services and decrease as a percentage of contract revenue was due primarily from increased volume and billable hours from scribes on assignment, better efficiencies, cost control and economies of scale.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended, increased by approximately $610,000 or 65% to approximately $1,550,000 as compared to the prior year of approximately $940,000. The most significant increase was related to a lump sum settlement of a contract within which provided for commissions payable to a group on billed and collected scribe services at certain hospital locations in the amount of approximately $570,000, however going forward the Company expects this to not be a continuing expense in fiscal year 2015 as the contract was terminated in conjunction with the lump sum buyout payment. In addition increased management salaries and wages contributed to the increased selling, general and administrative expenses for fiscal year 2014 versus the comparable prior fiscal year.

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Taxes

Scribe, with the consent of its original stockholder, elected to be an S corporation for both federal and state tax purposes. Accordingly, no provision for federal income taxes has been presented in the financial statements as such taxes are to be paid by the stockholders individually.

Liquidity and Capital Resources

As of yearend September 30, 2014, Scribe had cash and cash equivalents of approximately $284,000, which was an increase of approximately $54,000 from approximately $230,000 the prior year. Working capital at year end was approximately $426,000 as compared to $582,000 for the prior period. The decrease of approximately $156,000 was primarily due to a newly obtained loan, which was necessary for the lump sum settlement payment made in fiscal 2014 related to a specific commission contract with a group for payments due on billed and collected scribe services and as more fully described above with such contract and related obligations thereunder terminated in fiscal year 2014.

Net cash provided by (used in) operating activities for the yearend was approximately $(18,000) as compared to $228,000 in the prior year.

Net cash flow provided in financing activities for the yearend was approximately $74,000 as compared to no financing activities in the prior year.

The Company has a note payable with a local bank that was used to refinance a line of credit that was outstanding during the year. The note calls for interest at the prime rate as listed in the Wall Street Journal plus 0.75%, currently at 4.0% at December 31, 2014. The note is due upon demand or if no demand is made the note matures on March 14, 2015.

Management believes with current cash flow from operations, the preferred offering and the availability under the ACF facility, the Company will have sufficient liquidity for the next 12 months.

GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information is based on the historical financial statements of the Company and Scribe, after giving effect to the Company s acquisition of Scribe. The notes to the unaudited pro forma financial information describe the reclassifications and adjustments to the financial information presented.

The unaudited pro forma combined balance sheet and statement of operations for the year ended September 30, 2013 and 2014, are presented as if the acquisition of Scribe had occurred on October 1, 2012 and were carried forward through each of the periods presented.

The allocation of the purchase price used in the unaudited pro forma combined financial information is based upon the respective fair values of the assets and liabilities of Scribe as of the date on which the SCRIBE Agreement was signed.

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

The unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of the Company included in the annual report on form 10-K for the year ended September 30, 2014.

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GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

AS OF SEPTEMBER 30, 2014

(UNAUDITED)

(In Thousands)

	GENERAL EMPLOYMENT	SCRIBE	PROFORMA ADJUSTMENTS	PROFORMA
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 168	$ 284		$ 452
Accounts receivable	4,907	563		5,470
Other current assets	1,650	16		1,666
Notes receivable				
Assets of discontinued operations				
Total current assets	6,725	863		7,588
Property and equipment, net	453	2		455
Goodwill	1,106		4,839 (4)	5,945
Intangible assets, net	1,560		1,132 (3)	2,692
Other assets		1		1
TOTAL ASSETS	$ 9,844	$ 866		$ 16,681
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES:				
Short-term debt	$ 2,711	$ 350		$ 3,061
Accounts payable	910			910
Accrued compensation	2,633	87		2,720
Convertible note payable - current portion, net of discount	35			35
Derivative liability	131			131
Other current liabilities	1,214			1,214
Total current liabilities	7,634	437		8,071
Convertible note payable, net of discount	132			132
Other long-term liabilities	13			13
Total long-term liabilities	145			145

Commitments and contingencies							
SHAREHOLDERS EQUITY							
Preferred stock; no par value; authorized - 20,000 shares; issued and outstanding - none					6,400 (1)		6,400
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 25,899 shares		11,658		12	(12) (2)		11,658
(Accumulated deficit) retained earnings		(9,593)		417	(417) (2)		(9,593)
Total shareholders equity		2,065		429			8,465
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	9,844	$	866		$	16,681

Adjustments to the Pro Forma Consolidated Balance Sheet

(1) Represents the issuance of 640,000 shares of preferred stock for acquisition
(2) Elimination of Scribe s Capital Stock and retained earnings as part of purchase accounting
(3) Represents the management estimated intangible asset as of closing date, to be verified post acquisition with full purchase price allocation
(4) Represents the management estimated goodwill as of closing date, to be verified post acquisition with full purchase price allocation

See notes to unaudited pro forma combined financial information

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GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

(UNAUDITED)

(In Thousands, Except Per Share Data)

	GENERAL EMPLOYMENT	SCRIBE	PROFORMA ADJUSTMENTS	PROFORMA
NET REVENUES:				
Contract staffing services	$ 32,723	$ 3,772		$ 36,495
Direct hire placement services	7,088			7,088
NET REVENUES	39,811	3,772		43,583
Cost of contract services	26,417	2,098		28,515
Selling, general and administrative expenses	13,709	1,553	(570) (a)	14,692
Amortization of intangible assets	326			326
INCOME (LOSS) FROM OPERATIONS	(641)	121		50
(Gain) on change in derivative liability	(47)			(47)
Interest expense	507			507
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION	(1,101)	121		(410)
Provision for income tax	(24)			(24)
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ (1,125)	$ 121		$ (434)
Loss from discontinued operations	(230)			(230)
NET INCOME (LOSS)	$ (1,355)	$ 121		$ (664)
BASIC AND DILUTED LOSS PER SHARE				
From continuing operations	$ (0.05)	$		$ (0.01)
From discontinued operations	$ (0.01)	$		$ (0.00)
Total net loss per share	$ (0.06)	$		$ (0.01)

WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	24,360	32,000 (b)	56,360

(a) Represents a terminated and settled revenue sharing agreement with no continuing obligations, thereunder.
(b) Represents additional shares issued related to the acquisition.

See notes to unaudited pro forma combined financial information.

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GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

(UNAUDITED)

(In Thousands, Except Per Share Data)

	GENERAL EMPLOYMENT	SCRIBE	PROFORMA ADJUSTMENTS	PROFORMA
NET REVENUES:				
Contract staffing services	$ 39,187	$ 3,248		$ 42,435
Direct hire placement services	7,317			7,317
NET REVENUES	46,504	3,248		49,752
Cost of contract services	32,318	1,983		34,301
Selling, general and administrative expenses	15,173	942	(65) (a)	16,050
Amortization of intangible assets	320			320
INCOME (LOSS) FROM OPERATIONS	(1,307)	323		(919)
Interest expense	251			251
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION	(1,558)	323		(1,170)
Provision for income tax	(8)			(8)
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ (1,566)	$ 323		$ (1,178)
Loss from discontinued operations	(324)			(324)
NET INCOME (LOSS)	$ (1,890)	$ 323		$ (1,502)
BASIC AND DILUTED LOSS PER SHARE				
From continuing operations	$ (0.07)	$		$ (0.02)
From discontinued operations	$ (0.01)	$		$ (0.01)
Total net loss per share	$ (0.09)	$		$ (0.03)

WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	21,969	32,000 (b)	53,969

(a) Represents a terminated and settled revenue sharing agreement with no continuing obligations, thereunder.
(b) Represents additional shares issued related to the acquisition.

See notes to unaudited pro forma combined financial information.

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GENERAL EMPLOYMENT ENTERPRISES, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma combined balance sheet as of September 30, 2014, and the unaudited pro forma statements of operations for the years ended September 30, 2014 and September 30, 2013, are based on the historical financial statements of General Employment Enterprises, Inc. (the Company) and Scribe Solutions Inc., (Scribe) after giving effect to the Company s acquisition of Scribe, and reclassification and adjustments described in the accompanying notes to the unaudited pro forma combined financial information.

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

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

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

The unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of the Company included in the annual report on Form 10-K for the year ended September 30, 2014.

Accounting Periods Presented

For purposes of these unaudited pro forma combined financial information, Scribe s historical year end December 31, have been aligned to more closely conform to the Company s year end of September 30, as explained below. Certain pro forma adjustments were made to conform Scribe s accounting policies to the Company s accounting policies as noted below.

The unaudited pro forma combined balance sheet as of September 30, 2014 and the statements of operations for the year ended September 30, 2014 and the year ended September 30, 2013, are presented as if the acquisition of Scribe had occurred on October 1, 2012 and were carried forward through each of the periods presented.

Reclassifications

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

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2. ACQUISITION OF SCRIBE

On December 11, 2014, the Company entered into a Stock Exchange Agreement (the SCRIBE Agreement) with Brittany M. Dewan as Trustee of the Derek E. Dewan Irrevocable Living Trust II dated the 27th of July, 2010, Brittany M. Dewan, individually, Allison Dewan, individually, Mary Menze, individually, and Alex Stuckey, individually (collectively the Scribe Shareholders). Pursuant to the terms of the SCRIBE Agreement the Company will acquire 100% of the outstanding stock of Scribe from the Scribe Shareholders for 640,000 shares of Series A Preferred Stock (the Preferred Stock) of the Company. In addition, the Company will issue warrants to certain warrant holders in Scribe for warrants to purchase common stock in the Company. This is all based on a valuation of Scribe of not less than $6,400,000. Upon the closing of the transaction, the Company will issue 640,000 shares of Preferred Stock. The transaction has been unanimously approved by the Board of Directors of the Company and the holders of a majority of the Company s outstanding Common Stock. The closing of the transactions set forth in the SCRIBE Agreement are subject to customary conditions to closing, and is expected to occur prior to March 31, 2015.

Under the purchase method of accounting, the transactions were valued for accounting purposes at $6.4 million, which was the estimated fair value of the Company at the date of acquisition. The assets and liabilities of Scribe will be recorded at their respective fair values as of the date of signing the Scribe Agreement, and the following table summarizes these values based on the balance sheet at September 30, 2014.

$ 866	Assets Purchased
437	Liabilities Assumed
429	Net Assets Purchased
6,400	Purchase Price
$ 5,971(1)	Intangible Asset from Purchase

(1) Represents the management estimated intangible asset as of closing date, to be verified post acquisition with full purchase price allocation.

$4,839	Goodwill
$1,132	Intangible Assets
$5,971	

3. PRO FORMA ADJUSTMENTS

(1) Represents the issuance of 640,000 shares of preferred stock for acquisition.

(2) Elimination of Scribe s Capital Stock and retained earnings as part of purchase accounting.

(3) Represents the management estimated intangible asset as of closing date, to be verified post acquisition with full purchase price allocation.

(4) Represents the management estimated goodwill as of closing date, to be verified post acquisition with full purchase price allocation.

(a) Represents a terminated and settled revenue sharing agreement with no continuing obligations, thereunder.

(b) Represents additional shares issued related to the acquisition.

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GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

AS OF DECEMBER 31, 2014

(UNAUDITED)

(In Thousands)

	GENERAL EMPLOYMENT	SCRIBE	PROFORMA ADJUSTMENTS	PROFORMA
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 431	$ 330		$ 761
Accounts receivable	5,129	648		5,777
Other current assets	1,049	16		1,065
Notes receivable				
Assets of discontinued operations				
Total current assets	6,609	994		7,603
Property and equipment, net	431	2		433
Goodwill	1,106		4,643(4)	5,749
Intangible assets, net	1,475		1,132(3)	2,607
Other assets		1		1
TOTAL ASSETS	$ 9,621	$ 997		$ 16,393
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES:				
Short-term debt	$ 3,927	$ 350		$ 4,277
Accounts payable	1,037			1,037
Accrued compensation	1,562	22		1,584
Convertible note payable - current portion, net of discount	221			221
Derivative liability	3,246			3,246
Other current liabilities	918			918
Total current liabilities	10,911	372		11,283
Commitments and contingencies				
SHAREHOLDERS EQUITY				
Preferred stock; no par value; authorized - 20,000 shares; issued and outstanding - none			6,400(1)	6,400

Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 25,899 shares		11,710		12	(12)(2)		11,710
(Accumulated deficit) retained earnings		(13,000)		613	(613)(2)		(13,000)
Total shareholders equity		(1,290)		625			5,110
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	9,621	$	997		$	16,393

Adjustments to the Pro Forma Consolidated Balance Sheet

(1) Represents the issuance of 640,000 shares of preferred stock for acquisition
(2) Elimination of Scribe s Capital Stock and retained earnings as part of purchase accounting
(3) Represents the management estimated intangible asset as of closing date, to be verified post acquisition with full purchase price allocation
(4) Represents the management estimated goodwill as of closing date, to be verified post acquisition with full purchase price allocation

See notes to unaudited pro forma combined financial information

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GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE QUARTER ENDED DECEMBER 31, 2014

(UNAUDITED)

(In Thousands, Except Per Share Data)

	GENERAL EMPLOYMENT	SCRIBE	PROFORMA ADJUSTMENTS	PROFORMA
NET REVENUES:				
Contract staffing services	$ 8,232	$ 963		$ 9,195
Direct hire placement services	1,450			1,450
NET REVENUES	9,682	963		10,645
Cost of contract services	6,668	545		7,213
Selling, general and administrative expenses	3,074	222		3,296
Amortization of intangible assets	85			85
INCOME (LOSS) FROM OPERATIONS	(145)	196		51
(Gain) on change in derivative liability	(3,115)			(3,115)
Interest expense	(147)			(147)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION	(3,407)	196		(3,211)
Provision for income tax				
NET INCOME (LOSS)	$ (3,407)	$ 196		$ (3,211)
BASIC AND DILUTED LOSS PER SHARE	$ (0.13)			$ (0.06)
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	25,899		32,000 (a)	57,899

(a) Represents additional shares issued related to the acquisition.

See notes to unaudited pro forma combined financial information.

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GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE QUARTER ENDED DECEMBER 31, 2013

(UNAUDITED)

(In Thousands, Except Per Share Data)

	GENERAL EMPLOYMENT	SCRIBE	PROFORMA ADJUSTMENTS	PROFORMA
NET REVENUES:				
Contract staffing services	$ 9,069	$ 908		$ 9,977
Direct hire placement services	1,738			1,738
NET REVENUES	10,807	908		11,715
Cost of contract services	7,612	517		8,129
Selling, general and administrative expenses	3,221	126		3,347
Amortization of intangible assets	81			81
INCOME (LOSS) FROM OPERATIONS	(107)	265		158
Interest expense	(120)			(120)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION	(227)	265		38
Provision for income tax				
NET INCOME (LOSS)	$ (227)	$ 265		$ 38
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$		$ 0.00
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC AND DILUTED	22,799		32,000 (a)	54,799

(a) Represents additional shares issued related to the acquisition.

See notes to unaudited pro forma combined financial information.

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GENERAL EMPLOYMENT ENTERPRISES, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma combined balance sheet as of December 31, 2014, and the unaudited pro forma statements of operations for the quarter ended December 31, 2014 and December 31, 2013, are based on the historical financial statements of General Employment Enterprises, Inc. (the Company) and Scribe Solutions Inc., (Scribe) after giving effect to the Company s acquisition of Scribe, and reclassification and adjustments described in the accompanying notes to the unaudited pro forma combined financial information.

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

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

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

The unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of the Company included in the annual report on Form 10-K for the year ended September 30, 2014.

Accounting Periods Presented

For purposes of these unaudited pro forma combined financial information, Scribe s historical first quarter have been aligned to conform to the Company s first quarter ended December 31, 2014 and December 31, 2013. Certain pro forma adjustments were made to conform Scribe s accounting policies to the Company s accounting policies as noted below.

The unaudited pro forma combined balance sheet as of December 31, 2014 and the statements of operations for the first quarter are presented as if the acquisition of Scribe had occurred on October 1, 2012 and were carried forward through each of the periods presented.

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Reclassifications

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

2. ACQUISITION OF SCRIBE

On December 11, 2014, the Company entered into a Stock Exchange Agreement (the SCRIBE Agreement) with Brittany M. Dewan as Trustee of the Derek E. Dewan Irrevocable Living Trust II dated the 27th of July, 2010, Brittany M. Dewan, individually, Allison Dewan, individually, Mary Menze, individually, and Alex Stuckey, individually (collectively the Scribe Shareholders). Pursuant to the terms of the SCRIBE Agreement the Company will acquire 100% of the outstanding stock of Scribe from the Scribe Shareholders for 640,000 shares of Series A Preferred Stock (the Preferred Stock) of the Company. In addition, the Company will issue warrants to certain warrant holders in Scribe for warrants to purchase common stock in the Company. This is all based on a valuation of Scribe of not less than $6,400,000. Upon the closing of the transaction, the Company will issue 640,000 shares of Preferred Stock. The transaction has been unanimously approved by the Board of Directors of the Company and the holders of a majority of the Company s outstanding Common Stock. The closing of the transactions set forth in the SCRIBE Agreement are subject to customary conditions to closing, and is expected to occur prior to March 31, 2015.

Under the purchase method of accounting, the transactions were valued for accounting purposes at $6.4 million, which was the estimated fair value of the Company at the date of acquisition. The assets and liabilities of Scribe will be recorded at their respective fair values as of the date of signing the Scribe Agreement, and the following table summarizes these values based on the balance sheet at September 30, 2014.

$ 997	Assets Purchased
372	Liabilities Assumed
625	Net Assets Purchased
6,400	Purchase Price
$5,775	Intangible Asset from Purchase

3. PRO FORMA ADJUSTMENTS

(1) Represents the issuance of 640,000 shares of preferred stock for acquisition.

(2) Elimination of Scribe s Capital Stock and retained earnings as part of purchase accounting.

(3) Represents the management estimated intangible asset as of closing date, to be verified post acquisition with full purchase price allocation.

(4) Represents the management estimated goodwill as of closing date, to be verified post acquisition with full purchase price allocation.

(a) Represents additional shares issued related to the acquisition.

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RISK FACTORS

You should carefully consider the risk factors described below, together with the other information contained in this information statement. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the market or trading price of our securities could decline and you could lose all or part of your investment. This proxy statement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below.

Risks Related to the Business of General Employment Enterprises, Inc.

WE HAVE EXPERIENCED LOSSES FROM OPERATIONS AND MAY NOT BE PROFITABLE IN THE FUTURE.

The Company experienced losses for the years ended September 30, 2014 and September 30, 2013. There can be no assurance that the Company will not incur losses in the future. Although the operating expenses have decreased, there are no assurances that the Company will be able to generate sufficient revenue to meet its operating expenditures or operate profitably in the future.

RECENT GLOBAL TRENDS IN THE FINANCIAL MARKETS COULD ADVERSELY AFFECT OUR BUSINESS, LIQUIDITY AND FINANCIAL RESULTS.

Recent global economic conditions, including disruption of financial markets, could adversely affect our business and results of operations, primarily through limiting our access to credit, our ability to refinance debt and disrupting our customers businesses, which are heavily dependent on retail and e-commerce transactions. Although we currently believe that we will be able to obtain the necessary financing in the future, there is no assurance that these institutions will be able to loan us the necessary capital, which could have a material adverse impact on our business. In addition, continuation or worsening of general market conditions in the United States economy important to our businesses may adversely affect our customers level of spending, ability to obtain financing for purchases and ability to make timely payments to us for our services, which could require us to increase our allowance for doubtful accounts, negatively impact our days sales outstanding and adversely affect our results of operations.

WE DEPEND ON ATTRACTING, INTEGRATING, MANAGING, AND RETAINING QUALIFIED PERSONNEL.

Our success depends upon our ability to attract, integrate, manage and retain personnel who possess the skills and experience necessary to fulfill our clients needs. Our ability to hire and retain qualified personnel could be impaired by any diminution of our reputation, decrease in compensation levels relative to our competitors or modifications to our total compensation philosophy or competitor hiring programs. If we cannot attract, hire and retain qualified personnel, our business, financial condition and results of operations may suffer. Our future success also depends upon our ability to manage the performance of our personnel. Failure to successfully manage the performance of our personnel could affect our profitability by causing operating inefficiencies that could increase operating expenses and reduce operating income.

WE MAY NOT BE ABLE TO COMPETE EFFECTIVELY.

Competition in the market for placement and staffing services is intense. The Company faces competition from many larger, more established companies. In addition, other companies could seek to introduce competing services and increased competition could result in a decrease in the price charged by the Company s competitors for their services or reduce demand for the Company s products and services, which would have a material adverse effect on the Company s business, operating results and financial condition. There can be no assurance that the Company will be able to compete successfully with its existing or potential competitors, which may have substantially greater financial, technical, and marketing resources, longer operating histories, greater name recognition or more established relationships in the industry than the Company. If any of these competitors provides competitive services to the marketplace in the future, the Company cannot be sure that it will have the resources or expertise to compete successfully.

CHANGES IN GOVERNMENT REGULATION COULD LIMIT OUR GROWTH OR RESULT IN ADDITIONAL COSTS OF DOING BUSINESS.

We are subject to the same federal, state and local laws as other companies conducting placement and staffing services, which is extensive. The adoption or modification of laws related to the placement and staffing industry, such as the Healthcare for America Plan, could harm our business, operating results and financial condition by increasing our costs and administrative burdens.

INTERRUPTION OF THE COMPANY S BUSINESS COULD RESULT FROM INCREASED SECURITY MEASURES IN RESPONSE TO TERRORISM.

The continued threat of terrorism within the United States and the ongoing military action and heightened security measures in response to such threat has and may cause significant disruption to commerce. The U.S. economy in general is being adversely affected by terrorist activities and potential activities. Any economic downturn could adversely impact the Company s results of operations, impair the Company s ability to raise capital or otherwise adversely affect the Company s ability to grow the business. It is impossible to predict how this may affect the Company s business or the economy in the U.S. and in the world. In the event of further threats or acts of terrorism, the Company s business and operations may be severely and adversely affected or destroyed.

SUBSTANTIAL ALTERATION OF THE COMPANY S CURRENT BUSINESS AND REVENUE MODEL COULD HURT SHORT-TERM RESULTS.

The Company s present business and revenue model represents the current view of the optimal business and revenue structure, which is to derive revenues and achieve profitability in the shortest period. There can be no assurance that current models will not be altered significantly or replaced with an alternative model that is driven by motivations other than near-term revenues and/or profitability (for example, building market share before the Company s competitors). Any such alteration or replacement of the business and revenue model may ultimately result in the deferring of certain revenues in favor of potentially establishing larger market share. The Company cannot assure that any adjustment or change in the business and revenue model will prove to be successful.

THE REQUIREMENTS OF BEING A PUBLIC COMPANY MAY STRAIN OUR RESOURCES AND DISTRACT MANAGEMENT.

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). These requirements are extensive. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting.

We may incur significant costs associated with our public company reporting requirements and costs associated with applicable corporate governance requirements. We expect all of these applicable rules and regulations to significantly increase our legal and financial compliance costs and to make some activities more time consuming and costly. This may divert management s attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations. We also expect that these applicable rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our Board of Directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

FAILURE TO ACHIEVE AND MAINTAIN EFFECTIVE INTERNAL CONTROLS IN ACCORDANCE WITH SECTION 404 OF THE SARBANES-OXLEY ACT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND OPERATING RESULTS. IN ADDITION, CURRENT AND POTENTIAL STOCKHOLDERS COULD LOSE CONFIDENCE IN OUR FINANCIAL REPORTING, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR STOCK PRICE.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed. We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting. During the course of our testing, we may identify deficiencies which we may not be able to remediate in time for compliance with the requirements of Section 404. In addition, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time; we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could also cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

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We cannot provide assurance as to the result of these efforts. We cannot be certain that any measures we take will ensure that we implement and maintain adequate internal controls in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

WE HAVE NOT REGISTERED WITH THE SEC OR LISTED WITH THE NYSE MKT THE SHARES UNDERLYING OPTIONS ISSUED UNDER OUR INCENTIVE PLANS.

We have issued options to purchase approximately 3.3 million shares of our common stock under the 2011 and 2013 Incentive Plans, some of which are fully vested and exercisable. We have not yet filed a registration statement on Form S-8 registering the shares underlying such options, nor have we listed such shares with the NYSE MKT. If we do not register these shares, the Company may be subject to civil or other penalties (including sanctions) by regulatory authorities and/or shareholders for certain violations of federal or state securities laws. We may also be subject to the suspension of trading in, or removal from listing from, the NYSE MKT for failure to comply with the NYSE MKT listing agreement.

VOLATILITY OF THE MARKET PRICE OF THE COMPANY S STOCK IS LIKELY TO OCCUR DUE TO THE LOW TRADING VOLUME OF OUR STOCK.

The market price of the Company s common stock may be volatile, which could cause the value of your investment to decline. Any of the following factors could affect the market price of our common stock:

- Changes in earnings estimates and outlook by financial analysts;
- Our failure to meet investors performance expectations;
- General market and economic conditions; and
- Our small trading volume.

THE MARKET FOR PENNY STOCKS HAS SUFFERED FROM PATTERNS OF FRAUD AND ABUSE.

According to the SEC, the market for penny stocks is subject to patterns of fraud and abuse including, but not limited to the following:

- Control of the market for the security by one or a few broker dealers that are often related to the promoter or issuer;
- Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;

Boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons;

Excessive and undisclosed bid ask differentials and markups by selling broker dealers; and

The wholesale dumping of the same securities by promoters and broker dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

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In addition, many of the risks described elsewhere in this Risk Factors section could adversely affect the Company s stock price. The stock markets have experienced price and volume volatility that have affected many companies stock prices. Stock prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. These types of fluctuations may affect the market price of our common stock.

APPLICABILITY OF THE RISK DISCLOSURE REQUIREMENTS ON LOW PRICED STOCK COULD DISCOURAGE BROKERS FROM MAKING A MARKET IN OUR STOCK.

The Company s common stock may be considered a low priced security under rules promulgated under the Exchange Act. Under these rules, broker-dealers participating in transactions in low priced securities must first deliver a risk disclosure document which describes that risks associated with such stock, the broker-dealer s duties, the customer s rights and remedies, and certain market and other information, and make a suitability determination approving the customer for low priced stock transactions based on the customer s financial situation, investment experience and objectives. Broker-dealers must also disclose these restrictions in writing and provide monthly account statements to the customer, and obtain specific written consent of the customer. With these restrictions, the likely effect of designation as a low price stock would be to decrease the willingness of broker-dealers to make a market for the stock, to decrease the liquidity of the stock and to increase the transaction costs of sales and purchase of such stocks compared to other securities.

NO DIVIDENDS ANTICIPATED.

The Company intends to retain all future earnings for use in the development of the Company s business and does not anticipate paying any cash dividends on the Common Stock in the near future.

WE MAY NOT BE ABLE TO OBTAIN THE NECESSARY ADDITIONAL FINANCING TO ACHIEVE OUR STRATEGIC GOALS.

There is no guarantee that we will be able to obtain any additional financing that may be required to continue to expand our business. Our continued viability depends on our ability to raise capital. Changes in economic, regulatory or competitive conditions may lead to cost increases. Management may also determine that it is in our best interest to expand more rapidly than currently intended, to expand marketing activities, to develop new or enhance existing services or products, to respond to competitive pressures or to acquire complementary services, businesses or technologies. In any such case or other change of circumstance, additional financing will be necessary. If any additional financing is required, there can be no assurances that we will be able to obtain such additional financing on terms acceptable to us and at times required by us, if at all. In such event, we may be required to materially alter our business plan or curtail all or a part of our expansion plans.

WE MAY NOT BE ABLE TO MANAGE EXPECTED GROWTH AND INTERNAL EXPANSION.

We have not yet undergone the significant managerial and internal expansion that we expect will occur, and our inability to manage growth could hurt our results of operations. Expansion of our operations will be required to address anticipated growth of our customer base and market opportunities. Expansion will place a significant strain on our management, operational and financial resources. Currently, we have a limited number of employees. We will need to improve existing procedures and controls as well as implement new transaction processing, operational and financial systems, procedures and controls to expand, train and manage our employee base. Our failure to manage growth effectively could have a damaging effect on our business, results of operations and financial condition.

WE FACE SIGNIFICANT EMPLOYMENT-RELATED LEGAL RISK.

We employ people internally and in the workplaces of other businesses. Many of these individuals have access to client information systems and confidential information. An inherent risk of such activity includes possible claims of errors and omissions; intentional misconduct; release, misuse or misappropriation of client intellectual property, confidential information, funds, or other property; cyber security breaches affecting our clients and/or us; discrimination and harassment claims; employment of illegal aliens; criminal activity; torts; or other claims. Such claims may result in negative publicity, injunctive relief, criminal investigations and/or charges, civil litigation, payment by us of monetary damages or fines, or other material adverse effects on our business.

THE ACQUISITION S BENEFITS MAY NOT MEET THE EXPECTATIONS OF THE MARKETPLACE, INVESTORS, FINANCIAL ANALYSTS OR INDUSTRY ANALYSTS, THE MARKET PRICE OF OUR SECURITIES MAY DECLINE.

The market price of our common stock may decline as a result of the acquisition described herein if the Company (the post-acquisition entity) does not perform as expected or if we do not otherwise achieve the perceived benefits of the acquisition as rapidly as, or to the extent anticipated by, the marketplace, investors, financial analysts or industry analysts. If such a decline in our stock price occurs, investors may experience a loss and we may not be able to raise future capital, if necessary, in the equity markets.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF THE COMPANY

You should read the following discussion in conjunction with our consolidated financial statements and related notes included elsewhere in this report. Management s discussion and analysis contains forward-looking statements that are provided to assist in the understanding of anticipated future performance. However, future performance involves risks and uncertainties which may cause actual results to differ materially from those expressed in the forward-looking statements. See *Forward-Looking Statements* .

Overview

The Company was incorporated in the State of Illinois in 1962 and is the successor to employment offices doing business since 1893. The Company provides the following distinctive services: (a) professional placement services specializing in the placement of information technology, engineering, and accounting professionals for direct hire and contract staffing, and (b) temporary staffing services in light industrial staffing.

The Company provides staffing services through a network of branch offices located in major metropolitan areas throughout the United States. The Company s professional staffing services provide information technology, engineering and accounting professionals to clients on either a regular placement basis or a temporary contract basis. The Company s industrial staffing business provides weekly temporary staffing for light industrial clients in Ohio.

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

As of July 7, 2013, the Company s Board of Directors determined that the best course of action related to its Agricultural Division was to terminate its operations, to liquidate its assets, and to focus the business on the light industrial and professional divisions. On July 7, 2013, all staffing was discontinued and the entire operations of the Agricultural Division were discontinued as of August 1, 2013. All employees have been terminated, a one-time expense of approximately $150,000 was recognized as of September 30, 2013 and an additional expense of $230,000 was recognized related to uncollected accounts receivable as of September 30, 2014.

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Results of Operations

Net Revenues

Consolidated net revenues are comprised of the following:

(In Thousands)	Year Ended September 30, 2014	2013
Industrial contract services	$ 25,031	$ 29,816
Professional contract services	7,692	9,371
Direct hire placement services	7,088	7,317
Consolidated net revenues	$ 39,811	$ 46,504

Consolidated net revenues decreased approximately $6,693 or 14% compared with the same period last year. In fiscal year 2013 there was an increase in revenue for work performed related to Hurricane Sandy and during fiscal year 2014 certain offices were closed and other customers were terminated as they were not performing, resulting in an overall decrease of revenue during fiscal year 2014 of approximately 14%. Management has taken significant action during the course of the year to improve both revenue growth and profitability. The current management of the Company believes that the changes will eliminate several of the ongoing issues and strengthen the Company s revenue potential.

Cost of Contract Services

Consolidated cost of contract services are comprised of the following:

(In Thousands)	Year Ended September 30, 2014	2013
Industrial contract services	$ 21,117	$ 26,058
Professional contract services	5,300	6,260
Consolidated cost of contract services	$ 26,417	$ 32,318

Cost of services includes wages and related payroll taxes and employee benefits of the Company s employees while they work on contract assignments. Cost of contract services for the year ended September 30, 2014, decreased by approximately 18% to approximately $26 million compared with the prior year of approximately $32 million. Cost of contract services, as a percentage of contract revenue, for the year ended September 30, 2014, decreased by 3% to 66% compared to 69% in the prior year. The most significant decrease in costs of contract services was the result of the decrease in revenue. In addition, there was a significant decrease in our workers compensation rates for the State of Ohio, the rate was decreased by approximately 25% as of July 1, 2014 and in both years there was a rebate received from the Ohio Bureau of Workers Compensation. The overall decrease in workers compensation expense from fiscal year 2014 to fiscal year 2013 was approximately $450,000.

Gross Profit percentage by segment:

Gross Profit Margin %	Year Ended September 30, 2014	Year Ended September 30, 2013
Direct hire placement services	100%	100%
Industrial contract services	15.6%	12.6%
Professional contract services	31.1%	33.2%
Combined Gross Profit Margin % (1)	33.6%	30.5%

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses include the following categories:

- Compensation in the operating divisions, which includes commissions earned by the Company s employment consultants and branch managers on permanent and temporary placements. It also includes salaries, wages, unrecovered advances against commissions, payroll taxes and employee benefits associated with the management and operation of the Company s staffing offices.

- 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 largest selling, general and administrative expense is for compensation in the operating divisions. Most of the Company s employment consultants are paid on a commission basis and receive advances against future commissions. When commissions are earned, prior advances are applied against them and the consultant is paid the net amount. At that time, the Company recognizes the full amount as commission expense, and advance expense is reduced by the amount recovered. Thus, the Company s advance expense represents the net amount of advances paid, less amounts applied against commissions.

Selling, general and administrative expenses for the year ended September 30, 2014, decreased by approximately $1.5 million to approximately $13.7 million as compared to the prior year of approximately $15.2 million. During fiscal year 2014 and 2013 there were certain expenses related to professional fees, legal fees and settlement expenses that management believes will not be incurred in future years. In addition, management eliminated certain ineffective managers and other on-going expenses that were not necessary to the core operations of the Company while also strengthening the infrastructure to insure the Company is prepared for future growth. Management expects these higher than normal expenses and actions taken during fiscal year 2014 and 2013 to result in lower on-going general and administrative expenses.

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Interest Expense

Interest expense for the year ended September 30, 2014, increased $256,000, or 102% compared with the prior year primarily as a result of a change in lender, the interest expense for acquisition payments and higher average borrowings during fiscal year 2014.

Discontinued Operations

As a result of terminating our Agricultural Division in July of 2013, we have classified the operations of that division to loss from discontinued operations, in the accompanying statement of operations. For the years ended September 30, 2014 and 2013 the Company recognized a loss of $230,000 and $324,000, respectively, for this division. The Company will continue efforts to actively collect approximately $265,000 of receivables from a certain customer, however all assets have been fully reserved and the Company does not expect there to be any additional expenses related to this discontinued operation in the future.

Taxes

There were no credits for income taxes as a result of the pretax losses incurred during the periods because there was not sufficient assurance that future tax benefits would be realized.

Liquidity and Capital Resources

The following table sets forth certain consolidated statements of cash flows data from continuing operations (in thousands):

	For the year ended September 30, 2014	For the year ended September 30, 2013
Cash flows provided by (used in) continuing operating activities	$ 308	$ (1,112)
Cash flows used in investing activities	$ (371)	$ (341)
Cash flows (used in) provided by financing activities	$ (108)	$ 1,413

As of September 30, 2014, the Company had cash and cash equivalents of $168,000, which was a decrease of approximately $193,000 from approximately $361,000 at September 30, 2013. Negative working capital at September 30, 2014 was approximately $909,000, as compared to negative working capital of approximately $781,000 for September 30, 2013. The Company s current ratio was approximately 88%, a decrease of approximately 3% from the prior year. Shareholders equity as of September 30, 2014, was approximately $2,065,000 which represented approximately 21% of total assets. The net loss for the year ended September 30, 2014, was approximately $1,355,000.

Net cash provided by (used in) operating activities for the years ended September 30, 2014 and 2013 was approximately $286,000 and ($1,071,000), respectively. The fluctuation is due to the decrease in revenue and resulting decrease in account receivable, which were off-set by significant decreases in overall operating liabilities.

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Net cash used in investing activities for the years ended September 30, 2014 and 2013 was ($371,000) and ($345,000) respectively. These uses related primarily to acquisition payments and purchasing of fixed assets.

Net cash flow used in financing activities for the year ended September 30, 2014 was approximately ($108,000) compared to $1,413,000 provided by the same in the year ended September 30, 2013. At the end of fiscal year 2013, the Company changed lenders and was able to significantly increase its borrowing with this new lender. During fiscal year 2014, the Company sold common stock for cash of approximately $470,000 and entered into a new subordinated convertible note for cash of approximately $517,000. This was off-set by a decrease in net short term borrowings related to an overall lower accounts receivable balance.

All of the Company s office facilities are leased. As of September 30, 2014, future minimum lease payments under non-cancelable lease commitments having initial terms in excess of one year, including closed offices, totaled approximately $1,019,000.

On April 22, 2013, the Company finalized an Amendment to the Asset Purchase Agreement by and among DMCC Staffing, LLC, an Ohio limited liability company, RFFG of Cleveland, LLC an Ohio limited liability company (each a Seller and together, Sellers), the Company, and Triad Personnel Services, Inc., an Illinois corporation and wholly owned subsidiary of the Company (Buyer).

The Company agreed to pay the Sellers additional cash consideration of between $550,000 and $650,000 depending on the length of payment terms and 1,100,000 shares of common stock, in full satisfaction of all amounts owed to Seller, related to the Asset Purchase Agreement. The Company issued 1,100,000 shares of common stock on July 2, 2013, which was valued at approximately $330,000. During the year ended September 30, 2013, the Company paid $200,000 of the cash consideration noted above. The Company has accrued $350,000 at September 30, 2013, for the balance of the liability, however has elected to pay the remaining amount over two years. The total payments over the two years will be approximately $450,000 with the additional $100,000 to be recorded as interest expense. During the year ended September 30, 2014, the Company paid approximately $225,000 to the Sellers, $150,000 of principle and approximately $75,000 of interest. The Company has approximately $200,000 accrued at September 30, 2014 related to the remaining liability.

In connection with the completion of the sale of shares of common stock to PSQ in fiscal 2009, Herbert F. Imhoff, Jr., the Company s then Chairman and Chief Executive Officer retired from those positions and his employment agreement with the Company was replaced by a new consulting agreement. Under the consulting agreement, the Company became obligated to pay an annual consulting fee of $180,000 over a five-year period and to issue 500,000 shares of common stock to Mr. Imhoff, Jr. for no additional consideration, and the Company recorded a liability for the net present value of the future fee payments in the amount of $790,000. As of September 30, 2014, $60,000 remains payable under this agreement and is included in accrued compensation on the Company s balance sheet. On January 31, 2013, Mr. Imhoff Jr. retired from all positions with the Company.

On September 27, 2013, the Company (Borrower) entered into agreements with ACF FINCO I LP (successor-in-interest to Keltic Financial Partners II, LP), a limited partnership formed under the laws of the State of Delaware (ACF)(Lender) that provide the Company with long term financing through a six million dollar ($6,000,000) secured revolving note (the Note). The Note has a term of three years and has no amortization prior to maturity. The interest rate for the Note is a fluctuating rate that, when annualized, is equal to the greatest of (A) the Prime Rate plus three and one quarter percent (3.25%), (B) the LIBOR Rate plus six and one quarter percent (6.25%), and (C) six and one half percent (6.50%), with the interest paid on a monthly basis. Loan advances pursuant to the Note are based on the accounts receivable balance and other assets. Upon execution of the Note, approximately three million fifty thousand dollars ($3,050,000) was advanced for the full repayment of the AR Credit Facility and fees from Wells Fargo related to the early termination thereof. At the time of close, there was approximately nine hundred thousand ($900,000) of availability under the new Note in excess of amounts paid to extinguish the debt and fees with Wells Fargo. The Company incurred certain cash expense and commitment fees related to obtaining the agreement of approximately $170,000, which has been paid. The Note is secured by all of 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. On April 21, 2014, the Company entered into the First Amendment and Waiver to the Loan and Security Agreement with ACF to adjust the covenants. On December 3, 2014 the Company entered into a Second Amendment and Waiver to the Loan and Security Agreement with ACF to adjust the future covenants as outlined below and waived certain defaults. The ACF facility includes certain covenants which require compliance until termination of the agreement. As of the date of this report, the Company was in compliance with all such covenants or had received waivers related thereto.

The Company has several administrative covenants and the following financial covenant:

The Company must maintain the following EBITDA:

(a) The three (3) consecutive calendar month period ending on December 31, 2014, to be a negative number exceeding negative Two Hundred Fifty Thousand and 00/100 Dollars ($250,000);

(b) The six (6) consecutive calendar month period ending on March 31, 2015, to be a negative number exceeding negative Five Hundred Thousand and 00/100 Dollars ($500,000);

(c) The nine (9) consecutive calendar month period ending on June 30, 2015, to be a negative number exceeding negative Seven Hundred Fifty Thousand and 00/100 Dollars ($750,000);

(d) The twelve (12) consecutive calendar month period ending on September 30, 2015, to be a negative number exceeding negative One Million and 00/100 Dollars ($1,000,000); and

(e) For any period commencing on or after October 1, 2015, no less than such amounts as are established by Lender for such period in Lender s permitted discretion based on the annual financial projections including such period delivered by Borrower.

The agreement includes certain covenants which require compliance until termination of the agreement. As of September 30, 2014, the Company was not in compliance with the EBITDA covenant or other administrative covenants, however as of the date of this report, the Company was in compliance with the above EBITDA covenant and had received a waiver from the Lender for other administrative covenants. At September 30, 2014, there was approximately $730,000 available on the line of credit.

The Company believes that the borrowing availability under the ACF facility will be adequate to fund the working capital needs. In recent years, the Company has incurred significant losses and negative cash flows from operations. Management has implemented a strategy which included cost reduction efforts as well as identifying strategic acquisitions, financed primarily through the issuance of common stock and convertible debt, to improve the overall profitability and cash flows of the Company. In addition, as discussed above, the Company entered into the ACF facility to provide working capital financing.

On March 31, 2014, the Company entered into a Securities Purchase Agreement (the SPA) with Aracle SPF I, LLC (Aracle) pursuant to which Aracle has the right to acquire up to 12 units (the Units), for $50,000 per Unit, with each Unit consisting of 250,000 shares of common stock of the Company and 125,000 common stock purchase warrants. The warrants are exercisable 6 months after issuance, have a term of 4 years, and have an exercise price of $0.25 per warrant share. The SPA contains standard representations, warranties, and covenants. In addition, the SPA contains a price adjustment mechanism that requires the Company, with certain exceptions, to issue additional shares of common stock to the investor in the event the Company, within 12 months of the initial closing under the SPA, issues certain equity securities at a price per share less than $0.20, provided, however, as long as the Company is listed on the NYSE MKT the total number of shares issuable under the foregoing adjustment provision may not exceed 19.9% of the Company s outstanding shares of common stock on March 30, 2014. Further, in the event the

Company is delisted from the NYSE MKT while Aracle owns at least 51% of the shares issued to it under the SPA, the Company shall issue an additional 3,000,000 shares to Aracle, and the 12 month price adjustment period shall be extended to 36 months. The Company agreed to appoint two new members to the Company s Board of Directors within 60 days of the initial closing, which new members are subject to the prior approval of Aracle. The Company granted Aracle piggyback registration rights with respect to the shares and the shares of common stock underlying the warrants. The warrants do not include any price protection clause. Concurrently with entering into the SPA, the Company and Aracle conducted an initial closing thereunder, in which Aracle purchased 9.5 Units for $475,000. On April 16, 2014, the Company, Aracle and a second

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institutional investor entered into certain Securities Purchase Agreements (SPA) pursuant to which the investors purchased 2.5 Units for $125,000. The Company incurred certain expenses related to the SPA s and the closings thereunder of approximately $130,000, which were paid from the proceeds for net proceeds of approximately $470,000.

On August 7, 2014, the Company issued a Convertible Note (the Note) with an original principal balance of $632,500 to Brio Capital Master Fund LTD (Brio), for a purchase price of $550,000. The Note matures on February 6, 2016, and is payable in thirteen monthly installments of $48,654, commencing in the sixth month post-closing. Brio has the right, however not the obligation, six months after closing, to convert all or any part of the outstanding Note into the Company s common stock at an initial conversion price of $0.20 per share. After six months from closing, the conversion price will have a one-time reset to the lower of $0.20 or 90% of the average of the 3 lowest closing prices for the previous 10 trading days, subject to a floor of $0.14 per share. The Company can force conversion if the Company s common stock trades at 250% greater than the conversion price for 20 consecutive trading days. In addition to the Note, the Company issued a warrant to purchase up to 2,371,875 shares of the Company common stock. The warrant is exercisable at $0.25 per share, vests 6 months after the closing, and expires 5 years thereafter.

In recent years, the Company has incurred significant losses and negative cash flows from operations. Management has implemented a strategy which included cost reduction efforts as well as identifying strategic acquisitions, financed primarily through the issuance of common stock, to improve the overall profitability and cash flows of the Company. Management believes with current cash flow from operations, the preferred offering and the availability under the ACF facility, the Company will have sufficient liquidity for the next 12 months.

Off-Balance Sheet Arrangements

As of September 30, 2014 and 2013, and during the two years then ended, 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.

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and the rules of the United States Securities and Exchange Commission.

The following accounting policies are considered by management to be critical because of the judgments and uncertainties involved, and because different amounts would be reported under different conditions or using different assumptions.

Estimates and Assumptions

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

Revenue Recognition

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

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Cost of Contract Staffing Services

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

Income Taxes

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

Due to the private sale of shares of common stock to LEED HR during fiscal 2012 and the resulting change in control, the Company may be limited by Section 382 of the Internal Revenue Code as to the amount of net operating losses that may be used in future years.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

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 small accounts receivable allowance. Based on management s review of accounts receivable, an allowance for doubtful accounts of approximately $395,000 and $272,000 is considered necessary as of September 30, 2014, and September 30, 2013, respectively. The Company charges uncollectible accounts against the allowance once the invoices are deemed unlikely to be collectible. Based on management s review of accounts receivables related to discontinued operations, an allowance of approximately $265,000 and $35,000 are considered necessary as of September 30, 2014 and September 30, 2013, respectively.

Goodwill

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

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Fair Value Measurement

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

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

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

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

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

The fair value of the Company s current assets and current liabilities, excluding the derivative liability, approximate their carrying values due to their short term nature. The carrying value of the Company s long-term liabilities and the derivative liability represents their fair value based on level 3 inputs, as discussed in Notes 6 and 8. 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 4.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposure to cash flow, market or foreign currency risk. Terms of convertible promissory note instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 *Derivative and Hedging* (ASC 815) to be accounted for separately from the host contract, and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results.

Freestanding warrants issued by the Company in connection with the issuance or sale of debt and equity instruments are considered to be derivative instruments and are evaluated and accounted for in accordance with the provisions of ASC 815. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether fair value of warrants issued is required to be classified as equity or as a derivative liability.

Intangible Assets

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

Impairment of Long-lived Assets

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

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Stock-Based Compensation

The Company accounts for stock-based awards to employees in accordance with applicable accounting principles, which requires compensation expense related to share-based transactions, including employee stock options, 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 over the requisite service period on an accelerated basis over the employee s requisite service period (generally the vesting period of the equity grant). The Company s option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility, expected term, and forfeiture rate. Any changes in these highly subjective assumptions significantly impact stock-based compensation expense.

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

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

Segment Data

The Company has two operating business segments a) Contract staffing services, and b) Direct hire placement services. These operating segments were determined based primarily on how the chief operating decision maker views and evaluates our operations. Operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Other factors, including type of business, type of employee, length of employment and revenue recognition are considered in determining these operating segments.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those years. Early adoption is not permitted. The Company is currently assessing the impact of ASU 2014-09.

In August 2014, the FASB issued Accounting Standards Update 2014 15 (ASU 2014-15), *Presentation of Financial Statements Going Concern (Subtopic 205 40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern.* ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted. The Company does not expect this ASU to have a significant impact on its financial position or results of operations.

In November 2014, FASB issued ASU No. 2014-17, *Business Combinations (Topic 805): Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force*. The amendments in this Update provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. An acquired entity should determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity s most recent change-in-control event. An election to apply pushdown accounting in a reporting period after the reporting period in which the change-in-control event occurred should be considered a change in accounting principle in accordance with Topic 250, Accounting Changes and Error Corrections. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. The amendments in this Accounting Standards Update are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available to be issued, the application of this guidance would be a change in accounting principle. The adoption of ASU 2014-17 did not have a material impact on the Company s consolidated financial statements.

Other recent accounting pronouncements issued by FASB and the SEC did not or are not believed by management to have a material impact on the Company s present or future financial statements.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 200 million shares of common stock, no par value per share, and 20 million shares of preferred stock, no par value per share, of which 1 million are designated as Series A Convertible Preferred Stock. After completion of the Scribe acquisition, 28,994,014 shares of our common stock and 840,000 shares of our preferred stock will be issued and outstanding. The following description of our capital stock and certain provisions of our articles of incorporation and by-laws is a summary. The description below is qualified in its entirety by the provisions of our articles of incorporation and by-laws, which have been filed as exhibits to our prior SEC filings.

Common Stock

The issued and outstanding shares of our common stock are, and the shares of our common stock that will be issued as a result of the conversion of any Series A Preferred Shares or exercise of any Warrants will be, upon payment for the shares, validly issued, fully paid, and non-assessable. Holders of shares of our outstanding common stock are entitled to receive dividends if our Board of Directors decides to declare any dividends. Our common stock is neither redeemable nor convertible. Upon liquidation, dissolution, or winding up of the Company, holders of shares of our common stock are entitled to receive, pro rata, our assets that are legally available for distribution, after payment of all debts and other liabilities. Each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of shareholders. Our articles do not allow for cumulative voting in the election of directors.

Preferred Stock

Our articles of incorporation authorize the issuance of 20 million shares of preferred stock, no par value per share. Our Board of Directors is authorized to provide for the issuance of shares of preferred stock in one or more series, and to fix for each series voting rights, if any, designation, preferences and relative, participating, optional or other special rights and such qualifications, limitations, or restrictions as provided in a resolution or resolutions adopted by our Board of Directors.

The purpose of authorizing our Board of Directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a shareholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings, and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Upon completion of the Scribe acquisition, there will be

840,000 shares of Series A Preferred Stock outstanding, and we have no present plans to issue any other shares of preferred stock.

Each share of the Series A Preferred Stock is initially convertible, at the election of the holder, into 50 shares of the Company s common stock. The foregoing conversion ratio is subject to standard adjustment mechanisms, as set forth in the designation of preferences of the Preferred Stock, as filed with the Illinois Secretary of State (the Designation). The Designation provides the holders of the Preferred Stock with certain other preferences and rights, including, but not limited to:

1. The right to receive cumulative compounding dividends in the amount of 8% of the liquidation value of the Preferred Stock, per annum, payable in cash or additional shares of Preferred Stock, if and when declared by our Board;

2. The right to participate, on an as converted basis, in any distributions or dividends the Company declares on its Common Stock;

3. The right to a liquidation preference, over the holders of the Company s Common Stock, equal to the liquidation value of the Preferred Stock plus all accrued and unpaid dividends thereon, and thereafter to participate, on an as converted basis, with the holders of the Company s Common Stock in all additional distributions;

4. The right to appoint two directors to the Board;

5. The right to vote, as a single class, on an as converted basis, with the holders of the Company s Common Stock on all matters submitted to a vote of the holders of the Company s Common Stock; and

6. The Company may not take several actions, as set forth in the Designation, without the prior approval of the holders of a majority of the outstanding shares of Preferred Stock.

Options & Warrants

After completion of the Scribe acquisition, Warrants will be issued for the right to purchase up to 6,400,000 shares of our common stock at an exercise price of $0.20 per share. Each Warrant will be exercisable for a period of 5 years after issuance.

The exercise prices of the Warrants are subject to adjustment in the event of stock splits, stock dividends, combinations and similar events affecting our common stock. In addition, in the event we consummate a fundamental corporate transaction such as a merger or consolidation with or into another person or other reorganization event in which our common stock is converted or exchanged for securities, cash or other property, or we convey or otherwise dispose of all or substantially all of our assets, then following such event, the holders of the Warrants will be entitled to receive, for each share that would have been issuable upon exercise of the Warrants immediately prior to such fundamental transaction, the number of shares of common stock of the successor or acquiring corporation, and any additional consideration receivable as a result of such fundamental transaction by a holder of the number of shares of common stock for which the Warrants are exercisable immediately prior to such fundamental transaction. Any successor to us or surviving entity shall assume our obligations under the Warrants.

The holders of the Warrants must surrender payment in cash of the aggregate exercise price of the shares being acquired upon exercise of the Warrants. No fractional shares of common stock will be issued in connection with the exercise of the Warrants but in any case where the holder would be entitled to receive a fractional share, the number of shares will be rounded up to the nearest whole share.

The Warrants do not entitle the holders thereof to any voting rights, dividends or other rights as a stockholder of ours prior to the exercise of their Warrants.

The Warrants are not listed on, and we do not intend to list any of them on, any securities exchange or automated quotation system.

Listing

Our shares of common stock are listed on the NYSE MKT under the symbol JOB .

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ADDITIONAL INFORMATION

ACTION BY WRITTEN CONSENT

Because our Common Stock is currently listed on the NYSE MKT and we are therefore subject to Section 712 of the NYSE MKT Company Guide, we must obtain shareholder approval before issuing Common Stock, or securities convertible into Common Stock, in any transaction or series of related transactions, if the number of shares of Common Stock to be issued is, or will be upon issuance, equal to 20% or more of the number of shares of Common Stock outstanding before the issuance of the Common Stock or securities convertible into Common Stock. The Company currently has outstanding 28,944,014 shares of Common Stock, exclusive of 200,000 shares of Preferred Stock issued on January 8, 2014. Therefore, the issuance of 640,000 shares of Preferred Stock and of the Warrants in the transactions set forth in the SCRIBE Agreement could result in the issuance of Common Stock greater than 20% of the currently outstanding number of shares of Common Stock. Section 7.10 of the Illinois Business Corporation Act (IBCA) and our organizational documents permit any action that may be taken at a meeting of the shareholders to be taken by written consent by the holders of the number of shares of voting stock required to approve the action at a meeting. On December 11, 2014, the holders of shares of Common Stock, representing a majority of our then-outstanding voting power, approved by written consent the issuance of greater than 20 percent of the Company s outstanding Common Stock for the acquisition of Scribe.

NO FURTHER SHAREHOLDER ACTION IS REQUIRED

Other than the shareholder written consent described above, no other votes are necessary or required to effectuate the transactions described in this Information Statement. The Company anticipates that the shareholder consent described in this Information Statement will become effective on or promptly after March , 2015.

EFFECTS OF THE PROPOSED ISSUANCE

In recent years, broad stock market indices, in general, and smaller capitalization companies, in particular, have experienced substantial price fluctuations. The issuance of a significant amount of Common Stock may further adversely affect the price of the Common Stock. The influx of such a substantial number of common shares into the public market could have a significant negative effect on the trading price of the Common Stock. As of December 10, 2014, approximately 25.7 million shares of Common Stock were outstanding. An additional approximate 640,000 shares of Preferred Stock which is convertible into 32,000,000 Common Stock will be outstanding upon the closing of the Scribe acquisition. Issuance of these shares of Common Stock may substantially dilute the ownership interests of our existing shareholders. The potential issuance of such additional shares of Common Stock may create downward pressure on the trading price of our Common Stock. After issuance, the shares of Common Stock contemplated by this Information Statement, will vote with the Common Stock on all matters submitted to the holders of the Common Stock.

THE STOCK EXCHANGE AGREEMENT

On December 11, 2014, the Company entered into the Stock Exchange Agreement (the SCRIBE Agreement) with Brittany M. Dewan as Trustee of the Derek E. Dewan Irrevocable Living Trust II dated the 27th of July, 2010, Brittany M. Dewan, individually, Allison Dewan, individually, Mary Menze, individually, and Alex Stuckey, individually (collectively, the Scribe Shareholders). Pursuant to the terms of the SCRIBE Agreement the Company will acquire 100% of the outstanding stock of Scribe Solutions Inc., (Scribe) from the Scribe Shareholders for 640,000 shares of Series A Preferred Stock (the Preferred Stock) of the Company. The Company and the Scribe Shareholders executed and delivered the Scribe Agreement in reliance upon the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, (the Securities Act), In addition, the Company will issue warrants, each with a $0.20 exercise price, and a five year term (the Warrants), to certain warrant holders in Scribe for warrants to purchase common stock in the Company in reliance upon the exemption from registration afforded by Section 4(a)(2) of the Securities Act. This is all based on a valuation of Scribe of not less than $6,400,000. Upon the closing of the transaction, the Company will issue 640,000 shares of Preferred Stock in reliance on Section 4(a)(2) of the Securities Act. The transaction has been unanimously approved by the Boards of Directors of the Company (the Board) and Scribe and a majority of their respective shareholders. The closing of the transactions set forth in the SCRIBE Agreement is subject to customary conditions to closing, and is expected to occur prior to March 31, 2015.

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Scribe has made certain additional customary covenants, including, among others, to conduct its business in the ordinary course between the execution of the SCRIBE Agreement and the closing of the acquisition and not to engage in certain kinds of transactions during that period, subject to certain exceptions. We have agreed not to take certain specified actions without Scribe s consent during the time between execution of the SCRIBE Agreement and the closing of the acquisition. The SCRIBE Agreement is definitive between the Company and the Scribe Shareholders.

This summary of the material terms of the SCRIBE Agreement set forth herein is qualified in its entirety by reference to the SCRIBE Agreement, which is attached as Annex B to this Information Statement.

The parties to the SCRIBE Agreement are the Company and the Scribe Shareholders. The Company has a business address of 184 Shuman Blvd., Suite 420 Naperville, Illinois 60563. We are an Illinois corporation that provides the following distinctive services: (a) professional placement services specializing in the placement of information technology, engineering, and accounting professionals for direct hire and contract staffing, and (b) temporary staffing services in light industrial staffing. All of the following individuals were also a party to the SCRIBE Agreement as SCRIBE Shareholders: Brittany M. Dewan as Trustee of the Derek E. Dewan Irrevocable Living Trust II dated the 27th of July, 2010, Brittany M. Dewan, individually, Allison Dewan, individually, Mary Menze, individually, and Alex Stuckey.

BACKGROUND OF THE ACQUISITION

The following chronology summarizes the key meetings and events that led to our signing of the Scribe Stock Purchase Agreement. We held many conversations, both by telephone and in-person, about possible strategic alternatives. The chronology below covers only the key events leading up to the entry into the Scribe Stock Purchase Agreement and does not purport to catalogue every conversation among our representatives or between the Company and other parties.

On September 11, 2014, a representative of Scribe management attended an investor presentation in New York. Shortly thereafter, management contacted the management of General Employment.

On September 30, 2014, Scribe management, including Derek Dewan, presented Scribe Solutions Inc. to the Board of Directors. Based on the presentation and information provided, the Board approved management to continue discussion with Scribe management on a possible transaction between the two companies.

During the period from September 30, 2014 to December 1, 2014, the two Companies traded due diligence material and management had several meetings on the strategic nature of the merger.

On December 9, 2014, the Board of Directors approved and on December 10, 2014 the majority of the shareholders of the Company approved and authorize the execution by the Company of the Purchase Agreement, the Warrants, and all other agreements, instruments and certificates contemplated to be delivered pursuant to or in connection with the Purchase Agreement, such Purchase Agreement to be in substantially the form delivered to the undersigned Shareholder, with such changes, additions, modifications and deletions therein and containing such terms as Andrew J. Norstrud, the Chief Executive Officer of the Company deems necessary or appropriate.

REASONS FOR THE ACQUISITION

The Company is a staffing company that is publicly traded under the ticker symbol JOB, with approximately $40 million in revenue and has been losing money for the past several years. The staffing industry has more than $100 billion in annual sales and is expected to grow at a rate higher than 10% per year. This outlook is only expected to improve with anticipated additional governmental regulation, such as the new health care requirements and as companies increase their use of staffing companies to augment their human resource requirements.

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The staffing industry is highly competitive with few barriers to entry, other than access to working capital, as many of the companies strategically use their staffing companies to extend their own cash flow requirement for payroll. This has created a dynamic where more than 6,000 staffing firms in the United States have been open for more than one year. There are only a few staffing companies with more than $100 million in revenue and the majority of staffing companies have less than $5 million in annual revenue.

The Company is caught in the middle of the industry, not big enough to fully capitalize on economies of scale, however too big to not have a corporate reporting structure. The Company is also a public entity, which makes it subject to the reporting requirements of the Exchange Act of 1934 and increases its need for a corporate governance structure. Being a public company, however, also enables the Company to incentivize its employees with equity and align their focus with the Company s overall goals.

The Company is seeking significant growth in revenue and profitability over the course of the next two years through a series of acquisitions and internal expansion strategies. The Company seeks to acquire companies that (i) are cash flow positive and are accretive to the Company s net income, or that can be in less than 180 days from acquisition, (ii) provide additional services to sell through its current infrastructure, (iii) strategically align with the Company s culture, and (iv) provide or align with core technology, infrastructure and management.

The acquisition of Scribe meets all of these criteria. In addition, Scribe provides the Company entry into the medical staffing industry and significantly adds to its core executive management team.

NO DISSENTER S RIGHTS

The corporate action described in this Information Statement will not afford to our shareholders the opportunity to dissent from the actions described herein or to receive an agreed or judicially appraised value for their shares.

NO REGULATORY APPROVALS

There are no federal or state regulatory requirements that must be complied with or any approval that must be obtained in connection with the Scribe acquisition.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

We have not obtained a tax opinion from legal counsel or tax experts on the Scribe acquisition. The acquisition is intended for federal income tax purposes to qualify as one or more reorganizations within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. Based on the provisions of the Internal Revenue Code of 1986, as amended, existing United States Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect as of the date hereof and all of which are subject to change (possibly with retroactive effect), we do not believe that the acquisition will give rise to the recognition of gain or loses to us or our stockholders for U.S. federal income tax purposes. The foregoing summary is for general information only and does not discuss any state, local, foreign or other tax consequences.

ANTICIPATED ACCOUNTING TREATMENT

The Company anticipates accounting for the transaction as a business combination using the acquisition method of accounting for financial accounting purposes, whereby the estimated purchase price will be allocated to the assets and liabilities of Scribe based on their estimated fair values on the closing date of the acquisition, following Financial Accounting Standards Board Accounting Standards Codification Topic 805, Business Combinations.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the Company s executive officers or directors has a substantial interest, direct or indirect, by security holdings or otherwise in the Acquisition which is not shared by all of the Company s stockholders.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of December 10, 2014, the Company s directors, executive officers and principal shareholders beneficially own, directly or indirectly, in the aggregate, approximately 71% of its outstanding Common Stock. These shareholders collectively, and Mr. Schroering individually, have si