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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LIST OF APPENDIX

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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.

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.

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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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