

GENERAL EMPLOYMENT ENTERPRISES INC
Form PRER14C
December 04, 2014

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:

- 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):

- 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:

GENERAL EMPLOYMENT ENTERPRISES, INC.

184 Shuman Blvd., Suite 420

Naperville, Illinois 60563

December , 2014

NOTICE OF ACTION TAKEN

PURSUANT TO A WRITTEN CONSENT OF SHAREHOLDERS

To our Shareholders:

The common stock (Common Stock) of General Employment Enterprises, Inc. (the Company) is listed and traded on the NYSE MKT under the symbol JOB. The NYSE MKT rules require the prior approval of the holders of a majority of the outstanding shares of the Common Stock of any transaction that could result in the issuance of greater than or equal to 20 percent of the number of shares of Common Stock outstanding immediately 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.

The Company hereby gives notice to the holders of its Common Stock, that certain holders of greater than 50% of the voting power of the Company s outstanding Common Stock are taking certain action by written consent to approve of the private placement and issuance of Series A Convertible Preferred Stock (the Preferred Stock) that, if converted would result in the issuance of Common Stock equaling greater than 20 percent of the Company s outstanding Common Stock, as further described in this Information Statement. All necessary Board approvals in connection with the matters referred to in this Information Statement have been obtained.

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 (the Exchange Act), 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 Exchange Act Rule 14c-2, the shareholder consent will become effective no sooner than twenty (20) calendar days following the mailing of this information statement.

We are mailing this Information Statement to those persons that our shareholders as of the close of business on November 14, 2014. This Information Statement is being provided to you for your information to comply with the requirements of the Exchange Act. 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

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 in order to provide notice that certain holders of greater than 50% of the voting power of our outstanding Common Stock, without holding a meeting of shareholders at which all Company shareholders would be entitled to vote, have provided written consent to certain actions that would normally require such a meeting. A copy of the consent resolution is attached hereto as Appendix A. November 14, 2014, has been fixed as the record date for the determination of shareholders who are entitled to provide written consent and to receive this Information Statement.

THIS INFORMATION STATEMENT IS FIRST BEING SENT OR GIVEN TO THE HOLDERS OF OUR COMMON STOCK ON OR ABOUT DECEMBER 15, 2014.

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

ISSUANCE OF UP TO 10,000,000 SHARES OF COMMON STOCK

On November 14, 2014, the Company entered into a Securities Purchase Agreement, a copy of which is attached hereto as Appendix B (the "Agreement") with 16 individuals who collectively have subscribed to purchase a total of 200,000 shares of Preferred Stock from the Company for a total purchase price of \$2,000,000, which purchase price is being held in escrow pending a closing of the transactions set forth in the Agreement. The net proceeds to the Company from the offering will be approximately \$2,000,000, which approximately \$1,000,000 will be used as working capital and the remaining \$1,000,000 for marketing, acquisitions, expansion and to further the operations of the Company. The Preferred Stock was designated by the Company on December 15, 2014 through the filing of a Certificate of Designation of Series A Convertible Preferred Stock with the Illinois Secretary of State, a copy of which is attached hereto as Appendix C (the "Designation"). Each share of 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. 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 Company's Board of Directors;

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 Section 6.3 of the Designation, without the prior approval of the holders of a majority of the outstanding shares of Preferred Stock.

Further, the Agreement provides the holders of the Preferred Stock with certain additional rights, including, but not limited to:

- A. Demand and piggy back registration rights;
- B. The right to certain monthly and quarterly financial and business information regarding the Company;
- C. A pro rata under-subscription right, based on their percentage of fully diluted equity interest in the Company, to participate in subsequent underwritten public offerings of the Company up to the total number of shares being offered;
- D. In the event that any of members of the Company's board of directors and existing executive management team propose to sell their stock to third parties, the Company shall have the first right to purchase the securities on substantially the same terms as the proposed sale; and the holders of the Preferred Stock shall next have said right, according to their respective percentage ownership of the outstanding shares of Preferred Stock, or to sell a proportionate percentage of their shares of Preferred Stock pursuant to co-sale rights, subject to applicable law.

The parties to the Agreement have provided customary representations and warranties, and the Agreement contains customary conditions to closing.

This summary of the material terms of the Agreement and the Designation are qualified in their entirety by reference to the Agreement and Designation, which are attached to this Information Statement as Annex A and Annex B, respectively.

REQUIREMENT OF OBTAINING SHAREHOLDER APPROVAL

The Company's Common Stock is listed and traded on the NYSE MKT under the symbol JOB. The NYSE MKT rules require the prior approval of the holders of a majority of the outstanding shares of the Common Stock to any issuer transaction that could result in the issuance of greater than or equal to 20 percent of the number of shares of Common Stock outstanding immediately before such issuance. Section 7.10 of the 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.

The Company currently has outstanding 25,899,675 shares of Common Stock. Therefore, under NYSE MKT rules, the issuance or potential issuance of greater than 5,179,935 shares of Common Stock requires prior shareholder approval. Under the Agreement, the Company proposes to issue 200,000 shares of Preferred Stock that are initially convertible into 10,000,000 shares of Common Stock. As such, the Company is required to obtain prior shareholder approval of the potential issuance of Common Stock underlying the Preferred Stock being sold under the Agreement. On November 14, 2014, two shareholders that hold a majority of the Company's outstanding Common Stock approved the Agreement, the transactions set forth in the Agreement and the issuances of securities as set forth in the Agreement. The foregoing transactions were approved by our Board on November 13, 2014.

This Information Statement is being mailed on or about December 1, 2014, to shareholders of record on November 14, 2014. The closing of the transactions set forth in the Agreement, and the taking of the actions described in this Information Statement, will not become effective until the 21st day after the Information Statement is mailed to our shareholders.

Forward Looking Statements

Various statements contained in or incorporated by reference into this Information Statement that express a belief, expectation, or intention, or that are not statements of historical fact, are forward-looking statements within the

meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Exchange Act. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact, are forward-looking statements. When used in this Information Statement, the words could, believe, anticipate, intend, estimate, expect, may,

continue, predict, potential, project, and similar expressions are intended to identify forward looking statements, although not all forward looking statements contain such identifying words. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors.

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 after giving effect to the proposed issuance of preferred equity. The notes to the unaudited pro forma financial information describe adjustments to the financial information presented.

The unaudited pro forma combined balance sheet is presented as if the issuance had occurred on June 30, 2014.

The unaudited pro forma balance sheet 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, 2013.

GENERAL EMPLOYMENT ENTERPRISES, INC.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET

AS OF JUNE 30, 2014

(UNAUDITED)

(In Thousands)

	GENERAL EMPLOYMENT	PROFORMA ADJUSTMENTS		PROFORMA
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 66	2,000	\$	2,066
Accounts receivable	6,028			6,028
Other current assets	682			682
Assets of discontinued operations	229			229
Total current assets	7,005			9,005
Property and equipment, net	476			476
Goodwill	1,106			1,106
Intangible assets, net	1,640			1,640

Other assets	32	32
TOTAL ASSETS	\$ 10,259	\$ 12,259
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 3,266	\$ 3,266
Accounts payable	1,447	1,447
Accrued compensation	2,958	2,958
Other current liabilities	909	909
Total current liabilities	8,580	8,580
Long-term liabilities	39	39
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Preferred stock; no par value; authorized - 20,000 shares; issued and outstanding - none		2,000 2,000
Common stock, no-par value; authorized - 200,000 shares; issued and outstanding - 22,799 shares	11,298	11,298
Additional paid in capital - warrants	168	168
Accumulated deficit	(9,826)	(9,826)
Total shareholders equity	1,640	3,640
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 10,259	\$ 12,259

NO 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 December , 2014.

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 October 15, 2014, approximately 25.9 million shares of Common Stock were outstanding. An additional approximate 10 million shares of Common Stock would be outstanding if the holders of the 200,000 shares of Preferred Stock subscribed for under the Agreement elect to convert their Preferred Stock to Common Stock at the initial conversion rate of 50 shares of Common Stock for 1 shares of Preferred Stock. 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 holders of Preferred Stock will vote on an as converted basis with the holders of our outstanding Common Stock on all matters submitted to the holders of the Common Stock.

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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of October 31, 2014, the Company's directors, executive officers and principal shareholders beneficially own, directly or indirectly, in the aggregate, approximately 64% of its outstanding Common Stock. These shareholders collectively, and Mr. Schroering individually, have significant influence over the Company's business affairs, with the ability to control matters requiring approval by the Company's shareholders, including the written consent set forth in this Information Statement.

The following table sets forth certain information known to the Company regarding the beneficial ownership of the Company's Common Stock, as of September 30, 2014 by (a) each shareholder known by the Company to be the beneficial owner of more than five percent of the Company's Common Stock, (b) each of the Company's directors, (c) each of the Company's executive officers and (d) all executive officers and directors of the Company as a group. The shareholders listed below have sole voting and investment power except as noted.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
LEED HR, LLC and Michael Schroering		
LEED HR, LLC		
2650 East Point Parkway, Suite 280		
Louisville, KY 40223	16,041,744(2)	57.1%
Dennis W. Baker	432,800(3)	1.5%
Thomas C. Williams	315,000(4)	1.1%
Jack Zwick	135,000(5)	*
Andrew J. Norstrud	1,250,000(7)	4.4%
Michael Schroering	315,000(6)	1.1%
Current directors and executive officers as a group (5 individuals)	18,489,544	65.8%

* Represents less than 1%.

- (1) Based on 25,899,675 shares of Common Stock issued and outstanding as of September 30, 2014.
- (2) Based on the Schedule 13D/A filed on June 11, 2014; Schedule 13D filed on September 13, 2013 and the Schedule 13D/A filed on September 21, 2012, by each of LEED HR, LLC, a Kentucky limited liability company, and Mr. Schroering, which disclosed that LEED HR, LLC owns directly 15,824,410 shares of Common Stock and that Mr. Schroering owns directly 199,334 shares of Common Stock. Mr. Schroering is the sole manager of LEED HR, LLC. By virtue of this relationship, Mr. Schroering may be deemed to beneficially own, the 15,824,410 shares of Common Stock owned directly by LEED HR, LLC.
- (3) Represents (i) 102,800 shares of Common Stock owned, and (ii) 330,000 shares of Common Stock issuable upon the exercise of stock options that are currently exercisable.
- (4) Represents 315,000 shares of Common Stock issuable upon the exercise of stock options that are currently exercisable.
- (5) Represents (i) 50,000 shares of Common Stock owned, and (ii) 125,000 shares of Common Stock indirectly through Mr. Zwick's investment in Aracle SPF, LLC I.
- (6) Represents 315,000 shares of Common Stock. See Footnote #2.

- (7) Represents (i) 50,000 shares of Common Stock, and (ii) 1,200,000 shares of Common Stock issuable upon the exercise of stock options that are not currently exercisable.

BROKERS, CUSTODIANS, ETC.

We have asked brokers and other custodians, nominees and fiduciaries to forward this information statement to the beneficial owners of our Common Stock held of record by such persons and will reimburse such persons for out-of-pocket expenses incurred in forwarding such material.

All information concerning the Company contained in this information statement has been furnished by the Company. No person is authorized to make any representation with respect to the matters described in this information statement other than those contained in this information statement and if given or made must not be relied upon as having been authorized by the Company or any other person. Therefore, if anyone gives you such information, you should not rely on it. This information statement is dated December , 2014. You should not assume that the information contained in this document is accurate as of any other date unless the information specifically indicates that another date applies.

By order of the Board of Directors

Dennis Baker

Chairperson of the Board of Directors

APPENDIX A

**ACTION BY WRITTEN CONSENT OF
THE SHAREHOLDERS OF
GENERAL EMPLOYMENT ENTERPRISES, INC.**

The undersigned (the Shareholders), being the holders of a majority of the issued and outstanding shares of common stock of General Employment Enterprises, Inc. (the Company), an Illinois corporation, do hereby authorize and take the following actions without a meeting and pursuant to the Illinois Business Corporation Act of 1983:

WHEREAS, the Shareholders have approved the terms of the Securities Purchase Agreement attached hereto as Exhibit A (the SPA) and have resolved that the terms of the private offering of the Company s Series A Convertible Preferred Stock (the Preferred Stock) as described in the Purchase Agreement are fair, advisable and in the best interests of the Company and the Shareholders.

NOW, THEREFORE, BE IT:

RESOLVED, that the Shareholders do hereby approve and authorize the performance by the Company of the transactions contemplated by the SPA to be performed by the Company, as well as all other agreements, instruments and certificates contemplated to be delivered pursuant to or in connection with the SPA, with such changes, additions, modifications and deletions therein and containing such terms as Andrew J. Norstrud, the Chief Executive Officer of the Company (the Authorized Officer) deems necessary or appropriate.

RESOLVED, the Shareholders hereby approve and authorize the designation of the Preferred Stock pursuant to the Certificate of Designation of Series A Convertible Preferred Stock of General Employment Enterprises, Inc. attached hereto as Exhibit B (the Series A Designation).

RESOLVED, that concurrent with the effectuation of the initial and any subsequent closings of the private offering set forth in the SPA, the Company be, and it hereby is, authorized to issue up to 1,000,000 shares of Preferred Stock pursuant to the terms of the SPA, which shares shall be fully paid and nonassessable upon issuance, and to issue, upon conversion of the Preferred Shares, shares of common stock of the Company (the Common Stock) pursuant to the terms of the Series A Designation, which shares shall be fully paid and nonassessable upon issuance.

RESOLVED, the Shareholders approve of the issuance of additional shares of Preferred Stock, and Common Stock underlying the Preferred Stock upon conversion thereof, as may be set forth in other securities purchase agreements, asset purchase agreements or other documents as approved and negotiated by the Authorized Officer.

RESOLVED, that in accordance with the SPA, and for the purpose of listing the Common Stock underlying the Preferred Stock, the Company be, and it hereby is, authorized to submit, by and through the Authorized Officer, to the NYSE MKT an Additional Listing Application, together with any related filings and documents, to be in substantially the form reviewed by the Authorized Officer, with such changes, additions, modifications and deletions therein and containing such terms as the Authorized Officer deems necessary or appropriate.

RESOLVED, the Shareholders, in compliance with applicable NYSE MKT Company Guide Rules, hereby authorize and approve of the issuance of the Preferred Stock and the Common Stock underlying the Preferred Stock, which Common Stock constitutes greater than 20% of the Company's issued and outstanding Common Stock.

RESOLVED, that the Shareholders hereby authorize and instruct the Authorized Officer to execute the SPA, the Series A Designation, any other agreements, certificates, or instruments necessary to effectuate the terms of the SPA and Series A Designation.

RESOLVED, that any and all actions, whether previously or subsequently taken, by any officer or officers of the Company, including, without limitation, the Authorized Officer, which are consistent with the intent and purposes of the foregoing resolutions, shall be, and the same hereby are, in all respects, ratified, approved and confirmed.

RESOLVED, that the Shareholders acknowledge and agree that the Shareholders will take any and all further actions as are reasonably requested by the Authorized Officer to effectuate the transactions set forth in the SPA and Series A Designation, and the foregoing resolutions.

Delivery by facsimile or .pdf of an executed copy of this Consent shall be deemed effective delivery and such facsimile shall be deemed effective and in full force and effect as if it were an original.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have executed this Written Consent effective as of the November , 2014.

SHAREHOLDERS:

/s/ Michael Schroering
Michael Schroering

LEED HR, LLC

By: /s/ Michael Schroering
Printed Name: Michael Schroering
Title: Manager

APPENDIX B

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (**Agreement**) is made as of the date indicated below on the acceptance page hereof, by and between **GENERAL EMPLOYMENT ENTERPRISES, INC.**, an Illinois corporation having its principal offices at 184 Shulman Blvd., Suite 420, Naperville, IL 60563 (the **Company**) and the parties whose names and addresses are set forth on the signature page to this Agreement (the **Purchasers**). This Agreement may be executed by other parties, in addition to the Purchasers, that subscribe hereby.

RECITALS

- A.** The Company desires to obtain funds from each Purchaser in order to provide working capital for marketing, acquisitions, expansion and to further the operations of the Company.
- B.** The Company has designated 1,000,000 of its authorized and unissued shares of blank check preferred stock as Series A Convertible Preferred Stock (the **Preferred Stock** and each a **Preferred Share**).
- C.** The Company is conducting a private offering (the **Offering**) of up to 200,000 shares of the Preferred Stock at \$10.00 per share (the **Purchase Price**), for an aggregate Offering amount of up to \$2,000,000. The Preferred Shares shall be convertible, at any time, at the option of the holder, into shares of common stock, no par value, of the Company (the **Common Stock**) at an initial conversion ratio of 50 shares of Common Stock for each Preferred Share. The minimum offering amount is \$2,000,000.
- D.** Each Purchaser understands that the Company may utilize the remaining 800,000 designated Preferred Shares in any manner it deems in the best interest of the Company, including issuing said shares as consideration in an acquisition, issuing said shares as compensation, or issuing said shares to investors in subsequent offerings.
- E.** Each Purchaser understands that there is a great deal of risk, illiquidity and uncertainty in the purchase of the Preferred Shares herein. Each Purchaser understands that a delisting of the Company from NYSE MKT would have an immediate and material adverse effect on the Company and its stock price and liquidity.
- F.** The Offering of the Preferred Shares is being made directly by the Company without any placement agents and upon reliance on Rule 506 of Regulation D of the Securities Act (as defined below). Each Purchaser is an Accredited Investor, as such term is defined in Rule 501 of Regulation D of the Securities Act.
- G.** The minimum offering is \$2,000,000, and all proceeds from this Offering will be held in escrow pending the Closing. Purchasers will not have an opportunity to approve of a Closing (as defined below) or subscription acceptance, or to request refund of any moneys submitted to the Company until such time as subscriptions are accepted or rejected or a Termination Date (as defined below) occurs. Each Purchaser acknowledges and agrees that its subscription(s) are irrevocable and binding commitments on the part of the Purchaser, subject to the terms of this Agreement, and that once their funds have been tendered with the appropriate subscription documents the Company may conduct a Closing and issue to Purchaser their respective Preferred Shares without any advanced consent or notice to Purchaser or the Company. The Company may reject any subscriptions in whole or in part for any reason or for no reason to return funds to the Purchaser to the extent of such non-accepted funds.

AGREEMENT

It is agreed as follows:

1. PURCHASE AND SALE OF SHARES.

1.1 Purchase and Sale. In reliance upon the representations and warranties of the Company and each Purchaser contained herein and subject to the terms and conditions set forth herein, at Closing, each Purchaser shall purchase, and the Company shall sell and issue to each Purchaser, the number of Preferred Shares indicated in the each Purchaser's signature page, at the Purchase Price for an aggregate Offering amount of up to \$2,000,000. All the Preferred Shares are subject to the terms and conditions set forth in the Company's Certificate of Designation of Series A Convertible Preferred Stock to be filed with the Illinois Secretary of State on or before the Closing Date, in the form attached hereto as Exhibit A (the **Certificate of Designation**). Each Purchaser or other Purchasers may subscribe for additional Preferred Shares from time to time until the maximum Offering amount is sold.

2. **CLOSING**. The sale of Preferred Shares will take place in one closing (the **Closing**), subject to the satisfaction of all the parties hereto of their obligations herein. Each Purchaser shall submit an executed copy of this Agreement to the Company along with the Purchase Price which shall be deposited in the Company's attorney's escrow account pending Closing. The Closing of the sale of Preferred Shares contemplated by this Agreement shall take place once subscriptions are received in the amount of the Offering, said subscriptions are accepted by the Company, and all conditions to Closing have been satisfied. The Closing shall take place at the offices of the Company or at such other place as the Company shall agree in writing (the **Closing Date**) on or before December 31, 2014 (the **Termination Date**). Subscriptions that are not accepted will be returned with any funds (less wire fees).

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

As a material inducement to each Purchaser to enter into this Agreement and to purchase the Preferred Shares, the Company represents and warrants that the following statements are true and correct in all material respects as of the date hereof and will be true and correct in all material respects at Closing, except as expressly qualified or modified herein.

3.1 Organization and Good Standing. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Illinois and has full corporate power and authority to enter into and perform its obligations under this Agreement, and to own its properties and to carry on its business in all jurisdictions as presently conducted and as proposed to be conducted. The Company and its subsidiaries have all government and other licenses and permits and authorizations to do business in all jurisdictions where their activities require such license, permits and authorizations, except where failure to obtain any such license, permit or authorization will not have a Material Adverse Effect, as defined below. The Company's subsidiaries and their jurisdiction of organization are as set forth on Schedule 3.1.

3.2 Capitalization. As of October 31, 2014, the Company's capitalization is as set forth in Schedule 3.2. All outstanding shares of the Company's capital stock have been duly authorized and validly issued, and are fully paid, non-assessable, and free of any preemptive rights. There is only one class and series of Common Stock of the Company, without any special series, rights, preferences or designations assigned to it. There is only one class of preferred stock designated as the Series A Convertible Preferred Stock, which consists of shares of convertible participating 8% cumulative preferred stock and of which the Preferred Shares offered in this Offering are a part. All Preferred Shares

are subject to the terms, conditions and preferences set forth in the Certificate of Designation. The Company does not have any outstanding options, warrants, notes, convertible debt, derivative securities or notes other than as *specifically* set forth on Schedule 3.2.

3.3 Authorization and Enforcement. This Agreement and any other agreements delivered together with this Agreement or in connection herewith (collectively **Transaction Documents**) have been duly authorized, executed and delivered by the Company and are valid and binding agreements of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity. The Company has full corporate power and authority necessary to enter into and deliver the Transaction Documents and to perform its obligations hereunder and thereunder.

3.4 Reservation and Valid Issuance of Securities. Upon payment of the Purchase Price and issuance of the Preferred Shares, said Shares will be duly authorized, validly issued fully paid and non-assessable and fully enforceable as against the Company. The Company will reserve a sufficient number of shares of Common Stock to allow for the conversion of the Preferred Shares according to their terms, after taking into account any possible anti-dilution adjustments to the conversion rate for stock splits, recapitalizations, equity restructuring transactions, mergers, business combinations and asset sales, stock dividends, and other similar events. The shares of Common Stock issuable upon conversion of the Preferred Shares pursuant to the terms of the Certificate of Designation will be duly authorized, validly issued, fully paid and non-assessable. The Preferred Shares will be free and clear of any security interests, liens, claims or other encumbrances, other than restrictions upon transfer under federal and state securities laws. The shares of each subsidiary are duly authorized, validly issued, fully paid and non-assessable and held by the Company, which has sole, and unencumbered marketable title and is the sole owner.

3.5 No Conflict, Breach, Violation or Default; Third Party Consents. The execution, delivery and performance of the Transaction Documents by the Company and the issuance and sale of the Preferred Shares will not conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under (i) the Company's Articles of Incorporation or the Company's Bylaws, both as in effect on the date hereof (collectively, the **Company Documents**), (ii) any shareholder agreement or voting agreement to which any officer, director or holder of more than 5% of the Company's securities is a party to, or (iii) any statute, rule, regulation or order of any governmental agency, self-regulatory agency, securities regulatory or insurance regulatory agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its assets or properties, or (iv) any material agreement or instrument to which the Company is a party or by which the Company is bound or to which any of its assets or properties is subject; except in the case of each of clauses (iii) and (iv), such as could not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect. No approval of or filing with any governmental authority or other third party entity or person (other than the obtaining the approval of the board of directors of the Company on behalf of the Company, the filing of the Certificate of Designation with the Illinois Secretary of State and approvals or and filings with the NYSE MKT and the Securities and Exchange Commission) is required for the Company to enter into, execute or perform this Agreement or any Transaction Document.

3.6 No Material Adverse Change. Since December 31, 2013, except as identified and described in the SEC Reports (as defined below) or in Schedule 3.6, there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of the Company from that reflected in the financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2014 except for changes in the ordinary course of business which have not had and could not reasonably be expected to have a material adverse

effect or impact on the Company's assets, properties, financial condition, operating results or business of the Company taken as a whole other than an effect primarily or proximately resulting from (A) changes in general economic or market conditions affecting the industry generally in which the Company operates, which changes do not disproportionately affect the Company as compared to other similarly situated participants in the industry in which the Company operates; (B) changes in applicable law or generally accepted accounting principles; and (C) acts of terrorism, war or natural disasters which do not disproportionately affect the Company (as such business is presently conducted) (a **Material Adverse Effect**), individually or in the aggregate;

(b) any declaration or payment of any dividend, or any authorization or payment of any distribution, on any of the capital stock of the Company, or any redemption or repurchase of any securities of the Company;

(c) any material damage, destruction or loss, whether or not covered by insurance, to any assets, licenses, government permits, self-regulatory agency permit or license, or properties of the Company;

(d) any waiver, not in the ordinary course of business, by the Company of a material right or of a material debt owed to it;

(e) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and which has not had a Material Adverse Effect;

(f) any change or amendment to Company documents, except for the Certificate of Designation, or material change to any material contract or arrangement by which the Company is bound or to which any of its assets or properties is subject;

(g) any material labor difficulties, labor disputes, non-compete or similar disputes, or labor union organizing activities with respect to employees of the Company;

(h) any material transaction entered into by the Company other than in the ordinary course of business;

(i) the loss of the services of any key employee, salesperson, or material change in the composition or duties of the senior management of the Company;

(j) the loss or threatened loss of any customer which has had or could reasonably be expected to have a Material Adverse Effect;

(k) any material default of any indebtedness or, to Company's Knowledge (as defined below), breach of contract agreement, in each case with aggregate liabilities of greater than \$50,000; or

(l) any other event or condition of any character that has had or could reasonably be expected to have a Material Adverse Effect.

3.7 SEC Reports and Financial Statements.

(a) The Company has made available to each Purchaser through the SEC's EDGAR system accurate and complete copies (excluding copies of exhibits) of each report, registration

statement, and definitive proxy statement filed by the Company with the United States Securities and Exchange Commission (**SEC**) since December 31, 2012 (collectively, the **SEC Reports**). All statements, reports, schedules, forms and other documents required to have been filed by the Company with the SEC have been so filed. To Company's Knowledge, as of the time it was filed with the SEC (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing): (i) each of the SEC Reports complied in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the **Securities Act**), or the Securities Exchange Act of 1934 (the **1934 Act**), as amended; and (ii) none of the SEC Reports contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) Except for the pro forma financial statements, if any, the financial statements contained in the SEC Reports: (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto at the time of filing and as of the date of each Closing; (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered (except as may be indicated in the notes to such financial statements and, in the case of unaudited statements, as permitted by Form 10-Q of the SEC, and except that unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end audit adjustments which will not, individually or in the aggregate, be material in amount); and (iii) fairly present, in all material respects, the financial position of the Company as of the respective dates thereof and the results of operations of the Company for the periods covered thereby, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. All adjustments considered necessary for a fair presentation of the financial statements have been included.

3.8 Securities Law Compliance. Assuming the accuracy of the representations and warranties of each Purchaser (and all other Purchasers in this Offering), set forth in Section 4 of this Agreement, the offer and sale of the Preferred Shares will constitute an exempted transaction under the Securities Act, and registration of the Preferred Shares under the Securities Act for issuance herein (or of the shares of Common Stock for issuance upon conversion of the Preferred Shares) is not required. The Company shall make such filings as may be necessary to comply with the federal securities laws and the blue sky laws of any state in connection with the offer and sale of the Preferred Shares, which filings will be made in a timely manner.

3.9 Tax Matters. Except as set forth on Schedule 3.9, the Company has timely prepared and filed all tax returns required to have been filed by the Company with all appropriate governmental agencies and timely paid all taxes shown thereon or otherwise owed by it. The charges, accruals and reserves on the books of the Company in respect of taxes for all fiscal periods are adequate in all material respects, and there are no material unpaid assessments against the Company nor, to the Company's Knowledge, any basis for the assessment of any additional taxes, penalties or interest for any fiscal period or audits by any federal, state or local taxing authority except for any assessment which is not material to the Company, taken as a whole. All taxes and other assessments and levies that the Company is required to withhold or to collect for payment have been duly withheld and collected and paid to the proper governmental entity or third party when due. There are no tax liens or claims pending or, to Company's Knowledge, threatened against the Company or any of its assets or property. There are no outstanding tax sharing agreements or other such arrangements between the Company or other corporation or entity. For the purposes of this agreement, **Company's Knowledge** means the actual knowledge of the executive officers (as defined in Rule 405 under the Securities Act) of the Company.

3.10 Title to Properties. Except as disclosed in the SEC Reports, the Company has good and marketable title to all real properties and all other properties and assets owned by it, in each case free from liens, encumbrances and defects that would materially affect the value thereof or materially

interfere with the use made or currently planned to be made thereof by them; and except as disclosed in the SEC Reports, the Company holds any leased real or personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or currently planned to be made thereof by them.

3.11 Intellectual property.

Except as provided in the SEC Reports:

(a) All intellectual property of the Company or its subsidiaries, including but not limited to any trademarks, trade secrets, patents, patent applications, copyrights, domain names and similar property, is currently in compliance with all legal requirements (including timely filings, proofs and payments of fees) and is valid and enforceable. No intellectual property of the Company which is necessary for the conduct of Company's businesses as currently conducted has been or is now involved in any cancellation, dispute or litigation, and, to Company's Knowledge, no such action is threatened.

(b) All of the licenses and sublicenses and consent, royalty or other agreements concerning intellectual property which are necessary for the conduct of the Company's business as currently conducted to which the Company is a party or by which any of its assets are bound (other than generally commercially available, non-custom, off-the-shelf software application programs having a retail acquisition price of less than \$10,000 per license) (collectively, **License Agreements**) are valid and binding obligations of the Company and, to Company's Knowledge, the other parties thereto, enforceable in accordance with their terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally, and there exists no event or condition which will result in a material violation or breach of or constitute (with or without due notice or lapse of time or both) a default by the Company under any such License Agreement.

(c) The Company owns or has the valid right to use all of the intellectual property that is necessary for the conduct of the Company's business as currently conducted and for the ownership, maintenance and operation of the Company's properties and assets, free and clear of all liens, encumbrances, adverse claims or obligations to license all such owned intellectual property and confidential information, other than licenses entered into in the ordinary course of the Company's business. The Company has a valid and enforceable right to use all third party intellectual property and confidential information used or held for use in the business of the Company.

(d) To Company's Knowledge, the conduct of the Company's business as currently conducted does not infringe or otherwise impair or conflict with (collectively, **Infringe**) any intellectual property rights of any third party or any confidentiality obligation owed to a third party, and, to Company's Knowledge, the intellectual property and confidential information of the Company which are necessary for the conduct of the Company's business as currently conducted are not being Infringed by any third party. There is no litigation or order pending or outstanding or, to Company's Knowledge, threatened or imminent, that seeks to limit or challenge or that concerns the ownership, use, validity or enforceability of any intellectual property or confidential information of the Company and the Company's use of any intellectual property or confidential information owned by a third party, and, to Company's Knowledge, there is no valid basis for the same.

(e) The consummation of the transactions contemplated hereby and by the other Transaction Documents will not result in the alteration, loss, impairment of or restriction on the Company's ownership or right to use any of the intellectual property or confidential information which is necessary for the conduct of the Company's business as currently conducted.

(f) The Company has taken reasonable steps to protect the Company's rights in its intellectual property and confidential information. To Company's Knowledge there has been no material disclosure of any confidential

information to any third party.

B-6

3.12 Environmental Matters. To Company's Knowledge, the Company (a) is not in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, **Environmental Laws**), (b) does not own or operate any real property contaminated with any substance that is subject to any Environmental Laws, (c) is not liable for any off-site disposal or contamination pursuant to any Environmental Laws, or (d) is not subject to any claim relating to any Environmental Laws, which violation, contamination, liability or claim has had or could reasonably be expected to have a Material Adverse Effect, individually or in the aggregate; and there is no pending or, to Company's Knowledge, threatened investigation that might lead to such a claim.

3.13 Litigation. Except as disclosed in Schedule 3.13, there are no pending material actions, suits or proceedings against or affecting the Company, or any of its properties; and to Company's Knowledge, no such actions, suits or proceedings are threatened or contemplated against the Company.

3.14 No Directed Selling Efforts or General Solicitation. Neither the Company nor any of its Affiliates, nor to Company's Knowledge, any Person, as defined below, acting on its behalf has conducted any general solicitation or general advertising (as those terms are used in Regulation D of the Securities Act) in connection with the offer or sale of any of the Preferred Shares being offered in this Offering. **Person** means any individual, corporation, company, limited liability company, partnership, limited liability partnership, trust, estate, proprietorship, joint venture, association, organization or entity.

3.15 No Integrated Offering. Neither the Company nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any Company security or solicited any offers to buy any security, under circumstances that would adversely affect reliance by the Company on Section 4(a)(2) for the exemption from registration for the transactions contemplated hereby or would require registration of the Preferred Shares under the Securities Act. For purposes of this Agreement, **Affiliate** means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such Person.

3.16 Questionable Payments. To the best of Company's Knowledge, none of its current or former stockholders, directors, officers, employees, agents or other Persons acting on behalf of the Company, has on behalf of the Company or in connection with its business: (a) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (b) made any direct or indirect unlawful payments to any governmental officials or employees from corporate funds; (c) established or maintained any unlawful or unrecorded fund of corporate monies or other assets; (d) made any false or fictitious entries on the books and records of the Company; or (e) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment of any nature.

3.17 Transactions with Affiliates. Except as disclosed in the SEC Reports, none of the officers or directors of the Company and, to Company's Knowledge, none of the employees of the Company is presently a party to any transaction with the Company (other than as holders of stock options and/or warrants, and for services as employees, officers and directors), including any contract, agreement

or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to Company's Knowledge, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

3.18 Internal Controls. Except as set forth in the SEC Reports, the Company is in material compliance with the provisions of the Sarbanes-Oxley Act of 2002 currently applicable to the Company except where such noncompliance could not have or reasonably be expected to result in a Material Adverse Effect. The Company maintains, and will use commercially reasonable best efforts to continue to maintain, a system of internal accounting controls sufficient to provide reasonable assurance that (a) transactions are executed in accordance with management's general or specific authorizations, (b) transactions are recorded as necessary to permit preparation of financial statements and to maintain asset accountability both in conformity with GAAP and the applicable provisions of the 1934 Act, (c) access to assets is permitted only in accordance with management's general or specific authorization, and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as set forth in the SEC Reports, the Company has established disclosure controls and procedures (as defined in the 1934 Act Rules 13a-14 and 15d-14) and designed such disclosure controls and procedures to ensure that material information relating to the Company, including the subsidiaries, is made known to the certifying officers by others within those entities, particularly during the period in which the Company's most recently filed period report under the 1934 Act, as the case may be, is being prepared. The Company's certifying officers have evaluated the effectiveness of the Company's controls and procedures as of the end of the period covered by the most recently filed periodic report under the 1934 Act (such date, the **Evaluation Date**). The Company presented in its most recently filed periodic report under the 1934 Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in the Company's internal controls (as such term is defined in Item 308 of Regulation S-K for smaller reporting companies) or, to Company's Knowledge, in other factors that could significantly affect the Company's internal controls.

3.19 Disclosures. Neither the Company nor any Person acting on its behalf has provided the Purchasers or their agents or counsel with any information that constitutes or might constitute material, non-public information. The written materials delivered to the Purchasers in connection with the transactions contemplated by the Transaction Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

3.20 No Market Manipulation. The Company and its Affiliates have not taken, and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Preferred Shares or affect the price at which the Preferred Shares may be issued or resold.

3.21 Information Concerning Company. The SEC Reports and Transaction Documents contain all material information relating to the Company and its operations and financial condition as of their respective dates which information is required to be disclosed therein. Since the date of the financial statements included in the SEC Reports, and except as modified in the Transaction Documents, or in the Schedules hereto, there has been no Material Adverse Effect relating to the Company's business, financial condition or affairs not disclosed in the SEC Reports. The SEC Reports do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, taken as a whole, not misleading in light of the circumstances when made.

3.22 Stop Transfer. The Company will not issue any stop transfer order or other order impeding the sale, res