

GENERAL EMPLOYMENT ENTERPRISES INC

Form PREM14A

April 16, 2009

Table of Contents

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

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 14a-6(i)(1) 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:

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on
, 2009. The proxy statement and the 2008 Annual Report to Shareholders are available at
www.genp.com/ir.htm.

YOUR VOTE IS IMPORTANT

Even if you plan to attend the Special Meeting, you are urged to sign, date and promptly return your proxy in the enclosed postage paid envelope so that your shares can be voted in accordance with your wishes. If you attend the meeting, you may vote your shares in person, even though you have previously signed and returned your proxy. If your shares are held in the name of a bank or brokerage firm, you should check the voting instructions of that firm.

TABLE OF CONTENTS

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

PROXY STATEMENT FOR THE , 2009 SPECIAL MEETING OF SHAREHOLDERS

VOTING RIGHTS AND SOLICITATION

PROPOSAL ONE -- APPROVE THE SALE OF SHARES OF COMMON STOCK TO PSQ

PURSUANT TO THE SECURITIES PURCHASE AND TENDER OFFER AGREEMENT

PSQ DESIGNEES -- BOARD OF DIRECTORS

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

CORPORATE GOVERNANCE

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EXECUTIVE COMPENSATION

REPORT OF THE AUDIT COMMITTEE

INDEPENDENT PUBLIC ACCOUNTANTS

FINANCIAL AND OTHER INFORMATION

OTHER MATTERS

Table of Contents

**GENERAL EMPLOYMENT ENTERPRISES, INC.
Oakbrook Terrace Tower
One Tower Lane, Suite 2200
Oakbrook Terrace, Illinois 60181**

**PROXY STATEMENT
FOR THE , 2009 SPECIAL MEETING OF SHAREHOLDERS**

This statement and the accompanying proxy card, which are first being sent to shareholders on approximately , 2009, are being furnished in connection with a solicitation of proxies by the Board of Directors (the Board of Directors) of General Employment Enterprises, Inc. (the Company), an Illinois corporation, to be voted at a Special Meeting of Shareholders to be held on , , 2009, at 9:00 a.m., local time, in the Conference Center of the Oakbrook Terrace Tower, First Floor, One Tower Lane, Oakbrook Terrace, Illinois 60181, in connection with the proposed issuance and sale by the Company and purchase by PSQ, LLC, a Kentucky limited liability company (PSQ), of 7,700,000 newly-issued shares of common stock of the Company (the Share Purchase) in a private placement transaction exempt from registration under the Securities Act of 1933, as amended, pursuant to a Securities Purchase and Tender Offer Agreement (the Purchase Agreement) entered into between the Company and PSQ.

VOTING RIGHTS AND SOLICITATION

The voting securities of the Company entitled to be voted at the Special Meeting are the shares of Common Stock, of which there were outstanding on , 2009, the record date for the Special Meeting. Shareholders are entitled to one vote for each share held.

Each proxy that is properly signed and received before the Special Meeting will, unless such proxy has been revoked, be voted in accordance with the instructions on such proxy.

Quorum and Vote Required

A quorum of shareholders is necessary to take action at the Special Meeting. A majority of the total outstanding shares of Common Stock of the Company, represented in person or by proxy, will constitute a quorum for purposes of the meeting. Abstentions and broker non-votes are counted as shares of Common Stock present and entitled to vote for the purposes of determining a quorum. Broker non-votes refers to a broker or other nominee not voting on a proposal because the broker or other nominee does not have discretionary voting power regarding that item and has not received instructions from the beneficial owner.

Shareholder approval of the Share Purchase is being sought because the rules of the stock exchange on which the Company's Common Stock is listed, NYSE Amex, require shareholder approval of substantial sales of common stock, including sales where a change-in-control would occur. Under the NYSE Amex rules, the approval of the Share Purchase will require the affirmative vote of a majority of the votes cast at the Special Meeting with respect to the proposal. The failure to vote on the Share Purchase proposal, including broker non-votes, will have no effect on the outcome of the vote for such proposal, because the vote that is required to approve this proposal is based upon the number of shares of Common Stock actually voted. If a shareholder responds with an abstain vote, the abstention will have the same effect as a vote against the Share Purchase.

Voting Procedure, Revoking Proxies

Shareholders whose shares are registered in their own names may vote by mailing a completed proxy card as an alternative to voting in person at the Special Meeting. To vote by mailing a proxy card, shareholders should sign and return the enclosed proxy card in the enclosed prepaid and addressed envelope.

Shares of Common Stock represented by properly executed proxies received before or at the Special Meeting will, unless the proxies are revoked, be voted in accordance with the instructions indicated on the proxy card. If a properly executed proxy is returned and no instructions are indicated, the shares represented

Table of Contents

by the proxy will be considered present at the Special Meeting for purposes of determining a quorum and for purposes of calculating the vote and will be voted FOR the approval of the Share Purchase.

If shares are registered in the name of a bank or brokerage firm (record holder), shareholders will receive instructions from their record holder that must be followed in order for the record holder to vote the shares in accordance with the shareholder's instructions. If shares are held through a bank or brokerage firm and the shareholder wishes to be able to vote in person at the Special Meeting, the shareholder must obtain a legal proxy from the brokerage firm, bank or other holder of record and present it to the inspector of election with the shareholder's ballot.

Registered shareholders may revoke or change a previously delivered proxy at any time before the Special Meeting by delivering another proxy with a later date or by delivering written notice of revocation of their proxy to the Secretary of the Company at its principal executive offices before the beginning of the Special Meeting. Shareholders may also revoke their proxy by attending the Special Meeting and voting in person, although attendance at the Special Meeting will not, in and of itself, revoke a valid proxy that was previously delivered. If shares are held through a bank or brokerage firm, shareholders must contact that bank or brokerage firm to revoke any prior voting instructions. Shareholders may also vote in person at the Special Meeting if a legal proxy is obtained, as described in the preceding paragraph.

Manner and Costs of Solicitation

The cost of preparing, assembling and mailing the proxy materials and of reimbursing brokers, nominees and fiduciaries for the out-of-pocket expenses of transmitting copies of the proxy materials to the beneficial owners of shares held of record by such persons will be borne by the Company. The Company intends to solicit proxies by the use of mail, but certain officers and regular employees of the Company or its subsidiary, without additional compensation, may use their personal efforts by telephone or otherwise, to obtain proxies.

[The Company also has retained _____ to assist in distributing proxy solicitation materials and seeking proxies. The Company will pay _____ a fee of approximately \$ _____, plus reasonable out-of-pocket expenses, for this assistance.]

Table of Contents

PROPOSAL ONE

**APPROVE THE SALE OF SHARES OF COMMON STOCK TO PSQ PURSUANT TO
THE SECURITIES PURCHASE AND TENDER OFFER AGREEMENT**

Introduction

The Company is asking you to approve the Share Purchase pursuant to which the Company will sell 7,700,000 shares of common stock, no par value (the Common Stock), of the Company to PSQ at a price of \$0.25 per share. On March 30, 2009, the Company entered into the Purchase Agreement with PSQ that sets out the terms of the proposed sale of Common Stock. The Purchase Agreement also provides that PSQ will commence a cash tender offer to purchase from the Company s shareholders up to 2,500,000 outstanding shares of Common Stock at a price of \$0.60 per share (the Tender Offer and together with the Share Purchase, the Share Purchase and Tender Offer). PSQ commenced the tender offer on April 13, 2009.

If the Share Purchase is not approved by the Company s shareholders, neither the Company nor PSQ will undertake or consummate any of the transactions contemplated by the Purchase Agreement, including the Share Purchase, and PSQ will not consummate the Tender Offer. Even if the Share Purchase is approved by the Company s shareholders, completion of the Share Purchase and Tender Offer will be subject to the satisfaction of the other conditions specified in the Purchase Agreement. See Conditions to the Completion of the Share Purchase and Tender Offer.

If the Share Purchase and Tender Offer are completed, (i) the Company s current Chairman, Chief Executive Officer and President will resign from those positions and his employment agreement with the Company will terminate and be replaced by a new consulting agreement with the Company, and (ii) PSQ will designate a new Chairman of the Board of Directors and a new Chief Executive Officer and President of the Company. In addition, if the Share Purchase and Tender Offer are completed, certain members of our Board of Directors will resign and three new directors selected by PSQ will be appointed to the Board of Directors. See Company Management.

The Company engaged Prairie Capital Advisors, Inc. (Prairie Capital) to provide a fairness opinion in connection with the Company s transactions with PSQ. On March 30, 2009, Prairie Capital delivered an opinion to the Board of Directors that, as of the date of such opinion, the Share Purchase and the Tender Offer, taken together with the terms of a consulting agreement entered into with the Company s Chairman, Chief Executive Officer and President (see Imhoff Consulting Agreement), were fair, from a financial point of view, to the Company and the Company s shareholders. Prairie Capital s written opinion is included as Annex E to this proxy statement. The opinion sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinion. The opinion of Prairie Capital does not constitute a recommendation as to how any shareholder should vote with respect to any matter described herein. You should read the entire opinion carefully. Additional information about the opinion can be found under the heading Summary of Prairie Capital s Analysis.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE SHARE PURCHASE SET FORTH IN PROPOSAL ONE AND BELIEVES THAT IT IS FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY AND THE COMPANY S SHAREHOLDERS AND RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF PROPOSAL ONE.

Information about the Purchase Agreement

The Purchase Agreement governs the contractual rights among the Company and PSQ in relation to the Share Purchase and Tender Offer. The Purchase Agreement has been included as an annex to this proxy statement to provide investors and shareholders with information regarding its terms. It is not intended to provide any other factual information about the Company. The representations, warranties and covenants contained in the Purchase Agreement were made only for purposes of such agreement and as of specific dates,

Table of Contents

were solely for the benefit of the parties to such agreement, and are subject to limitations agreed upon by the contracting parties, including being qualified, modified or limited by confidential disclosures exchanged between the parties in connection with the execution of the Purchase Agreement. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries under the Purchase Agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or PSQ or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, the representations and warranties in the Purchase Agreement should not be viewed or relied upon as statements of actual facts or the actual state of affairs of the Company.

The following description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to Purchase Agreement, a copy of which is attached hereto as Annex A and is incorporated herein by reference.

Purchase Price

If the Share Purchase is approved, upon the closing of the Share Purchase and Tender Offer (the Closing), the Company will sell to PSQ, and PSQ will purchase, an aggregate of 7,700,000 shares of Common Stock at a price equal to \$0.25 per share, for an aggregate purchase price of \$1,925,000, and PSQ will consummate the Tender Offer for a maximum of 2,500,000 shares of Common Stock at a price of \$0.60 per share, for a maximum aggregate Offer amount of \$1,500,000. If more than 2,500,000 shares of Common Stock are validly tendered in the Tender Offer, the number of shares of Common Stock purchased from each tendering shareholder will be cut back proportionately to an amount equal to the product of the shares tendered by each such tendering shareholder and the percentage amount equal to the quotient of 2,500,000 over the number of shares of Common Stock validly tendered in the Tender Offer.

Escrow Arrangements

Concurrently with the execution of the Purchase Agreement, the Company and PSQ entered into an Escrow Agreement (the Escrow Agreement), dated as of March 30, 2009, with The Park Avenue Bank, as escrow agent (the Escrow Agent). Pursuant to the Escrow Agreement, PSQ deposited with the Escrow Agent cash in the amount of \$1,925,000 for satisfaction of PSQ's purchase price payment obligation for the Share Purchase. If PSQ terminates the Purchase Agreement under circumstances requiring payment of a termination fee and reimbursement of expenses to the Company as described in the Purchase Agreement, a portion of the funds in escrow will be released to the Company in satisfaction of such fee and expenses.

The foregoing description of the Escrow Agreement does not purport to be complete and is qualified in its entirety by reference to the Escrow Agreement, a copy of which is attached hereto as Annex B and is incorporated herein by reference.

Effective Time of Share Purchase and Tender Offer

The Closing will occur no later than the third business day after satisfaction of the conditions of the Company and PSQ to the transactions contemplated by the Purchase Agreement, including approval of the Share Purchase by the Company's shareholders.

Conditions to the Completion of the Share Purchase and Tender Offer

Each party's obligation to complete the Share Purchase and Tender Offer is subject to the satisfaction or waiver by each of the parties, at or prior to the Closing, of various conditions, which include the following:

approval of the Share Purchase by affirmative vote by the holders of shares of Common Stock;

Table of Contents

there be no order, litigation, injunction, administrative stop order or other legal restraint pending against the Company at the closing date that would limit or prohibit the closing of the transactions contemplated by the Purchase Agreement;

the accuracy in all material respects on the closing date of the representations and warranties of PSQ contained in the Purchase Agreement as though made as of such time, except to the extent that such representations and warranties expressly relate to an earlier date (in which case such representations and warranties must be true and correct in all material respects as of such earlier date);

the accuracy on the closing date of the representations and warranties of the Company contained in the Purchase Agreement as though made as of such time, except to the extent that such representations and warranties expressly relate to an earlier date (in which case such representations and warranties must be true and correct as of such earlier date), in each case except for inaccuracies or breaches as to matters that, individually or in the aggregate, would not have a material adverse effect on the Company;

all obligations, covenants and agreements of each of PSQ and the Company required to be performed at or prior to the closing date pursuant to the terms of the Purchase Agreement shall have been performed in all material respects; and

there shall have been no material adverse effect (as such term is defined in the Purchase Agreement) with respect to the Company since the date of the Purchase Agreement.

No Solicitation; Superior Proposals

The Company agreed that, except as described in the following paragraph, it and its affiliates will not solicit or initiate any inquiries or make any proposal with respect to any merger, consolidation or other business combination involving the Company or the acquisition of all or any significant assets or capital stock of the Company, or otherwise engage in discussions with any person (other than PSQ and its representatives) with respect to any acquisition proposal, or enter into any arrangement requiring it to abandon, terminate or fail to consummate the transactions contemplated by the Purchase Agreement.

Notwithstanding the aforementioned restriction, in the event that prior to the consummation of the transactions contemplated by the Purchase Agreement, the Company's Board of Directors determines in good faith, after consultation with outside counsel, that it is necessary to respond to a proposal made by a third party to acquire for consideration consisting of cash and/or securities, more than 50% of the voting power of the shares of Common Stock then outstanding or all or substantially all the assets of the Company and otherwise on terms that the Board determines in its good faith judgment to be more favorable to the Company's shareholders than the transactions contemplated by the Purchase Agreement (an Unsolicited Superior Proposal), or to an acquisition proposal that it reasonably believes could lead to an Unsolicited Superior Proposal, in either case, in order to comply with its fiduciary duties to the Company's shareholders under applicable law, the Company may participate in discussions or negotiations with the person making such proposal and provide non-public information to such person subject to entering into, and providing PSQ with a copy of, a confidentiality agreement entered into with such person in such form as is reasonably acceptable to the Company.

The Board of Directors may (i) withdraw or modify its approval or recommendation of the Share Purchase and Tender Offer or (ii) approve or recommend an Unsolicited Superior Proposal or terminate the Purchase Agreement (and concurrently with or after such termination, if it so chooses, cause the Company to enter into any agreement with respect to any Unsolicited Superior Proposal). No action may be taken by the Company, however, until a time that is

after the fifth business day following PSQ's receipt of written notice advising PSQ that the Board of Directors has received an Unsolicited Superior Proposal, specifying the material terms and conditions of such Unsolicited Superior Proposal. If the Purchase Agreement is terminated pursuant to the Company's acceptance of an Unsolicited Superior Proposal, and the Company thereafter enters into a definitive agreement with respect to such Unsolicited Superior Proposal, the Company will be obligated to pay PSQ a termination fee and reimburse PSQ for certain expenses. Information on the termination fee and expenses to be paid by the Company to PSQ under such circumstances is set forth below in the section titled "Reimbursement".

Table of Contents

Meeting of Shareholders

The Company is obligated under the Purchase Agreement to hold and convene the Special Meeting of the Company's shareholders for purposes of considering the Share Purchase.

Covenants, Conduct of Business Pending the Share Purchase and Tender Offer

The Company has agreed that, during the period from the date of the Purchase Agreement until the closing date of the Share Purchase and Tender Offer, it will conduct its operations in the ordinary course of business consistent with past practice, and will use all commercially reasonable efforts to preserve intact its business organization, to keep available the services of its officers and employees and to maintain satisfactory relationships with suppliers, distributors, customers and others having business relationships with it and will take no action which would materially adversely affect the ability of the Company and PSQ to consummate the transactions contemplated by the Purchase Agreement. The Company has agreed that it will not, without the prior written consent of PSQ:

amend its certificate of incorporation or bylaws or other organizational documents;

authorize for issuance, or otherwise agree or commit to issue, any shares of any class of its capital stock, except pursuant to and in accordance with the terms of currently outstanding options and except for the Share Purchase contemplated by the Purchase Agreement;

split any shares of its capital stock, declare, set aside or pay any dividend or purchase any shares of its own capital stock, except as otherwise expressly provided in the Purchase Agreement;

(i) incur any debt for borrowed money other than under existing lines of credit in the ordinary course of business consistent with past practice; (ii) become liable or responsible for the obligations of any other person; or (iii) make any loans in an aggregate amount exceeding \$50,000;

(i) increase in any manner the compensation of any employee, director or officer except in the ordinary course of business consistent with past practice or except as required under currently existing agreements, plans or arrangements; (ii) pay or agree to pay any pension, retirement allowance or other employee benefit not required, except as required under currently existing agreements, plans or arrangements; (iii) grant any severance or termination pay to any employee, officer or director, except as required under currently existing agreements, plans or arrangements; or (iv) except as may be required to comply with applicable law, become obligated under any new employee benefit plan, or employment or consulting agreement, or amend any such plan or agreement in existence, except for renewals of any such plan, agreement or arrangement already in existence on terms no more favorable to the parties to such plan, agreement or arrangement;

enter into any material agreements, except for (i) agreements for the purchase, sale or lease of goods or services less than \$50,000 individually, or (ii) agreements entered into in the ordinary course of the Company's current business;

enter into an agreement or plan with respect to the liquidation or dissolution of the Company or any acquisition or disposition or pledge of a material amount of assets or securities;

make capital expenditures in excess of \$50,000;

make any change in the accounting methods or accounting practices followed by the Company, except as required by GAAP;

settle any action, suit, claim, investigation or proceeding (legal, administrative or arbitrative) in excess of \$50,000 without the consent of PSQ;

make any election under the Internal Revenue Code which would have a material adverse effect; or

agree to do any of the foregoing.

Table of Contents

Termination

The Purchase Agreement may be terminated at any time prior to the closing of the Share Purchase and Tender Offer, whether before or after the Company has obtained shareholder approval of the Share Purchase:

by mutual written consent of the Company and PSQ;

by either PSQ or the Company:

if the Company's shareholders do not approve the Share Purchase;

if the Share Purchase and Tender Offer shall not have been consummated on or before 95 days from the date of the Purchase Agreement; provided, however, that if the Share Purchase and Tender Offer shall not have been consummated on or prior to such 95th day, and if the SEC has elected to review and/or comment upon any of the Schedule TO, any other Tender Offer document, the Company's Schedule 14D-9 relating to the Tender Offer or this proxy statement, then the termination trigger date shall be extended until the close of business on the 50th day after the last date on which the SEC completes its review of and has no further comments to any of such documents; or

if any governmental entity prohibits the consummation of the transactions contemplated by the Purchase Agreement;

by the Company if (i) PSQ shall have failed to commence the Tender Offer within ten business days following the date of the Purchase Agreement, or (ii) any change to the Tender Offer is made in contravention of the provisions of the Purchase Agreement;

by the Company, if PSQ materially breaches any of its representations, warranties or obligations under the Purchase Agreement, which breach cannot be or has not been cured within 30 days after the giving of written notice to PSQ, if such breach is reasonably likely to materially and adversely affect PSQ's ability to consummate Share Purchase or Offer; or

by either PSQ or the Company if the Company enters into a definitive agreement to effect a superior proposal.

Reimbursement

If the Purchase Agreement is terminated by either party in connection with the Company entering into a definitive agreement to effect an Unsolicited Superior Proposal, the Company will pay PSQ \$175,000 in cash and reimburse PSQ for any of PSQ's out-of-pocket expenses incurred in connection with the transactions contemplated by the Purchase Agreement up to an aggregate reimbursement amount of \$150,000.

If the Purchase Agreement is terminated because PSQ materially breaches any of its representations, warranties or obligations under the Purchase Agreement which breach cannot be or has not been cured within 30 days after the giving of written notice to PSQ, and if such breach is reasonably likely to materially and adversely affect PSQ's ability to consummate the Tender Offer or the Share Purchase, then PSQ shall pay to the Company \$175,000 in cash and reimburse the Company for any of the Company's out-of-pocket expenses incurred in connection with the transactions contemplated by the Purchase Agreement up to an aggregate reimbursement amount of \$150,000.

Representations and Warranties

The representations, warranties and covenants contained in the Purchase Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and are subject to limitations agreed upon by the contracting parties, including being qualified, modified or limited by confidential disclosures exchanged between the parties in connection with the execution of the Purchase Agreement. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries under the Purchase Agreement and should

Table of Contents

not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or PSQ or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, the representations and warranties in the Purchase Agreement should not be viewed or relied upon as statements of actual facts or the actual state of affairs of the Company.

The Purchase Agreement contains customary representations and warranties made by or with respect to the Company relating to, among other things:

subsidiaries;

corporate organization, qualification and corporate power;

authorization, due execution and delivery of the Purchase Agreement;

filings, consents and approvals;

issuance of securities and capitalization;

compliance with SEC filing requirements, Sarbanes-Oxley and internal accounting controls, and exchange listing requirements;

litigation;

indebtedness;

financial statements and undisclosed liabilities;

labor relations;

title;

tax matters;

compliance with laws and permits;

real property;

intellectual property;

insurance;

registration rights;

application of takeover provisions;

affiliated transactions; and

brokerage or finders fees or agents commissions.

The Purchase Agreement contains certain customary representations and warranties made by or with respect to PSQ relating to, among other things:

company organization, qualification and limited liability company power;

available funds;

brokerage or finders fees or agents commissions;

accredited investor status;

litigation;

consents;

short sales;

Table of Contents

interim operations; and

information to be included in the Company's public filings.

The representations and warranties are subject to materiality and knowledge qualifiers in many respects.

This description of the representations and warranties is included to provide shareholders with information regarding the terms of the Purchase Agreement. It is not intended to provide any other factual information about the Company or PSQ. The Company's reports filed with the Securities and Exchange Commission qualify any representation or warranty otherwise made in the Purchase Agreement to the extent of such disclosure. Further, the assertions embodied in the representations and warranties are subject to qualifications and exceptions. Accordingly, the Company's shareholders should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.

Regulatory Approvals

The Company is not aware of any governmental or regulatory approval required for completion of the Share Purchase and Tender Offer, other than compliance with applicable corporate laws of Illinois and compliance with state securities laws.

If any other governmental approvals or actions are required, the Company intends to try to obtain them. The Company cannot assure its shareholders, however, that it will be able to obtain any such approvals.

Company Management

Pursuant to the Purchase Agreement and as requested by PSQ, Sheldon Brottman, Edward O. Hunter, Thomas G. Kosnik and Kent M. Yauch will be resigning from the Board of Directors of the Company upon the Closing. There are no disagreements between any of such directors and the Company on any matter relating to the Company's operations, policies or practices which resulted in them tendering their resignations to be effective upon the Closing.

Pursuant to the Purchase Agreement and as requested by PSQ, upon the occurrence of the Closing, Stephen Pence, Charles (Chuck) W.B. Wardell III and Jerry Lancaster will be appointed by the Board to serve on the Board of Directors of the Company.

The Board of Directors will determine which committees Messrs. Pence, Wardell and Lancaster will serve on at their first scheduled meeting after the Closing occurs. If the Closing occurs and Messrs. Pence, Wardell and Lancaster become members of the Board of Directors of the Company, they will receive compensation as directors in line with the Company's current compensation arrangement for non-employee directors, which will entitle each of them to a monthly retainer fee of \$2,000. In addition, Mr. Pence will serve as Chairman of the Board of Directors of the Company. Directors do not receive any additional compensation for attendance at meetings of the Board of Directors or its committees, except that the Chairman of the Audit Committee receives an additional monthly retainer fee of \$500.

Arrangements between the Company and its Executive Officers, Directors and Affiliates

The Company's executive officers and the members of the Board of Directors may be deemed to have interests in the transactions contemplated by the Purchase Agreement that may be different from or in addition to those of the Company's shareholders generally. These interests may create potential conflicts of interest. The Board of Directors is

aware of these interests and considered them, among other things, in reaching its decision to approve the Purchase Agreement and the Share Purchase and Tender Offer.

Imhoff Consulting Agreement

The Company has entered into an employment agreement, as amended, with Mr. Imhoff, Jr. to serve as Chairman of the Board, Chief Executive Officer and President of the Company (as amended, the Imhoff Employment Agreement). If the Closing occurs, the Consulting Agreement (as defined below) will become effective, the Imhoff Employment Agreement will terminate, and Mr. Imhoff, Jr. will forego and release all of

Table of Contents

his claims with respect to his rights and benefits under the Imhoff Employment Agreement (except with respect to his accrued vacation and his vested benefits under the Company's Executive Retirement Plan). For more information on the Imhoff Employment Agreement, please see Executive Compensation Imhoff Employment Agreement and Consulting Agreement.

In connection with entering into the Purchase Agreement, on March 30, 2009, the Company, PSQ and Mr. Imhoff, Jr. entered into a Consulting Agreement (the Consulting Agreement), which agreement will become effective upon the Closing.

Under the terms of the Consulting Agreement, among other things, (i) Mr. Imhoff, Jr.'s Employment Agreement with the Company will terminate, as will his rights and benefits under the Employment Agreement (except with respect to accrued vacation and his vested benefits under the Company's Executive Retirement Plan), (ii) all of Mr. Imhoff, Jr.'s stock options will be canceled, (iii) Mr. Imhoff, Jr. will be subject to non-competition and non-solicitation provisions for a period of two years after the expiration or termination of the Consulting Agreement, (iv) Mr. Imhoff, Jr. will grant a release in favor of the Company, (v) Mr. Imhoff, Jr. will provide consulting services to the Company, and (vi) Mr. Imhoff, Jr. will agree to continue to serve as a member of the Board of Directors of the Company during the term of the Consulting Agreement.

In consideration therefor, under the terms of the Consulting Agreement, Mr. Imhoff, Jr. (i) will be paid an annual consulting fee of \$300,000 per year, and director fees no less than the fees currently paid to the Company's non-employee directors (\$2,000 per month), during the term of the Consulting Agreement, (ii) will be issued 500,000 shares of Common Stock upon the Closing for no additional consideration, and (iii) will receive health and life insurance benefits from the Company, as well as his accrued vacation benefits and accrued benefits under the Company's Executive Retirement Plan. The term of the Consulting Agreement will be three years from the Closing, and it will be terminable at any time and for any reason by any party, provided that promptly following any such termination thereof, Mr. Imhoff, Jr. will continue to receive for the remainder of the term of the Consulting Agreement the fees and benefits that would otherwise be due to him under the agreement if the agreement had not been terminated. In addition, if the Company defaults in its payment obligations to Mr. Imhoff, Jr. under the Consulting Agreement, the Company will be required to pay to Mr. Imhoff, Jr. the remaining amount of the payments due under the Consulting Agreement in a lump-sum payment within 30 days of such default.

The shares of Common Stock that Mr. Imhoff, Jr., will receive pursuant to the Consulting Agreement will not be issued until the Share Purchase and Tender Offer are completed, and will not be eligible to be tendered into the Tender Offer.

The foregoing description of the Consulting Agreement does not purport to be complete and is qualified in its entirety by reference to the Consulting Agreement, a copy of which is filed herewith as Annex C and is incorporated herein by reference.

In connection with Mr. Imhoff, Jr.'s agreement to resign as Chief Executive Officer and President of the Company if the Closing occurs pursuant to the Consulting Agreement, PSQ has requested, and the Board of Directors of the Company has approved, the appointment of Ronald E. Heineman to serve as Chief Executive Officer and President of the Company effective upon Mr. Imhoff, Jr.'s resignation. For more information on Mr. Heineman's compensation arrangements with the Company, see Executive Compensation Chief Executive Officer and President.

Employment Agreements with Other Executive Officers

The Company has entered into employment agreements with other executive officers of the Company. Please see Executive Compensation Employment Agreements with Marilyn White and Kent Yauch for a description of

employment arrangements with each of Ms. White and Mr. Yauch and the effects that consummation of the Share Purchase and Tender Offer would have under those employment arrangements.

Table of Contents

Stock Option Plans

As of March 31, 2009, there were stock options outstanding under the Company's 1995 Stock Option Plan, Amended and Restated 1997 Stock Option Plan and 1999 Stock Option Plan (each, a Plan, and together, collectively, the Plans). The Plans were approved by the shareholders. The 1995 Stock Option Plan expired during fiscal 2006, and the 1999 Stock Option Plan expired in February, 2009, and no further options may be granted under such Plans. The Plans granted specified numbers of options to non-employee directors, and they authorized the Compensation Committee of the Board of Directors to grant either incentive or non-statutory stock options to employees. All stock options outstanding as of March 31, 2009 were non-statutory stock options, had exercise prices equal to the market price on the date of grant, and had expiration dates ten years after the date of grant.

Each of the Plans provides that upon a Change of Control, defined in each of the respective plans to include the commencement by an entity, person or group (other than the Company or a subsidiary) of a tender offer for more than 20% of the outstanding voting stock of the Company, all outstanding options shall become fully exercisable and all restrictions thereon shall terminate. Accordingly, if the Share Purchase and the Tender Offer are consummated, all outstanding options will become fully exercisable and all restrictions thereon will terminate.

The foregoing description of the Plans does not purport to be complete and is qualified in its entirety by reference to the Plans, copies of which the Company will furnish to shareholders upon written request and without charge. The beneficial ownership of shares of Common Stock of each director and officer is further described under the heading Security Ownership of Certain Beneficial Owners and Management.

D&O Insurance; Indemnification

PSQ has agreed to cause the Company to maintain for not less than 6 years from the date of the Closing the current policies of the directors and officers liability insurance maintained by the Company with respect to matters occurring on or prior to such closing date. PSQ and the Company will not, however, be required to spend annually more than 150% of the amount that the Company spent for such policies in fiscal year 2008.

In addition, from and after the Closing, PSQ has agreed to cause the Company to indemnify and hold harmless each person who is now, at any time has been or who becomes prior to such closing date a director or officer of Company or any of its subsidiaries, and their heirs and personal representatives (the Indemnified Parties), against any and all expenses incurred in connection with any claim, suit, investigation or proceeding arising out of or pertaining to any action or omission occurring on or prior to such closing date (including, without limitation, any claim, suit, investigation or proceeding which arises out of or relates to the transactions contemplated by the Purchase Agreement), and has agreed to cause the Company to pay to each Indemnified Party expenses incurred by each Indemnified Party in connection with the final disposition of any such claim, suit, investigation or proceeding.

Registration Rights

The Company, PSQ and Mr. Imhoff, Jr. also entered into a Registration Rights Agreement (the Registration Rights Agreement) on March 30, 2009 that will provide (i) PSQ with customary demand registration rights with respect to the shares of Common Stock to be acquired by PSQ in the Share Purchase and the Tender Offer, and (ii) Mr. Imhoff, Jr. with customary piggyback registration rights with respect to the shares of Common Stock owned by Mr. Imhoff, Jr. in the event that any of PSQ's shares of Common Stock are registered by the Company.

The foregoing description of the Registration Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Registration Rights Agreement, a copy of which is attached hereto as Annex D and is incorporated herein by reference.

Table of Contents

Background of the Share Purchase and Tender Offer

The Board of Directors has periodically reviewed and assessed long-term strategies and objectives and developments in the markets in which the Company operates. From time to time the Board of Directors has considered strategies to grow the Company's business and operations through partnering, strategic alliances or other strategic opportunities with other companies. From time to time, the Company has also engaged in market check activities to test the level of interest of other companies in acquiring, or merging with the Company. As part of this process, the Company's independent directors and senior management have had discussions with senior executives of various staffing companies, which are referred to below by code numbers in order to comply with contractual non-disclosure obligations.

In December 2007, the Company received an unsolicited call from Company No. 1 requesting a meeting to discuss possible strategic alternatives and synergies between the companies. The Company's senior management met in person with the senior management of Company No. 1 in Chicago on December 4, 2007. One independent member of the Board of Directors and senior management of the Company met, in person, with senior management of Company No. 1 at Company No. 1's headquarters on January 16, 2008. The full board and senior management of the Company met with the senior executives of Company No. 1 at the Company's headquarters on February 25, 2008. Several conversations and another in-person visit with senior management of the companies took place during calendar year 2008. The Company's Board of Directors had concerns regarding the high debt levels of Company No. 1, and the parties also were unable to reach agreement on price. Negotiations between the parties ended in early March, 2008.

As part of its ongoing discussions and market-check activities, the Company formally engaged Thersea A. Mataria, Strategy and Corporate Development Executive (TAM) in May 2008 to identify a list of staffing companies that could potentially be appropriate merger partners or acquisition candidates based on stated criteria. Commencing in early June 2008, representatives of TAM contacted approximately 50 potential parties. The Company received from TAM a list of 22 candidates on August 15, 2008, a list of 24 more candidates on August 29, 2008, and a final list of an additional 24 candidates (not including PSQ) on September 2, 2008. Representatives of TAM arranged nine telephone meetings and three in-person meetings between the Company's Board of Directors, senior management and the possible candidates. None of the contacted parties conducted detailed due diligence; none submitted a term sheet or a letter of intent. Since no buyer or merger partner emerged from this phase of the Company's market-check process, the process ended in late October 2008 and TAM's initial engagement was terminated by the Company shortly thereafter.

TAM referred Company No. 2 to the Company in May 2008, and several telephone calls took place in May and June 2008 between the Board of Directors and Company No. 2. In June 2008, the Company's Board of Directors asked Company No. 2 to put the specific terms of its transaction proposals in writing. The Company received a letter dated June 23, 2008 whereby Company No. 2 outlined some of its proposals. Additional telephone calls ensued over the next several weeks. The Company received a letter from Company No. 2 on August 18, 2008, indicating that Company No. 2 did not wish to pursue an investment or a strategic relationship with the Company at that time.

During early 2008, the Company received an unsolicited call from Company No. 3 wishing to discuss strategic possibilities. Company No. 3 was a company which at the time was doing no business but at least two of the owners had previously operated a successful staffing business that had been sold. On July 18, 2008, the Company was advised that Company No. 3 decided to pursue other alternatives. Subsequently, during the week of January 26, 2009 Company No. 3 again contacted the Company inquiring about a possible combination. At this time, the Company was negotiating a Letter of Intent with PSQ, and on or about February 12, 2009, the Company told Company No. 3 that it did not wish to pursue any transaction with it at that time.

During the week of July 7, 2008, the Company received an unsolicited call from Company No. 4 wishing to discuss strategic possibilities. Company No. 4 was a privately held company currently in the staffing industry. On July 18,

2008, the Company was advised that Company No. 4 decided to pursue other alternatives. Subsequently, in January 2009, Company No. 4 contacted the Company again inquiring about a possible acquisition transaction. The Company did meet in person (with the express consent of PSQ) on

Table of Contents

February 13, 2009 with the senior management of Company No. 4. Right before that meeting, the Company had entered into a letter of intent with PSQ pursuant to which the Company had agreed, at PSQ's request, not to engage in negotiations for a specified period of time with any third parties regarding an acquisition transaction. As the meeting with Company No. 4 had already been scheduled prior to the Company's entering into the letter of intent with PSQ, PSQ agreed to let the Company continue with its meeting with Company No. 4. No specific deal terms were proposed by Company No. 4 at the February 13th meeting, and since the Company was precluded from further discussions with Company No. 4 pursuant to its letter of intent with PSQ, and since the Board of Directors determined that it would be advisable to continue to pursue the transactions and the specific and definitive transaction terms that had been proposed by PSQ in its letter of intent, the Company advised Company No. 4 on February 18, 2009 that it did not wish to further discuss a possible transaction at that time.

On July 24, 2008 the Company and Company No. 5 had a telephone conference call to discuss possible business opportunities and synergies. On August 5, 2008, two members of the Board of Directors and senior management of the Company met with Company No. 5 at the Company's corporate headquarters. Upon review of Company No. 5's financials, the Company decided not to pursue a transaction with Company No. 5.

On August 1, 2008, the Company and Company No. 6 had a telephone conference call to discuss possible business opportunities and synergies. It was agreed that the Company and Company No. 6 would continue talking. During the week of August 11, 2008, senior management of Company No. 5 advised the Company that Company No. 6 wanted to remain private and was pursuing a different opportunity.

On August 6, 2008, two members of the Company's Board of Directors participated in a telephone conference with Company No. 7 to discuss possible merger synergies. From August 6, 2008 through November 7, 2008, several telephone calls were made between the parties and multiple telephone conferences of the Company's Board of Directors took place to discuss a potential transaction with Company No. 7. On September 23, 2008, senior executives of Company No. 7 met in person with two independent directors and senior management of the Company to discuss a potential transaction. On November 14, 2008 the Company's Board of Directors further discussed a potential transaction with Company No. 7 at length and decided not to pursue a transaction with Company No. 7.

On September 19, 2008, two members of the Company's Board of Directors participated in a telephone conference with Company No. 8. After the conference the Company's Board of Directors decided that Company No. 8 was not a good strategic fit for the Company.

On September 19, 2008, two members of the Company's Board of Directors participated in a telephone conference with Company No. 9. After the conference the Company's Board of Directors decided that Company No. 9 was not a good strategic fit for the Company.

On October 1, 2008, two members of the Company's Board of Directors participated in a telephone conference with Company No. 10. After the conference the Company's Board of Directors decided that Company No. 10 was not a good strategic fit for the Company.

On December 2, 2008, the Company received an unsolicited call from Company No. 11 requesting a meeting to discuss a possible strategic transaction with the Company. Two of the Company's directors and senior management met with the senior executives of Company No. 11 at the Company's headquarters in Chicago on January 6, 2009. The Company's Board of Directors had concerns regarding Company No. 11's ability to finance any transaction, and the parties also were unable to reach agreement on price. Negotiations between the parties ended in January 2009.

Background with PSQ

On January 7, 2009, one of the Company's directors received a call from Mr. Furnari of MC Capital Funding Group to determine if the Company would be interested in an introduction to a potential buyer for the Company.

Table of Contents

On January 8, 2009, the Board of Directors met telephonically and agreed that Dennis Baker should return Mr. Furnari's call and schedule an introductory conference call with the potential buyer.

On January 16, 2009, Mr. Baker had a telephone conference call with Mr. Furnari to introduce Ronald E. Heineman of River Falls Financial Services, Inc. (River Falls Financial). The parties discussed a possible stock purchase and tender offer transaction whereby the Company would receive needed cash and the shareholders would receive an opportunity to tender some of their shares of Common Stock at a premium.

On January 19, 2009, the Company's Board of Directors met telephonically, during which Mr. Baker reported on his telephonic meeting with Mr. Heineman. He reported that they had discussed a gener