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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

STEPHEN B. PENCE,

Defendant.

No. 15 Civ. _____

COMPLAINT AND
JURY DEMAND

COMPLAINT

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against defendant Stephen B. Pence (“Pence”), alleges as follows:

SUMMARY OF ALLEGATIONS

1. The Commission brings this action against Pence for violating the federal securities laws in his capacity as the majority owner and chairman of the board of General Employment Enterprises, Inc. (“GEE” or the “Company”) from July 2009 through November 2010. In connection with the preparation, audit, and filing with the Commission of GEE’s financial statements for its fiscal year ending September 30, 2009, Pence, the then-majority

shareholder and chairman of GEE's board of directors, made materially misleading statements and omissions to the Company's investors and auditors after the discovery that substantially all of the Company's cash—\$2.3 million—suspiciously was missing. Pence also knew or recklessly disregarded that GEE's Form 10-K annual report, which he signed, included misleading statements and omissions concerning the missing \$2.3 million and the manner in which \$2.3 million was injected back into the Company through a series of dubious transactions occurring shortly before the Form 10-K filing.

2. On July 1, 2009, a company purportedly owned solely by Pence, PSQ, LLC ("PSQ"), acquired a majority of the common shares issued by GEE and the right to appoint a majority of the board of directors. Although Pence owned PSQ on paper, Pence secretly held the controlling stake in GEE on behalf of Wilbur Anthony Huff ("Huff"), a convicted felon who controlled PSQ and funded virtually all of its expenses. Pence agreed to act as Huff's agent in connection with Huff's purchase of a controlling share of GEE stock because Pence knew that Huff, as a convicted felon, faced legal and practical barriers to managing PSQ and GEE in his own name. As Pence told others, as long as Huff remained in the "background," Huff's criminal record would not be a problem.¹

3. In exchange for acting as a figurehead of various entities controlled by Huff, including PSQ, Pence pocketed at least \$500,000 in payments from Huff from January 2009 through at least April 2010. Huff also bought Pence a luxury Cadillac Escalade, valued at approximately \$50,000, during that same time period.

¹ As described in more detail below, at the time Huff was a convicted felon who was being sued by the Commission related to a scheme to misappropriate millions of dollars of assets from and to record fake letters of credit at Certified Services, Inc. ("Certified").

4. In connection with the closing of PSQ's acquisition of a majority interest in GEE in July 2009, Pence directed GEE to open a checking account at The Park Avenue Bank ("Park Avenue Bank" or "the Bank") and became one of three signatories on that account. At that time, Pence knew that Huff had several business dealings with Park Avenue Bank's president Charles J. Antonucci, Sr. ("Antonucci"). In fact, during this same time period, Huff and Antonucci were engaging in a number of criminal schemes for which both have pled guilty. *See United States v. Huff*, 12 Cr. 750 (S.D.N.Y.); *United States v. Antonucci*, 10 Cr. 922 (S.D.N.Y.)

5. In July 2009, Huff caused GEE to transfer \$2.3 million from GEE's bank account at Park Avenue Bank to a separate entity owned by Antonucci, Park Avenue Insurance, as part of a criminal scheme Huff had masterminded with Antonucci. After it was discovered that the funds were missing and GEE's auditors questioned the whereabouts of the \$2.3 million, Huff, in a successful gambit aimed to induce the auditors to sign off on the audit, caused companies that he controlled to send nine wire transfers to GEE, totaling \$2.3 million.

6. In December 2009, when GEE's auditors asked Pence, the Company's chairman, about the missing funds and the transactions through which the money was returned to GEE, Pence falsely claimed that he did not know what happened and deliberately failed to disclose important information relevant to the auditors' inquiry. Pence's responses were materially misleading because he failed to disclose material facts that he knew to GEE's auditors, including that (a) Huff controlled PSQ and, through agents like Pence, GEE; (b) Huff and Pence had discussed in July 2009 that GEE either invest or loan to Park Avenue Insurance approximately \$2.2 to \$2.4 million, i.e., an amount similar to the money that went missing; (c) in a venture with Huff, Pence had previously served as an officer of the operating subsidiary of Park Avenue Insurance and knew that Antonucci's company was in desperate need of money; (d) when GEE's

\$2.3 million was missing, Huff had told Pence that Antonucci must have stolen the \$2.3 million; and (e) Huff subsequently assured Pence he would replace the missing money and directed companies he controlled to pay GEE \$2.3 million. Pence also misrepresented to the auditors that he was the sole owner of several companies when, in fact, as he knew, he only owned those entities on paper and on behalf of Huff.

7. On January 8, 2010, Pence signed GEE's 2009 Form 10-K, which falsely stated that GEE had purchased a \$2.3 million certificate of deposit ("CD") with a New York bank (Park Avenue Bank) and that when the CD matured, the bank did not pay the money back for unknown reasons. Pence knew those statements in GEE's 2009 Form 10-K were false because Huff had told Pence that Antonucci must have stolen GEE's \$2.3 million, information that Pence, despite serving as the chairman of GEE, never disclosed to the Company or the Company's auditors. The Form 10-K further stated that GEE received its money back "through a non-recourse assignment of the CD for face value to an unrelated party." Pence knew that statement was false because Huff had directed the \$2.3 million to be paid to GEE around December 2009 in an effort to convince the auditors to sign off on the Company's 2009 fiscal year audit so that Huff could eventually carry out his plan to enrich himself by using GEE to purchase other companies for his benefit. Pence falsely attested to these same assertions included in the Form 10-K in a management representation letter that he signed for GEE's auditors.

SECURITIES LAW VIOLATIONS

8. By virtue of the conduct alleged herein, Pence, directly or indirectly, singly or in concert, has engaged in acts, practices, schemes, and courses of business that violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rules 10b-5 and 13b2-2 thereunder [17 C.F.R. §§ 240.10b-5, 240.13b2-2].

9. Unless Pence is permanently restrained and enjoined, he will again engage in the acts, practices, transactions, and courses of business set forth in this Complaint and in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

10. The Commission brings this action pursuant to the authority conferred upon it by Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)], seeking to restrain and enjoin permanently Pence from engaging in the acts, practices, and courses of business alleged herein.

11. In addition to the injunctive relief recited above, the Commission seeks a final judgment: (i) ordering Pence to disgorge his ill-gotten gains with prejudgment interest thereon pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)]; (ii) ordering Pence to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; (iii) prohibiting Pence from serving as an officer or director of a public company pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)]; and (iv) granting such other relief as the Court deems just and appropriate.

JURISDICTION AND VENUE

12. This Court has jurisdiction over this action pursuant to Section 21(d)(1), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d)(1), 78u(e) and 78aa].

13. Venue is proper in the Southern District of New York pursuant to 28 U.S.C. § 1391 and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Pence, directly or indirectly, has made use of the means and instrumentalities of interstate commerce, or of the mails and wires, in connection with the transactions, acts, practices, and courses of business alleged herein. A substantial part of the events comprising Pence's unlawful activities giving rise to the Commission's claims occurred in this District; GEE is a public company whose shares are traded

on the NYSE MKT, which is located in this District; Pence travelled to this District in connection with business activities related to GEE; transactions relating to Pence's unlawful activities occurred at, or otherwise affected, a bank located in this District; and many witnesses involved in the events comprising and relating to Pence's unlawful activities reside or conducted business in this District.

DEFENDANT

14. **Pence**, age 61, is a resident of Louisville, Kentucky. As of July 1, 2009, Pence nominally became a beneficial owner of a majority of GEE's common stock through a holding company, PSQ, with the right to appoint three directors of a five member board, including himself as chairman of the board, as well as designating a new chief executive officer ("CEO"). PSQ's sole asset was the GEE shares. Pence served as the chairman of the board of GEE until November 17, 2010, when he transferred his 100% interest in PSQ to another Huff associate, who, like Pence, paid no consideration to become PSQ's nominal owner. Pence formerly served as the lieutenant governor of Kentucky from 2003 to 2007 and the United States Attorney for the Western District of Kentucky from 2001 to 2003.

OTHER RELEVANT ENTITIES AND INDIVIDUALS

15. **GEE** is an Illinois corporation headquartered in Oakbrook Terrace, Illinois that provides professional placement services and temporary staffing services in certain industries. GEE's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and trades on the NYSE MKT stock exchange. GEE files periodic reports, including Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

16. **River Falls Financial Services, LLC** ("River Falls Financial"), **River Falls Investments, LLC** f/k/a **Oxygen Unlimited II, LLC** ("River Falls Investments"), **River Falls Holdings, LLC** ("RFH"), **Accredited Investor Resources, LLC** f/k/a **Oxygen Investment Partners, LLC** ("AIR"), **Oxygen Unlimited, LLC** ("Oxygen"), **O2HR, LLC** ("O2HR"), **SDH Realty, LLC** ("SDH"), **WTS Acquisition LLC** ("WTS"), **H2H Holdings, LLC** ("H2H"), and **PSQ** (collectively, the "Affiliated Entities") are purported holding, investment, employment-related, and insurance companies that were controlled by Huff but often time documented as if they were owned by others, such as Pence. River Falls Financial, AIR's administrative member, purportedly owned at least 99% of AIR's common units and millions of dollars of AIR's preferred units. AIR was purportedly an investment company designed to make investments in River Falls Investments and certain other of the Affiliated Entities. River Falls Investments was a purported holding company of Oxygen, which was a purported holding company of O2HR, a professional employer organization. RFH was the purported holding company of River Falls Investments, which purportedly owned a \$70 purchase option for 70% of WTS.

17. **Huff**, during the relevant period, was a convicted felon who controlled numerous entities located throughout the United States. In 1998, the State of Kentucky revoked Huff's

insurance license in connection with a \$113,000 insurance theft. In 2003, Huff pled guilty to federal mail fraud charges for obtaining insurance premium finance loans under false pretenses in the Western District of Kentucky. *United States v. Huff*, 00 Cr. 123 (W.D. Ky.). In 2008, the Commission filed charges against Huff related to a scheme to misappropriate millions of dollars in assets from and to record fake letters of credit at Certified. *SEC v. Huff*, 08-CV-60315 (S.D. Fla.). On or about October 22, 2010, the Court entered judgment for the Commission against Huff requiring him to pay more than \$13 million, among other relief. During at least 2009 and 2010, Huff exercised substantial financial and management control over numerous entities, including, among others, GEE, PSQ, and the Affiliated Entities and their holdings. As a convicted felon, Huff faced legal and practical barriers to operating business entities in his own name, particularly business in regulated industries, including employment-related, insurance, and banking companies. To circumvent these limitations and to remain in the shadows, Huff installed others, including Pence, to perform day-to-day operational functions and/or serve as the listed owners, directors, or managers. From early 2009 through at least April 2010, Huff paid Pence \$25,000 per month, as well as a \$100,000 lump sum payment, as part of an oral agreement between Pence and Huff under which Pence carried out various tasks Huff assigned him, including serving as the nominal officer or owner of various Affiliated Entities, all on behalf of Huff. After an October 2012 indictment against him, Huff pled guilty on or about December 23, 2014 to an information, which alleged, among other things, that: (1) Huff controlled GEE, in whole or in part, by installing other individuals; (2) Huff participated with Antonucci in a conspiracy in which they stole \$2.3 million from GEE, and Huff later returned the \$2.3 million to GEE from three companies he controlled; and (3) a large portion of the \$2.3 million received

by GEE was funds entrusted to a Huff-controlled entity by its clients for payment of the clients' employment tax and other obligations. *United States v. Huff*, 12 Cr. 750 (S.D.N.Y.).

18. **Park Avenue Bank** was a New York State chartered bank until it was closed by the New York State Banking Department on March 12, 2010, and the Federal Deposit Insurance Corporation was named Receiver. The Affiliated Entities primarily conducted their banking business through the Bank. Antonucci served as the president and CEO of Park Avenue Bank from June 2004 until October 2009. In October 2010, Antonucci pled guilty to multiple criminal charges, including securities fraud, bank bribery, embezzlement, and providing a false confirmation to GEE's auditor, BDO USA, LLP ("BDO"), of GEE's purported CD at Park Avenue Bank. *See United States v. Antonucci*, 10 Cr. 922 (S.D.N.Y.). Separately, **Park Avenue Insurance** was a distinct private insurance company owned by Antonucci.

19. **BDO**, formerly known as BDO Seidman, LLP, is a Delaware limited liability partnership and a PCAOB-registered public accounting firm with its headquarters in Chicago, Illinois. BDO served as GEE's independent auditor from 2004 through 2012.

20. **Ronald E. Heineman** ("Heineman") was appointed by Pence as the CEO of GEE on July 1, 2009, in connection with PSQ's acquisition of a controlling stake in GEE. Heineman served as CEO until his resignation on December 23, 2009, in connection with the events described herein. Huff directed substantial monthly payments to Heineman (\$15,000) from the Affiliated Entities during this time period.

21. **Salvatore J. Zizza** ("Zizza") served as CEO of GEE from December 23, 2009, the day that Heineman resigned as CEO, through December 2012. Prior to his appointment as CEO, Zizza received monthly payments of \$20,000 from PSQ, which were funded by several of the Affiliated Entities, for purported consulting services, and Zizza frequently attended GEE

board meetings as an “invited guest.” In 2009, businesses owned or operated by Zizza received loans and guarantees from certain of the Affiliated Entities that Huff directed.

22. **Associate-1** was another of Huff’s business partners and was listed or served at various times as a manager of River Falls Investments, Oxygen, and O2HR, and as co-manager of River Falls Financial with Heineman. Associate-1 was also involved in PSQ’s acquisition of a controlling stake in GEE and attended several GEE board meetings in 2009. In addition, Pence directed that Associate-1 serve as one of three signatories on GEE’s bank account at Park Avenue Bank. Although Associate-1 was not an official employee, officer, or director of the Company, from July 2009 until September 2009, Associate-1 was a signatory on GEE’s bank account at Park Avenue Bank. Associate-1 also purported to be the owner of WTS (another of the Affiliated Entities), a holding company of temporary staffing businesses, including On-Site Services, Inc. (“On-Site”) and Ameritemps, Inc. (“Ameritemps”), which WTS had acquired in January 2009 with funding from other Affiliated Entities. In fact, Huff controlled and was the majority owner of WTS, On-Site, and Ameritemps.

FACTS

I. Huff, Pence, and Others Conspire to Take Control of GEE.

23. In early 2009, Huff, Pence, Heineman, Zizza, Associate-1 and others began discussing acquiring control of GEE, a publicly traded company. As Pence knew, the purpose of taking control of a majority of the outstanding GEE shares and board seats was to cause GEE to acquire a number of private professional and temporary staffing companies, including several companies owned and controlled by Huff, “rolled up” into one publicly traded company. Pence described Huff’s role in the acquisition of GEE as the “money guy.” But Pence knew that Huff’s involvement in a public company must be concealed from the public given Huff’s criminal

background and the allegations in a 2008 securities fraud lawsuit filed by the Commission and so he agreed to act as the face of PSQ in order to hide Huff's control from the public.

24. At all relevant times, Pence was aware that Huff was a convicted felon. Pence also knew that Huff was being sued by the Commission for securities fraud in the United States District Court for the Southern District of Florida, *SEC v. Huff*, 08-CV-60315 (filed March 6, 2008). The elaborate web of Huff's Affiliated Entities, which listed others, including Pence, as managers and/or owners, served in part to conceal Huff's actual financial and management control over the Affiliated Entities given his compromised background.

25. As part of his arrangement with Huff, Pence served in various roles at several of the Affiliated Entities and signed numerous agreements involving the Affiliated Entities. On a number of occasions, Pence purported to be the owner of entities supposedly worth millions of dollars even though Pence knew that Huff controlled each of these entities and that he was merely acting as a front man for Huff. For example:

- At Huff's direction, Pence served as the listed owner and manager of H2H. On or about October 15, 2009, Huff directed Pence to sign an agreement on behalf of H2H purchasing 100% of River Falls Financial from Huff's former wife as of January 1, 2009. That agreement remained effective through at least January 18, 2010, when it was apparently rescinded.
- Huff directed Pence to sign an agreement, dated September 2008, on behalf of H2H to purchase 25% of Bedford Consulting Group, Inc. ("Bedford")—a company Pence knew, or recklessly disregarded, was majority owned by Antonucci, president of Park Avenue Bank—from River Falls Financial for \$5 million that Heineman signed on behalf of River Falls Financial. On December 1, 2009, Pence signed an agreement on behalf of H2H to sell the stake in Bedford to River Falls Investments for \$6.5 million. Although Pence signed these agreements, no money ever changed hands because Huff owned and controlled each of these entities.
- Huff also appointed Pence to serve as the manager of RFH and designated Pence a 1% owner of the entity. According to operating agreements, RFH held 70% of the common interests in River Falls Investments. Huff also directed Pence to sign a personal guaranty for a March 2009 bank loan of \$1.5 million to both RFH and River Falls Investments, reciting that because Pence was the manager of RFH, he would derive substantial benefit from the loan to both RFH and River Falls Investments.

- In the spring of 2009, at Huff's direction, Pence signed a loan commitment term sheet on behalf of River Falls Investments as its manager to provide \$3 million in financing for a company majority owned by Zizza, who countersigned the agreement.

26. In January 2009, GEE began discussions with representatives of the Huff-controlled entity River Falls Financial concerning the possibility of a tender offer and direct cash investment in GEE. The River Falls Financial representatives included Heineman and Pence, and Huff was present for one of the relevant meetings. On February 4, 2009, certain GEE directors met with Heineman, Pence, Huff, and others in New York, New York to discuss the proposed transaction. On February 11, 2009, River Falls Financial and PSQ, the special purpose vehicle purportedly controlled by Pence, entered into a non-binding letter of intent with GEE for a purchase and tender offer agreement to obtain a controlling stake in GEE.

27. On March 30, 2009, after negotiations continued following the February 2009 non-binding letter of intent, Pence signed on behalf of PSQ a definitive securities purchase and tender offer agreement (the "Purchase Agreement"). The Purchase Agreement provided that, subject to shareholder approval, PSQ would acquire a controlling stake in GEE by (1) purchasing 7,700,000 newly-issued shares of GEE common stock in a private placement transaction at a purchase price of \$0.25 per share for a total purchase price of \$1,925,000; (2) commencing a cash tender offer to purchase from the Company's shareholders up to 2,500,000 shares of common stock at a purchase price of \$0.60 per share; (3) appointing three directors to a five-member board of directors, including Pence becoming the chairman of the board; and (4) designating Heineman as GEE's CEO. On June 22, 2009, a GEE press release announced that shareholders had approved the Purchase Agreement, and the closing of the Purchase Agreement was announced on July 1, 2009. As a result, PSQ acquired more than 65% ownership of the Company, Pence became GEE's chairman and appointed two other directors, and Heineman became GEE's CEO.

28. Although Pence purported to be sole member and owner of PSQ, Pence knew that PSQ was one of the Affiliated Entities over which Huff exercised substantial financial and management control. But Pence never publicly disclosed Huff's involvement with PSQ or GEE in any filings made with the Commission, or otherwise. Virtually all of the funds deposited in PSQ's bank accounts during 2009 were deposits made directly from several of the Affiliated Entities, including AIR, Oxygen, River Falls Financial, and RFH, typically at the direction of Huff. Specifically, in almost every instance in which PSQ needed to make a payment, PSQ received the necessary funds from one of the Affiliated Entities and immediately paid the obligation with the deposited funds. For example, to fund PSQ's obligations under the Purchase Agreement, AIR transferred \$1,925,000 to PSQ, and to cover PSQ's tender offer obligations, AIR transferred \$850,000 and Oxygen transferred \$372,000 (a total of \$1,222,000) to PSQ. To paper these transactions, Huff had Pence sign two purported promissory notes to AIR in Pence's individual capacity for these amounts (\$1,925,000 and \$1,222,000), even though \$372,000 had been provided by Oxygen. Although the two promissory notes state that Pence must pay annual interest of 5%, this was just one more example of Pence executing a sham document per Huff's request. In fact, Pence had no intention of making any payments because Huff controlled AIR and PSQ, and no payments were ever made on either promissory note.

29. On April 15, 2009, Pence signed and filed a Tender Offer Statement, Amendment No. 1, which indicated that Pence was the sole member of PSQ and that "Heineman, of River Falls Financial . . . was instrumental to the negotiations that led to the Tender Offer and will be appointed as Chief Executive Officer and President of General Employment upon closing." The Tender Offer did not mention that Huff controlled PSQ and River Falls Financial.

30. In May 2009, before PSQ had purchased the majority of GEE's outstanding shares, GEE's chief financial officer (the "GEE CFO") sent Heineman a schedule of GEE's cash flows. Heineman forwarded the cash flow document to Huff, Pence, and Zizza with a proposed action plan. Pence forwarded the plan to Associate-1.

31. In late June 2009, Pence arranged for Associate-1 to become a signatory on GEE's bank account at Park Avenue Bank, and Associate-1 remained a signatory from July 2009 until September 2009. In addition, Associate-1 negotiated certain employment and other agreements on behalf of GEE, and Associate-1 attended several GEE board meetings in 2009. At the same time, Huff and Associate-1 controlled WTS, which owned a number of companies that Huff and Associate-1 intended to sell to GEE. In fact, because Huff and Associate-1 controlled WTS and planned to sell its businesses to GEE, Pence, who initially wanted to name Associate-1 as GEE's CEO, did not appoint Associate-1 to be an officer, director, or employee of the Company in order to avoid scrutiny of this clear conflict of interest.

32. Pence led the public to believe that he was the sole member of PSQ and that he personally funded and controlled its investment in GEE. But Pence knew that Huff actually controlled PSQ and that Pence was acting as Huff's front man to deceive investors and conceal from them the fact that a convicted felon had acquired control of a majority of GEE's shares with the right to appoint a majority of the board of directors. To that end, Pence and Huff created a number of oral and written side agreements regarding PSQ's ownership of GEE stock and profit sharing of any subsequent proceeds. For example, at the time AIR purportedly loaned Pence the funds for PSQ's transaction with GEE, Pence had no ability to repay the loans without fully liquidating the GEE shares purchased by PSQ. Thus, in consideration for AIR's purported loans to Pence, Pence and Huff orally agreed that if GEE's stock price increased Pence would

compensate AIR and Huff with the GEE shares held by PSQ, in addition to repaying the amounts of the promissory notes. As a result of these hidden arrangements, Huff and AIR had a beneficial ownership interest in the GEE shares held by PSQ, which Pence never disclosed to GEE's shareholders or the Company's auditors.

33. From March 2009 through at least April 2010, in connection with PSQ's majority ownership of GEE, PSQ paid Zizza \$20,000 per month purportedly for consulting work. Huff funded PSQ's payments to Zizza through the Affiliated Entities. For example, Pence notified Huff on January 2, 2010 that PSQ needed to pay Zizza and asked Huff and Huff's assistant to deposit money into PSQ's account so that PSQ could pay Zizza. Huff's assistant sent PSQ a check from a River Falls Financial account on January 4, 2010, and Pence sent Zizza a check from PSQ's account for \$20,000 on the same date. Zizza advised Pence and Huff on several acquisitions that GEE was considering in 2009. Huff and Pence also promised Zizza that if GEE's stock price increased, they would compensate Zizza with at least 500,000 GEE shares. Pence never disclosed this secret arrangement to GEE shareholders or the Company's auditors, not even after Zizza became the CEO of GEE on December 23, 2009. Also, beginning on November 1, 2009, Pence entered into an agreement on behalf of H2H to rent office space in New York, New York from a company affiliated with Zizza. When Huff and Pence came to New York on business in 2009 and 2010, they conducted business from that New York office, including discussing GEE affairs.

34. Huff covertly exercised control over GEE operations through Pence, Heineman, and Zizza as a result of his control over AIR, which financed PSQ's investment in GEE. Huff also sent substantial monthly payments to Pence (\$25,000), Zizza (\$20,000), and Heineman (\$15,000) from various Affiliated Entities to ensure his control over, and ability to influence,

GEE operations. With Pence, Heineman, and Zizza secretly serving as his agents, Huff caused GEE to acquire several entities owned by WTS, which Huff and Associate-1 owned and controlled. For example, at a GEE board meeting on August 10, 2009, attended by Pence and Zizza (as Pence's guest), Heineman convinced the GEE board of directors to authorize him to enter into a letter of intent with WTS to acquire its subsidiary On-Site, which was publicly announced on September 6, 2009. Thereafter, Pence updated Huff on the progress of the acquisition. In June 2010, while Zizza was GEE's CEO, GEE finally acquired On-Site, resulting in a financial benefit to Huff. In November 2010, GEE acquired additional assets of WTS doing business as Ameritemps, RFFG of Cleveland, LLC and DMCC Staffing, LLC, again resulting in a financial benefit to Huff. During 2010, Zizza had numerous discussions with Huff concerning these acquisitions.

II. Pence Conceals Important Information from GEE's Auditors When \$2.3 Million of the Company's Money Went Missing.

35. As part of the July 2009 closing of PSQ's Purchase Agreement with GEE, Pence, who was operating at Huff's direction, caused GEE to open a checking account at Park Avenue Bank into which PSQ's escrowed \$1,925,000 would be deposited upon the closing. In June 2009, Associate-1 coordinated with the GEE CFO on the logistics of opening the Company's checking account at the Bank, and the authorized signatories on the account were Pence, the GEE CFO, and Associate-1. Pence, the GEE CFO, and Associate-1 remained the only authorized signatories on the account until September 2009, at which time Associate-1 was removed and Heineman, the Company's CEO since July 2009, was added. Following the closing, in early July 2009, GEE transferred an additional \$750,000 from GEE's accounts at other banks to the GEE checking account at the Bank. The approximately \$2.6 million deposited in the GEE checking account constituted substantially all of GEE's cash and half of its assets.

Pence understood that GEE was placing its money with Park Avenue Bank because of Huff's business relationship with Antonucci, the Bank's president.

36. In approximately July 2009, Huff discussed with Pence the possibility of GEE investing money in Park Avenue Insurance purportedly to achieve greater returns on GEE's cash. Park Avenue Insurance was an Antonucci-owned holding company of a private insurance company. Pence had served as president of Park Avenue Insurance's operating subsidiary during part of 2009, and, therefore, he knew or recklessly disregarded that Park Avenue Insurance was owned by Antonucci. Pence also knew that Park Avenue Insurance needed funding, and he discussed the potential investment with Heineman, and took further steps to explore the terms of GEE's potential investment of more than \$2 million in Park Avenue Insurance. For example, on July 14, 2009, Pence asked Huff's attorney to send a draft promissory note proposing that GEE make a one-year loan to Park Avenue Insurance in the amount of \$2.4 million with four percent interest. Pence later that day directed the attorney to prepare a demand note collateralized by bonds. On July 15, 2009, Pence informed Associate-1 that Antonucci "had to have this loan finished today."

37. According to Pence, he ultimately did not recommend or authorize the Company to invest in Park Avenue Insurance; instead, Huff told Pence that the Company's cash would be invested in a CD at Park Avenue Bank.

38. GEE's fiscal year ended on September 30, 2009. According to a report by GEE's CFO, received by Pence on October 22, 2009, \$2.3 million had been withdrawn from the GEE operating account at Park Avenue Bank on July 23, 2009, without the GEE CFO's knowledge. The GEE CFO reported that when he inquired about the secretly withdrawn funds, GEE's CEO Heineman claimed that he had authorized GEE to invest \$2.3 million into a CD at the Bank. In

connection with the 2009 audit, the GEE CFO also reported that, although he had repeatedly requested documentation concerning the purported CD, such as a written approval or account agreement—and cited the lack of documentation as a control deficiency—Heineman only provided the GEE CFO with a one-page PDF of a typewritten “Certificate of Deposit Receipt” for \$2.3 million with a single maturity date of October 21, 2009, and interest rate of two percent.

39. In early November 2009, the GEE CFO noticed that Park Avenue Bank had not remitted the proceeds of the purported CD of \$2.3 million plus interest into GEE’s operating account upon the maturity date, October 21, 2009. When the GEE CFO contacted the Bank, a representative stated that the Bank had no record of the purported CD in its system. On November 9, 2009, the GEE CFO emailed Heineman and Pence, stating: “The certificate of deposit purchased by General Employment from Park Avenue Bank had a maturity date of October 21, 2009. I am trying to find out what happened to the proceeds. I received the October statement from the bank, and the proceeds were not credited to our account. My attempts to obtain information about the maturity from the bank have been unsuccessful so far.” Pence emailed Heineman later that same day, stating: “Can you give me a response on this asap,” and Heineman responded “Anthony [Huff] just told me he would check for us tomorrow.”

40. On November 11, 2009, the GEE CFO emailed Heineman again, requesting documentation concerning the purported CD, including an explanation of what happened to the CD upon maturity. Heineman forwarded the email to both Pence and Huff.

41. In or about November 2009, Pence contacted Huff directly and told him that GEE, which was undergoing its fiscal year end audit, would be in financial trouble if it did not recover the \$2.3 million that had gone missing. At some point in November or December 2009, Pence learned that a debit memo attached to the GEE July 2009 account statement at Park

Avenue Bank stated that the \$2.3 million had been transferred to Park Avenue Insurance, not into a purported CD. According to Pence, after he told Huff that the GEE account statement showed the money going to Park Avenue Insurance (as Huff had recommended in July 2009), Huff claimed that Antonucci must have stolen the money. Huff also assured Pence that he (Huff) would make sure GEE recovered the \$2.3 million in short order.

42. As Pence knew, GEE's auditor BDO would not issue an opinion on GEE's financial statements until the issue concerning the \$2.3 million was resolved. For example, on November 22, 2009, the BDO engagement partner sent an email to Heineman asking if he had any additional information concerning the purported CD. Heineman forwarded the email to both Pence and Huff.

43. According to the minutes of a November 23, 2009 audit committee meeting, which Pence received in early December 2009, the GEE CFO reported his concerns that GEE had little documentation supporting the purported CD, including no written authorization from an account signatory and no deposit agreement. According to the minutes, Heineman claimed that he had authorized the purported CD at Pence's direction and that the lack of documentation was due to "the rapid pace of the transactions in which he had been involved, coupled with reorganization and personnel changes at Park Avenue Bank." Heineman next stated that he had anticipated that the CD would be maintained on a continuing renewal basis but he had asked Pence to liquidate the purported CD and have the funds transferred into the PAB checking account by the end of the week. The minutes also state that the BDO engagement partner "said that the audit was substantially completed, pending resolution of the missing funds issue, receipt of legal letters from counsel, and the executed management representation letter."

44. On November 24, 2009, the BDO engagement partner emailed the GEE audit committee chairman (the “AC Chair”), stating that the GEE CFO had “indicated there was an update on the CD and that the funds would be returned in installments. I am not sure if you can provide any further clarity on why this would be. I wanted to check with you before I had another discussion with [Heineman].” The AC Chair replied that he “[could] not provide any clarity” and expressed concern that one of the audit committee members appointed by Pence (the “AC Member”), who had been tasked by Pence with contacting the Bank about the purported CD, “seems to be tied in with this group.” The AC Member, like Heineman, had been appointed by Pence in connection with the PSQ transaction in July.

45. The following day, November 25, 2009, the BDO engagement partner informed the AC Chair that he had spoken to Heineman that morning and Heineman indicated that Pence and the AC Member “were taking the lead on this as they have a previous working relationship with the bank.”

46. On November 24, 25, and 27, 2009, Huff directed and caused a total of \$900,000 to be transferred to GEE’s bank accounts in installment payments of \$300,000 on each date from the bank accounts of two Affiliated Entities, SDH and Oxygen.

47. On November 28, 2009, Pence emailed Zizza that the AC Member “is going to handle the issue with the CD” at the GEE board of directors meeting on November 30, 2009. Pence stated: “I would like for you to talk with him before then I think he has a good idea.” Zizza replied: “Ok will do.”

48. On November 30, 2009, Pence, Zizza, Heineman, and the AC Member attended a GEE board of directors meeting. Zizza, who had no formal role at GEE at this time, attended as an “invited guest.” The board minutes indicate that the AC Chair explained that the Company’s

Form 10-K had not yet been filed because BDO's "final" opinion was predicated on the satisfactory accounting for the CD and an explanation for where GEE's funds had been since the CD matured on October 21. During this November 30, 2009 board meeting, the AC Member stated he believed that the situation occurred as a result of administrative errors on the part of the Bank, and Pence said that the AC Member had agreed to pursue the matter with the Bank. Neither Pence nor Heineman (nor anyone else) mentioned anything about GEE selling or assigning the purported CD to a third party. Pence also failed to disclose that Huff, the convicted felon who was paying him hundreds of thousands of dollars to serve as a front man for Huff's various business ventures, including PSQ and GEE, had told him that he (Huff) would pay \$2.3 million back to GEE in short order after Antonucci had "stolen" the money.

49. On December 4, 2009, the BDO engagement partner on the GEE audit sent an email to the AC Chair, Heineman, and Pence, among others, summarizing the open items requiring resolution prior to the issuance of BDO's audit report. The email begins by noting that after the CD had matured in October 2009, when the GEE CFO had contacted the Bank, its representative informed the GEE CFO that there was no record of the purported CD and that after some investigation by the AC Member, "in late November it was determined that the funds would be returned to GEE in installments." The email then notes that GEE had received the following wire transfers: (i) November 24: \$300,000 wire transfer from SDH; (ii) November 25: \$300,000 wire transfer from Oxygen; (iii) November 27: \$300,000 wire transfer from SDH; and (iv) December 1: \$100,000 wire transfer from Oxygen. It then stated that the BDO engagement partner had discussed the matter with Heineman and Pence, who both referred him to the AC Member who was working directly with Park Avenue Bank on the matter, and that the AC Member left the BDO engagement partner a voicemail "indicating the bank continues to put

money against the CD they owe [GEE] and it should be fully repaid by the close of business on Monday, Dec. 7” and that the Bank would allegedly provide a short apology note.

50. The BDO engagement partner’s December 4 email also noted as an open item for the audit that he had spoken with Pence that day “to gain an understanding of other investments he has to make sure we have appropriately identified any potential related parties and may have a few follow up questions regarding that matter.” One of the items the BDO engagement partner had questioned Pence about was the ownership of River Falls Financial, of which Pence had indicated he was the 100% owner, even though Pence knew that Huff owned and controlled River Falls Financial.

51. Shortly after receiving it, the AC Chair forwarded the December 4, 2009 email from the BDO engagement partner to Heineman, Pence, the AC Member, the GEE CFO, and GEE’s board, noting: “Multiple representatives of BDO have told me that they will not sign off on the GEE Audit . . . until they have sufficient documentation of what has transpired. [BDO’s] position is that the Liabilities associated with a sign-off far exceed any past or potential future Audit Fees that [they] have received or will receive. The high level message is that a letter of apology from Park Avenue Bank will not be sufficient.” The BDO engagement partner received a copy of this email and replied to all: “To clarify, [our] primary concern is getting an understanding of exactly what has occurred in order to allow us to complete our audit procedures. As I am sure everyone would agree, what has transpired over the last few weeks with the funds at [the Bank] has been highly unusual. I know everyone has been working to resolve the issue. However, time continues to pass and [GEE’s] filing deadline will be here before we know it. As such, I wanted to clarify the importance of appropriately addressing the issue as quickly as possible to allow us to complete the audit.” Despite receiving correspondence

like this indicating that it was important that the auditors receive a full explanation of “exactly what has occurred in order to allow us to complete our audit,” Pence deliberately failed to disclose to the audit team the information that he knew concerning Huff and Antonucci, and their roles in connection with the purported CD and the installment payments being sent to GEE from Huff’s companies.

52. The following day, on December 5, 2009, the AC Chair emailed GEE’s board (including Pence) and Heineman calling for a special audit committee meeting on December 9 because of “several unanswered questions related to \$2.3 million of the Company’s cash which supposedly was invested in a Certificate of Deposit (‘CD’) at Park Avenue Bank which will need to be answered before BDO will complete their Audit Report for the Company’s fiscal year ended September 30, 2009.” The AC Chair’s email noted several issues, including that (i) there was no account agreement with Park Avenue Bank or regular reporting on the purported CD; (ii) the Bank did not remit the proceeds of the purported CD into GEE’s operating account when it reached its maturity date on October 21, 2009; (iii) the Bank provided no explanation to the GEE CFO when he attempted to investigate; and (iv) the AC Member who took the lead on this matter with the Bank “was informed on or about November 21, 2009, that the funds would be returned to [GEE] in a series of deposits.” The email also provided a chart of seven wire transfers totaling \$1.7 million, which included the four noted in the BDO engagement partner’s December 4 email plus a December 2, 2009 wire transfer from Oxygen for \$100,000, a December 2, 2009 wire transfer from River Falls Financial of \$300,000, and a December 3, 2009 wire transfer from River Falls Financial also for \$300,000. The address listed for both SDH and River Falls Financial on each of their wire transfers in the chart was 11921 Brinley Ave, Louisville, Kentucky, which Pence knew was Huff’s business office.

53. On December 4 and 9, 2009, GEE received two additional wire transfers from River Falls Financial for \$300,000 each, bringing the total amount received by GEE from River Falls Financial to \$1.2 million and the total of the nine wire transfers to \$2.3 million, the same amount that Heineman had purported to invest in a CD. Pence, who had been told by Huff that he would ensure that GEE received \$2.3 million in short order after the money was “stolen” by Antonucci, knew or recklessly disregarded that Huff, in conjunction with Associate-1, directed the transfers from the Huff-controlled Affiliated Entities, SDH, Oxygen, and River Falls Financial, to return the missing funds to GEE. In fact, one of the Affiliated Entities that returned the money was River Falls Financial, a company Pence owned on paper but knew was controlled and owned by Huff. Pence deliberately failed to disclose any of this information to the BDO engagement partner or audit team.

54. On December 8, 2009, the day before the special audit committee meeting, the AC Chair received an email sent from Heineman to the audit committee with several attachments. Heineman’s email, which Pence had assisted in drafting, purported to offer a new explanation for why GEE had received \$2.3 million from the three Affiliated Entities rather than Park Avenue Bank. Heineman claimed that he had negotiated an assignment agreement with the manager of River Falls Investments (Associate-1), who “offered to purchase” the purported CD from GEE at face value. Heineman also attached to his email an unsigned, draft assignment agreement and disclosed, for the first time, a letter from Heineman to the Bank, dated July 21, 2009, that purportedly authorized the \$2.3 million CD investment. Heineman’s email also attached a July 2009 monthly statement for GEE’s operating account at the Bank, which included the description of the \$2.3 million withdrawal as a debit on July 23 with a debit memo

stating in handwriting: “To: Park Avenue Insurance, See Attachment Approval, \$2,300,000.00.”

55. The AC Chair responded to Heineman’s email that day, stating: “Given the chain of event[s] you described below, why was GEE not informed immediately when River Falls Investments purchased the CD and why are we just now learning that a law firm has been engaged to document the assignment of the CD? We have been asking questions about the CD now for nearly a month.”

56. The BDO engagement partner also exchanged emails with the AC Chair later that day, noting his agreement with the AC Chair’s questions to Heineman and that “the sale of the CD would constitute a related party transaction which typically should be approved by the board.” The AC Chair replied to the BDO engagement partner that he had just spoken to Heineman, and Heineman “claims that RFI (River Falls Investment) is 100% owned by [Associate-1] and is not related to River Falls Financial [] or any of the other entities.” The BDO engagement partner replied, “That is consistent with what [] Pence told me in my conversation with him. The common names are a little strange though.” When he provided this incomplete and misleading information to the BDO engagement partner, Pence knew or recklessly disregarded that Huff owned and controlled both River Falls Financial and River Falls Investments. After all, Pence, at Huff’s direction, served as the owner of River Falls Financial and had signed documents on behalf of River Falls Investments as its manager.

57. Pence also knew or recklessly disregarded that Heineman’s account of what had transpired was false and misleading. Specifically, Pence knew or recklessly disregarded that Huff, who had assured Pence that the missing money would be returned to the Company, had directed the transfer of \$2.3 million to GEE from the Affiliated Entities he controlled in order to

induce BDO to sign off on the audit and thereby preserve the value of Huff's and PSQ's financial investment in GEE. Pence also never disclosed to BDO the exact nature of Huff's involvement and influence over PSQ, GEE, and River Falls Financial, despite speaking to BDO about the purported CD and assignment agreement and his own purported ownership of River Falls Financial on multiple occasions.

58. According to the minutes of GEE's audit committee meeting on December 9, 2009:

- The BDO engagement partner expressed concern that BDO still did not have a clear understanding of the purported CD transaction.
- The BDO engagement partner said that BDO needed to understand the nature of the purported administrative errors at Park Avenue Bank that he had been told were responsible for the lack of proper documentation regarding the CD transaction. He also explained that BDO required documentation validating the banking transactions, and an explanation as to why there was no evidence of an account agreement with the Bank or any record of the CD being at the Bank.
- Another BDO partner, BDO's Midwest Regional Business Line Leader, said he believed members of GEE's senior management appeared hesitant to provide information related to these transactions.
- The BDO engagement partner stated that the assignment agreement did not resolve the outstanding issues as BDO still needed to know what transpired within the Bank and make a determination of whether the assignment agreement with River Falls Investments was a related party transaction.
- BDO also advised that although the assignment agreement "may reduce or eliminate the need for going concern disclosure, it would increase the requirement that management provide sufficient disclosure regarding any related party conflicts."

59. On the evening of December 17, 2009, Zizza emailed Pence that BDO's Midwest Regional Business Line Leader "w[ould] take a call from us to resolve the Bank issue and then issue the statement." The following day, Pence emailed Zizza stating, "We need to decide [Heineman's] fate quickly"; and Zizza also spoke to BDO's Midwest Regional Business Line Leader concerning GEE.

60. On December 19, 2009, Pence updated Huff on BDO's audit of GEE, stating that he would be having a conversation with BDO on Monday and BDO "will likely have questions regarding PSQ and H2H, particularly [River Falls Financial]" because River Falls Financial transferred \$1.2 million to GEE in connection with the assignment. Pence further advised Huff: "Much hinges on [Associate-1's] call with BDO on Monday. . . . BDO's primary gripe is that we are not consistent and/or forthcoming with our dealings. Part of that is, I don't understand them completely so say nothing and Ron [Heineman] lies or refers them to me. That has to stop. So I need your help and support in having [Associate-1 and Huff's attorney] help get the structure and documents right."

61. On December 22, 2009, BDO sent the AC Chair a letter stating that BDO did not have sufficient audit evidence to formally conclude the audit and demanded an independent investigation ("BDO's demand letter"). BDO's demand letter identified multiple inconsistencies and problems in the audit evidence BDO had received regarding the purported CD, including that a number of significant questions remained unanswered concerning both the existence of the purported CD (e.g., why Park Avenue Bank records showed a transfer of \$2.3 million to Park Avenue Insurance) and the manner in which \$2.3 million had been transferred to the Company by the Affiliated Entities (e.g., why Associate-1 would pay 100% of the face value of the purported CD after the maturity date had expired without payment by the Bank, why had River Falls Financial—purportedly owned by Pence—transferred approximately \$900,000 to GEE in connection with the alleged assignment of the purported CD to River Falls Investments, and why Heineman had made inconsistent representations about his involvement in negotiating the alleged assignment with Associate-1). Pence reviewed the letter and told Huff that he was very concerned, specifically stating: "What do I want to do? 1. Vomit after reading the BDO letter."

Pence also forwarded BDO's demand letter to fellow Huff associates Zizza and Associate-1, the purported manager of River Falls Investments.

62. On the evening of December 22, 2009, BDO learned that the audit committee meeting that was scheduled for the following day had been cancelled; Zizza, an advisor to Pence who had attended GEE board meetings through the fall of 2009, would be taking over as CEO; and Pence and Associate-1 intended to prepare written responses to each of the issues identified in the December 21 letter. On December 23, 2009, Heineman formally resigned as GEE's CEO. Pence quickly appointed Zizza, who had previously brought new business to BDO in the form of several auditing clients, to be GEE's new CEO.

63. On December 24, 2009, Zizza advised Pence that BDO was "in a position of having been told stories that make no sense, hence everyone is suspected of lying if they take the position that what Ron [Heineman] told them was correct." Later that afternoon, BDO asked Pence a series of questions during a telephone call that included Zizza and the AC Chair.

Pence's responses were misleading because he failed to disclose material facts to BDO:

- a. Pence told BDO that he directed that GEE open an account with Park Avenue Bank based on his previous working relationship with Antonucci and Associate-1's association with the Bank. That was materially misleading because Pence omitted that GEE opened an account with the Bank because of Huff's business relationship with Antonucci.
- b. BDO asked Pence what happened to the purported CD. Pence claimed that he did not know anything about the purported CD and that he was satisfied with the return of the funds through the assignment agreement. This was materially misleading because Pence omitted that (i) Huff had wanted to invest GEE's money in Park Avenue Insurance, an Antonucci-owned holding company, and Pence had recently served as president of Park Avenue Insurance's operating subsidiary in 2009; (ii) Huff had directed the \$2.3 million to be paid to GEE from the Affiliated Entities; and (iii) Heineman never negotiated the assignment agreement with anyone.
- c. When BDO asked Pence on December 24 why his company, River Falls Financial, had made four transfers totaling \$1.2 million to GEE in connection with the assignment agreement, Pence stated that he did not know. Pence's

response was materially misleading because Pence omitted that (i) he did not actually own or control River Falls Financial, Huff did; and (ii) Huff had directed River Falls Financial to make those payments to GEE to preserve the financial viability of GEE for the benefit of Huff and entities that Huff owned or controlled, specifically AIR and PSQ.

d. BDO also asked Pence about his relationship with Associate-1 and Heineman. Pence stated that he did not have any ownership interest in any other entities that involved Associate-1 or Heineman. Pence's statement was materially misleading because Pence did not reveal the true nature of his business relationships with Associate-1, Heineman, Huff, and the Affiliated Entities. For example, Pence did not tell BDO that on paper he was an indirect owner of River Falls Investments, signed loan agreements as River Falls Investments's manager, and personally guaranteed a loan to that entity. Nor did he disclose that he, Huff, Associate-1, and Zizza had an unwritten agreement to divide amongst themselves any financial windfalls associated with the market performance of GEE's stock.

64. Although a number of critical questions raised in BDO's demand letter remained unanswered, shortly after the December 24 telephone conversation with Pence, BDO issued an audit report containing an unqualified opinion on GEE's 2009 financial statements. On January 8, 2010, Pence signed a representation letter to BDO that stated the following:

The following, where applicable and material, have been properly recorded or disclosed in the consolidated financial statements: (a) Related-party transactions (e.g., transactions with unconsolidated subsidiaries; affiliates under common control with the Company or that are directly or indirectly controlled by the Company; principal owners of record or known beneficial interest of 10 percent or more of the Company's voting stock, directors, management, and members of their immediate families), including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties

In July 2009 the Company purchased a \$2.3 million certificate of deposit (CD) at Park Avenue Bank. When the CD matured in October 2009 the bank did not refund the proceeds to the Company. To date the Company has not received an adequate explanation for the bank's non-performance relating to the CD. The Company is not aware of why the Company did not receive the proceeds from its Park Avenue Bank certificate of deposit upon its maturity and has provided you all information available to it in regards to this matter. In December 2009 the Company was reimbursed in full through a non-recourse assignment of the CD to an unrelated party, who has a business interest in the viability of bank. There are no side letters, e-mails, or other agreements (oral or written) that materially alter the terms of the assignment agreement. (Emphasis added.)

65. Pence's representations in the management representation letter to BDO were materially misleading. Among other things, Pence omitted disclosure of the information concerning his prior discussions of a potential investment by GEE in Park Avenue Insurance, as discussed above in paragraphs 36 and 37, and his conversation with Huff, as described in paragraph 41. Pence also knew or recklessly disregarded that the purported assignment agreement between GEE and River Falls Investments was a related party transaction given Huff's influence and control—and Pence's control, on paper—over both entities.

66. On January 8, 2010, Pence signed GEE's Form 10-K, which stated:

In July 2009, the Company purchased a \$2,300,000 certificate of deposit ("CD") at a New York bank. When the CD matured in October 2009, the bank did not timely credit the proceeds of the CD to the Company's account. Although the Company has made a formal inquiry of the bank, to date the Company has not received an adequate explanation for the bank's non-performance relating to the CD. In December 2009, the Company was reimbursed in full through a non-recourse assignment of the CD for face value to an unrelated party, who has other business interests with the bank. The purchaser of the CD is neither an employee nor a director of the Company.

67. GEE's 2009 Form 10-K was materially misstated because, among other things, it incorrectly represented that GEE owned a \$2.3 million CD and classified it as a cash equivalent as of September 30, 2009, and did not disclose the purported assignment agreement as a related party transaction given Huff's influence and control—and Pence's control, on paper—over GEE, River Falls Financial, and River Falls Investments. Pence knew or recklessly disregarded that this disclosure was materially misleading given all of the facts known to him at the time he signed the Form 10-K.

III. Pence Pockets Substantial Ill-Gotten Gains.

68. From approximately early January 2009 through the spring of 2010, Pence received at least \$500,000 and a \$50,000 Cadillac Escalade from Huff and the Affiliated Entities in connection with the fraudulent scheme and materially misleading statements and omissions

alleged herein. These amounts represent proceeds and ill-gotten gains Pence received as part of the scheme to defraud investors in GEE.

FIRST CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5

69. The Commission repeats and realleges Paragraphs 1 through 68 of the Complaint as if fully set forth herein.

70. At all relevant times, Defendant Pence, in connection with the purchase or sale of securities, directly or indirectly, by the use of the means and instrumentalities of interstate commerce or of the mails and/or wires, knowingly or recklessly (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices or courses of business which operated and operate as a fraud or deceit upon purchasers of securities and upon other persons.

71. By reason of the activities described herein, Pence violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

Violation of Rule 13b2-2 of the Exchange Act

72. The Commission repeats and realleges Paragraphs 1 through 71 of the Complaint as if fully set forth herein.

73. At all relevant times, Pence was a director of GEE and, directly or indirectly, made or caused to be made a materially false or misleading statement to an accountant in connection with, or omitted to state, or caused another person to omit to state, any material fact

necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant in connection with: (i) an audit, review or examination of the financial statements of the issuer required to be made by a public company, including GEE's Form 10K; or (iii) the preparation or filing of any document or report required to be filed with the Commission.

74. At all relevant times, Pence was a director of GEE and, directly or indirectly took actions to coerce, manipulate, mislead, or fraudulently influence BDO in the performance of BDO's audit or review of GEE's financial statements that were required to be filed with the Commission when Pence knew, recklessly disregarded, or should have known that such action, if successful, could result in rendering GEE's financial statements materially misleading.

75. By reason of the activities described herein, Pence violated, and unless restrained and enjoined will continue to violate, Rule 13b2-2 [17 C.F.R. § 240.13b2-2] promulgated under the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a final judgment against Pence granting the following relief:

I.

Finding that Pence violated the securities laws and rules promulgated thereunder as alleged herein.

II.

Permanently restraining and enjoining Pence from future violations of the federal securities laws as alleged in this complaint.

III.

Directing Pence to disgorge his ill-gotten gains, plus prejudgment interest thereon, and all amounts by which Pence has been unjustly enriched, as a result of the misconduct alleged in this Complaint, including his own illicit profits, ill-gotten gain, or unjust enrichment, and such other and further amounts as the Court may find appropriate.

IV.

Directing Pence to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

V.

Prohibiting Pence under Section 21(d)(6) of the Exchange Act [15 U.S.C. § 78u(d)(6)] from acting as an officer or a director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VII.

Granting such other and further relief as this Court may deem just and proper.

DEMAND FOR JURY TRIAL

Under Rule 38 of the Federal Rules of Civil Procedure, the Commission demands trial by jury in this action of all issues so triable.

Dated: September 9, 2015
New York, New York

By: 
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