

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 8-K/A

**Amendment No. 2**

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934  
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): **June 8, 2005**

**TeamStaff, Inc.**

(Exact name of registrant as specified in its charter)  
COMMISSION FILE NUMBER: **0-18492**

New Jersey  
(State or other jurisdiction of incorporation  
or organization)

22-1899798  
(I.R.S. Employer Identification No.)

300 Atrium Drive  
Somerset, NJ 08873  
(Address and zip code of principal executive offices)

**(732) 748-1700**  
(Registrant's telephone number, including area code)

CHECK THE APPROPRIATE BOX BELOW IF THE FORM 8-K FILING IS INTENDED TO  
SIMULTANEOUSLY SATISFY THE FILING OBLIGATION OF THE REGISTRANT UNDER ANY OF THE  
FOLLOWING PROVISIONS:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Note: Form 8-K Amendment.

TeamStaff, Inc. has filed to amend its Form 8-K previously filed on June 10, 2005 to include the financial statements and pro forma financial statements relative to its acquisition of RS Staffings Services, Inc. that were not contained in the original filing and in the exhibits attached to the Form 8-K filed on June 10, 2005.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

1. Financial Statements of RS Staffing Services, Inc. for the period ended December 31, 2004 together with report of Independent Auditing Firm

Independent Auditors Report	F-1
Balance Sheet	F-2
Statement of Income	F-4
Statement of Changes In Stockholders' Equity	F-5
Statement of Cash Flows	F-6
Notes to Financial Statements	F-8

2. Unaudited Financial Statements of RS Staffing Services, Inc. as of March 31, 2005

Historical Balance Sheet as of March 31, 2005 (Unaudited)	F-16
Historical Quarterly Income Statements for the Three Months ended March 31, 2005 and March 31, 2004 (Unaudited)	F-17
Historical Quarterly Cash Flows for the three months ended March 31, 2005 and March 31, 2004 (Unaudited)	F-18
Notes to Historical Financial Statements	F-19

(b) Pro Forma Financial Information prepared as of March 31, 2005

Introduction and Notes	F-26
Pro Forma Balance Sheet as of March 31, 2005 (Unaudited)	F-27
Pro Forma Income Statement for the Six Months Ended March 31, 2005 (Unaudited)	F-28

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

TeamStaff, Inc.

By: /s/ James D. Houston

Name: James D. Houston

Title: Vice President of Business and Legal

Affairs/General Counsel

Date: August 11, 2005

[HA & W LOGO]

Certified Public Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT**

To the Shareholders'  
of RS Staffing Services, Inc.

We have audited the accompanying balance sheet of RS STAFFING SERVICES, INC. (a Georgia Corporation) as of December 31, 2004, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RS STAFFING SERVICES, INC. as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Habif, Arogeti & Wynne, LLP

Atlanta, Georgia

February 18, 2005

Habif, Arogeti & Wynne, LLP

Glenridge Highlands Two o 5565 Glenridge Connector o Suite 200  
Atlanta, Georgia 30342 o 404.892.9651 o Fax 404 876.3913 o www.hawcpa.com

An Independent Member of Baker Tilly International o  
Certified Public Accountants

F-1

RS STAFFING SERVICES, INC,  
BALANCE SHEET  
DECEMBER 31, 2004

**ASSETS****Current assets**

Cash	\$ 592,346
Accounts receivable - trade, net	5,342,282
Accounts receivable - stockholders	5,792
Accounts receivable - related party	8,044
Prepaid expenses	439,056

Deferred income taxes	71,453
Total current assets	6,458,973
Property and equipment, at cost	
-----	
Computer equipment	196,124
Furniture and fixtures	18,752
Leasehold improvements	44,625
Machinery and equipment	55,947
Vehicles	199,993
	-----
	515,441
Accumulated depreciation	(193,331)
	-----
	322,110
	-----
Other assets	
-----	
Marketable securities	21,320
Deferred income taxes, net of current portion	41,639
Intangible asset, net of accumulated amortization of \$36,311	44,351
	-----
	107,310
	-----
	\$ 6,888,393
	=====

See auditors' report and accompanying notes

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RS STAFFING SERVICES, INC.  
BALANCE SHEET  
DECEMBER 31, 2004

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
-----	
Accounts payable	\$ 326,440
Accrued expenses	1,344,577
Payroll taxes payable	288,941
Income taxes payable	25,016
Line of credit	2,828,011
Notes payable	365,849
Current portion of long-term debt	123,488
	-----
Total current liabilities	5,302,322
	-----
Long term liabilities	
-----	
Long term debt, net of current portion	149,573
	-----
Stockholders' equity	
-----	
Common stock, no par value, 500 shares authorized, issued and outstanding	500
Accumulated other comprehensive income	110
Retained earnings	1,435,888
	-----
	1,436,498
	-----
	\$6,888,393
	=====

See auditors' report and accompanying notes

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RS STAFFING SERVICES, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2004

Net sales	\$ 41,193,331
Cost of sales	35,121,222
	-----
Gross profit	6,072,109
Selling, general and administrative expenses	4,882,736
	-----
Income from operations	1,189,373
	-----

Other income (expense)	
Interest expense	(149,860)
Gain on sale of property and equipment	3,191
Loss on sale of marketable securities	(140)
Other income	21,447
Settlement loss	(186,823)
	-----
Total other expense	(312,185)
	-----
Income before income taxes	877,188
	-----
Income tax expense	255,590
	-----
Net income	\$ 621,598
	=====

See auditors' report and accompanying notes

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RS STAFFING SERVICES, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2004

<TABLE>

	Common Shares	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	-----	-----	-----	-----	-----
Balance, January 1, 2004	500	\$ 500	\$ (3,764)	\$ 814,290	\$ 811,026
Net income	-	-	-	621,598	621,598
Other comprehensive income: Unrealized holding gains arising during period	-	-	3,874	-	3,874
	-----	-----	-----	-----	-----
Balance, December 31, 2004	500	\$ 500	\$ 110	\$ 1,435,888	\$ 1,436,498
	=====	=====	=====	=====	=====

</TABLE>

See auditors' report and accompanying notes

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RS STAFFING SERVICES, INC,  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Increase (Decrease) in Cash

<TABLE>

Cash flows from operating activities

-----	
Net income	\$ 621,598
	-----
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	132,208
Deferred taxes	163,247
Loss on disposal of property and equipment	(3,191)
Gain on sale of marketable securities	140
Changes in assets and liabilities:	
Accounts receivable - trade	(1,319,783)
Accounts receivable - stockholders	(16)
Accounts receivable - affiliates	146,067
Accounts receivable - related party	(8,044)
Accounts receivable - other	28,510
Income tax receivable	123,528
Prepaid expenses	387,152
Accounts payable	(8,597)
Accrued expenses	102,548
Payroll taxes payable	76,012
Income taxes payable	20,030
	-----
Total adjustments	(160,189)
	-----
Net cash provided by operating activities	461,409
	-----

Cash flows from investing activities	
-----	
Web site development costs	(15,299)
Acquisition of property and equipment	(84,642)
Proceeds from sale of property and equipment	23,758
-----	
Net cash used by investing activities	(76,183)
-----	
Cash flows from financing activities	
-----	
Net proceeds on line of credit	550,368
Proceeds from long-term debt	404,873
Principal payments on long-term debt	(336,362)
Payments on notes payable	(395,843)
-----	
Net cash provided by financing activities	223,036
-----	
Net increase in cash	608,262
Cash overdraft, beginning of year	(15,916)
-----	
Cash, end of year	\$ 592,346
	=====

</TABLE>

See auditors' report and accompanying notes

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RS STAFFING SERVICES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

-----	Amount
	-----
Cash paid during the year for interest	\$145,588
Cash paid during the year for taxes	77,903

SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES

-----

The Company acquired property and equipment valued at \$146,134 by financing the purchase with installment loans.

The Company issued a note payable for their workers' compensation insurance premiums. See Note E for additional information.

See auditors' report and accompanying notes

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE A  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

-----

Nature of Operations:

-----

RS Staffing Services, Inc. (the Company) was incorporated in 1997. The Company is a contractor engaged in providing professional, administrative, and industrial support personnel to various government agencies and a commercial company at various locations throughout the United States.

Revenue Recognition:

-----

Revenues are generated as services are provided under fixed labor rates as specified in contracts with customers. Related costs are recognized as incurred.

Use of Estimates:

-----

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, the accounting for doubtful account, depreciation, taxes, insurance, and contingencies. Actual results could differ from those estimates.

Cash in Excess of FDIC Limits:  
-----

The Company maintains cash balances at a financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. From time to time, the Company's cash balance exceeds such limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks on cash.

Property and Equipment:  
-----

Property and equipment is carried at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts and any resulting gain or loss is included in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computer equipment	3 years
Furniture and fixtures	7 years
Leasehold improvements	Life of the lease
Machinery and equipment	3 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2004, was \$105,798.

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
-----

Intangible asset:  
-----

In accordance with Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1), web site development costs were capitalized as an intangible asset. The web site development costs capitalized totaled \$15,299 for the year ended December 31, 2004. The capitalized costs are being amortized over a three year period and the related amortization expense for the year ended December 31, 2004 was \$26,410.

Future amortization for the years ended December 31, are:

2005	\$ 26,887
2006	16,979
2007	485
	-----
	\$ 44,351
	=====

Income Taxes:  
-----

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the reporting depreciation, allowance for doubtful accounts and certain accrued expenses. The deferred tax asset represents the future tax consequences of those differences, which will be deductible when the assets are recovered or settled.

Advertising:  
-----

The Company expenses all advertising costs incurred. Advertising expense for the year ended December 31, 2004, was \$22,302.

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE B

ACCOUNTS RECEIVABLE  
-----

The Company extends credit to customers located throughout the United States. The Company does not require collateral for its accounts receivable. Account receivable are carried at fair value. The amount of accounting loss due to credit risk the Company would incur if the parties to the accounts receivable failed to perform according to the terms of the agreement would be the balance of the accounts receivable, net of the allowance for doubtful accounts. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable and historical collection information. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management,

Accounts receivable as of December 31, 2004, consisted of the following:

	Amount
Trade accounts receivable - government agencies	\$ 5,254,382
Trade accounts receivable - commercial	192,900
	-----
	\$ 5,447,282
	=====
Trade accounts receivable - billed amounts	\$ 5,126,532
Trade accounts receivable - unbilled amounts	320,750
	-----
	5,447,282
Less allowance for doubtful accounts	(105,000)
	-----
	\$ 5,342,282
	=====

NOTE C

MARKETABLE SECURITIES

Investment in marketable securities consists of equity securities and are classified by management as available-for-sale. The securities are recorded at fair market value as of December 31, 2004, with any change in value recorded as other comprehensive income (loss).

NOTE D

LINE OF CREDIT

The Company has a line of credit with a financial institution for a maximum of \$4,500,000, bearing interest of the prime rate plus 1% per annum. The agreement renewal date is April 30, 2006. The Company is required to make monthly interest payments. The line of credit is secured by all assets of the Company and personally guaranteed by the shareholders of the Company. The Company's outstanding balance as of December 31, 2004, was \$2,828,011. The agreement requires the Company to meet certain financial and non-financial covenants. At December 31, 2004, the company was in compliance with these loan covenants.

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE E

NOTES PAYABLE

The Company obtained a note payable of \$372,929 from a financial institution for their workers' compensation insurance premium. The note bears interest at 4.75% per annum and is payable in monthly principal and interest installments of \$38,110. The Company also obtained a note payable of \$84,382 from the same financial institution for the loss deposit related to the workers' compensation policy. The note bears interest at 4.75% per annum and is payable in monthly principal and interest installments of \$8,623. The notes expire in August 2005. At December 31, 2004, the balance outstanding under these notes was \$365,849.

NOTE F

LONG-TERM DEBT

<TABLE>

	Amount
Long-term debt consists of the following as of December 31, 2004:	
Bank - note payable; secured by a vehicle; interest at 6% per annum; payable in monthly installments of \$1,524; maturing in April 2005.	\$ 5,094
Bank - note payable; secured by a vehicle and personally guaranteed by shareholders; interest at 6.375% per annum; payable in monthly principal and interest installments of \$607; maturing in November 2009.	30,596

Bank - note payable; secured by a vehicle; interest at 0% per annum; payable in monthly installments of \$1,071; maturing in December 2009.	64,812
Bank - note payable; secured by a equipment; interest at 10.2% per annum; payable in monthly installments of \$984; maturing in August 2009.	56,085
Bank - note payable; personally guaranteed by the shareholders and secured by real property owned by the shareholders; interest at 5% per annum; payable in monthly installments of \$7,653; maturing in January 2007.	116,474
	-----
Total	273,061
Less current portion	(123,488)
	-----
Non-current portion of long-term debt	\$ 149,573
	=====

</TABLE>

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE F

LONG-TERM DEBT (CONTINUED)  
-----

Aggregate maturities of long-term debt for the years ending December 31, are as follows:

2005	\$ 123,488
2006	58,691
2007	30,875
2008	31,287
2009	28,720
	-----
	\$ 273,061
	=====

NOTE G

INCOME TAXES  
-----

The provision for income taxes consists of the following as of December 31, 2004:

Current tax expense	\$ 140,796
LESS: tax credits utilized	(48,453)
	-----
	92,343
Deferred tax-expense	163,247
	-----
Net income tax expense	\$ 255,590
	=====

The major portion of tax credits relate to prior years. The company was able to utilize the credits due to retroactive changes in the tax laws.

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liability at December 31, 2004, are presented below:

Current	
-----	
Deferred tax asset:	
Allowance for doubtful accounts	\$ 27,941
Accrued expense	43,512
	-----
	71,453
	=====

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE G

INCOME TAXES (CONTINUED)  
-----

Non-current

-----  
Deferred tax asset (liability):



Accumulated depreciation	\$ (30,185)
Accumulated amortization	9,662
Capital loss carryforward	3,326
Tax credit carryforwards	58,836
	-----
	41,639
	-----
Total deferred tax assets	\$ 113,092
	=====

Federal tax credit carryforwards begin to expire in 2023.

NOTE H

RELATED PARTY TRANSACTIONS

Accounts receivable - Stockholders:

The Company made advances to stockholders, which are non-interest-bearing and are generally due within one year, These advances are unsecured. At December 31, 2004, the amount due from the stockholders for these advances was \$5,792.

Operating expenses - Rent:

The Company rents office space from an entity with common ownership. The lease expires on June 30, 2009. Rent expense to this related party totaled \$74,200 for the year ended December 31, 2004.

NOTE I

COMMITMENTS AND CONTINGENCIES

Lease Commitments:

The company leases office space under operating lease agreements. Future minimum lease payments under the operating lease for the years ending December 31, are as follows:

2005	\$ 72,600
2006	72,600
2007	72,600
2008	72,600
2009	72,600
	-----
	\$ 363,000
	=====

Total rent expense for the year ended December 31, 2004, was \$88,494.

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE I

COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insurance Program - Healthcare:

The Company maintains a self-insurance program for its employees' health care coverage. The Company is liable for claims up to approximately \$103,000 per month for the policy period beginning April 1, 2004 through March 31, 2005. The Company has re-insurance coverage for any losses in excess of these amounts. Self-insurance costs are accrued based on claims reported by employees as of the balance sheet date as well as an estimated liability for claims incurred but not reported by employees to the program administrator as of December 31, 2004. The following is a summary of the Company's liability for healthcare claims for the self-insurance portion of the coverage from April 1 through December 31, 2004:

Claims Paid	\$370,642
Accrued Claims	131,938
	-----
Total Paid and Accrued Claims	\$502,580
	=====

The financial statements do not include an accrual for \$424,922 which is the potential exposure. As of March 31, 2005 when the policy period ends, any amount remaining as the potential exposure of the self-insurance liability expires.

For the year ended December 31, 2004, total premiums paid for re-insurance totaled \$268,976

Captive Relationship for Self-Insurance Program - Workers' Compensation

The Company maintains a self-insurance program for its workers' compensation coverage. The Company is a participant in a group "captive" program, specific to the staffing industry, for workers compensation coverage. Program premiums are paid based on traditional underwriting practices coupled with usual and customary brokerage and administrative fees while the insurance risk is spread among all participants of the group. The coverage for this group "captive" program is for losses up to \$400,000. The Company has re-insurance coverage for any losses in excess of \$400,000 per occurrence.

Annual premiums paid into the group "captive" program are used to set up a loss fund for each participant in the group and is used to pay claims during the policy year and three years thereafter. The policy period ends each year on September 30. In the third year after the policy end date, after determining the amount of final claims to be paid or reserved, the remaining balance will be refunded to the Company. As of December 31, 2004, the loss fund balance for the policy period ended September 30, 2004 was \$276,180. Due to lack of claims history, the Company did not estimate any amount to be refunded. Total workers' compensation expense was \$534,302 for the year ended December 31, 2004.

Litigations and Claims:  
-----

The Company has legal proceedings arising from the normal course of business. The Company is involved in lawsuits brought against it from former employees relating to workers compensation claim for occurred injuries and resulting disability. In aggregate the estimated losses reserved for at December 31, 2004 is \$155,823, which was included in accrued expenses.

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RS STAFFING SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE J

EMPLOYEE BENEFIT PLAN  
-----

The Company maintains a 401 (k) retirement plan for its employees, under which they may defer a portion of their annual compensation, limited to a maximum annual amount as set periodically by the Internal Revenue Service. Employees are eligible to participate upon meeting certain length of service and minimum compensation requirements.

NOTE K

ECONOMIC DEPENDENCY  
-----

Major Contracts:  
-----

The Company provides services under contracts. A major contract is one from which 10% or greater of annual revenues is derived. For the year ended December 31, 2004, the Company had two significant contracts that comprised approximately 25% of total revenues.

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RS STAFFING SERVICES, INC.  
UNAUDITED HISTORICAL BALANCE SHEET AS OF 03/31/05

	3/31/2005
ASSETS	-----
<b>CURRENT ASSETS</b>	
-----	
Cash	\$1,079,895
Accounts receivable - trade, net	4,862,276
Accounts receivable - stockholders	29,769
Accounts receivable - related party	13,173
Prepaid expenses	362,152
Deferred income taxes	74,509
	-----
Total current assets	6,421,774
	-----
<b>PROPERTY &amp; EQUIPMENT, AT COST</b>	
-----	
Computer equipment	199,776
Furniture & fixtures	25,396
Leasehold improvements	44,625

Machinery & equipment	69,836
Vehicles	189,677
	-----
	529,310
Accumulated depreciation	(164,220)
	-----
	365,090
	-----
OTHER ASSETS	
	-----
Marketable securities	22,599
Deferred income taxes, net of current portion	16,908
Intangible asset, net of accumulated amortization	37,629
	-----
	77,136
	-----
TOTAL ASSETS	\$6,864,000
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
	-----
CURRENT LIABILITIES	
	-----
Accounts payable	\$199,786
Accrued expenses	1,461,268
Payroll taxes payable	275,064
Income taxes payable	125,613
Line of credit	2,611,990
Notes payable	268,067
Current portion of long-term debt	61,333
	-----
Total current liabilities	5,003,121
	-----
LONG TERM LIABILITIES	
	-----
LTD, net of current portion	187,406
	-----
STOCKHOLDERS' EQUITY	
	-----
Common stock, no par value, 500 shares authorized, issued, and outstanding	500
Accumulated other comprehensive income	1,479
Retained earnings	1,671,494
	-----
TOTAL STOCKHOLDERS' EQUITY	1,673,473
	-----
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$6,864,000
	=====

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RS STAFFING SERVICES, INC.  
UNAUDITED HISTORICAL QUARTERLY INCOME STATEMENTS

<TABLE>	FOR THE THREE MONTHS ENDED	
	3/31/2005	3/31/2004
	-----	-----
Net sales	\$9,929,564	\$8,509,324
	-----	-----
Cost of sales	8,454,574	7,170,592
	-----	-----
Gross profit	1,474,990	1,338,732
Selling, general and administrative expenses	1,048,710	1,108,706
	-----	-----
Income from operations	426,280	230,026
	-----	-----
Other income (expense)		
	-----	-----
Interest expense	(46,026)	(37,034)
Gain (Loss) on sale of property and equipment	(86)	-
Other income	2,725	3,150
	-----	-----
Total other income (expense)	(43,387)	(33,884)
	-----	-----
Income before income taxes	382,893	196,142
Income tax expense	147,287	56,881
	-----	-----
Net income	\$235,606	\$139,261
	=====	=====

</TABLE>

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RS STAFFING SERVICES, INC.  
UNAUDITED HISTORICAL QUARTERLY CASH FLOWS

<TABLE>

## Increase (Decrease) In Cash

## FOR THE THREE MONTHS ENDED

3/31/2005 3/31/2004

## CASH FLOWS FROM OPERATING ACTIVITIES:

## NET INCOME

\$235,606 \$139,261

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization	35,833	29,800
Deferred taxes	21,675	113,760
Gain (Loss) on disposal of property and equipment	(86)	-
Gain (Loss) on sale of marketable securities	90	90
Changes in assets and liabilities:		
Accounts receivable - trade	480,006	(10,328)
Accounts receivable - stockholders	(23,977)	(577)
Accounts receivable - related party	(5,129)	(12,616)
Accounts receivable - other	-	(74,989)
Prepaid expenses	76,904	102,249
Accounts payable	(126,654)	266,854
Accrued expenses	116,691	(426,548)
Payroll taxes payable	(13,877)	163,136
Income taxes payable	100,597	(104,627)

## TOTAL ADJUSTMENTS

662,073 46,204

## NET CASH PROVIDED BY OPERATING ACTIVITIES

897,679 185,465

## CASH FLOWS FROM INVESTING ACTIVITIES:

Bank of America Certificate of deposit	-	(100,189)
Acquisition of property and equipment	(57,866)	(84,016)
Proceeds from sale of property and equipment	40,000	42,876
NET CASH USED BY INVESTING ACTIVITIES	(17,866)	(141,329)

## CASH FLOWS FROM FINANCING ACTIVITIES:

Net proceeds (payments) of line of credit	(216,021)	398,272
Proceeds from long-term debt	-	335,676
Principal payments on long-term debt	(78,461)	(113,195)
Payments on notes payable	(97,782)	40,348
NET CASH PROVIDED BY FINANCING ACTIVITIES	(392,264)	661,101

## NET INCREASE IN CASH

487,549 705,237

Cash, beginning of the period

592,346 (15,916)

Cash, end of the period

\$1,079,895 \$689,321

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for interest	\$46,026	\$37,034
Cash paid during the period for taxes	\$13,572	\$0

## SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES

The Company purchased a vehicle valued at \$54,138 during the quarter ended 3/31/05 by financing the purchase with installment loans.

&lt;/TABLE&gt;

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RS STAFFING SERVICES, INC.  
NOTES TO HISTORICAL FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE A  
SUBSEQUENT EVENTS

On June 4, 2005, TeamStaff, Inc. completed the acquisition of 100% of the outstanding common stock of RS Staffing, a private company located in Monroe, Georgia, specializing in providing medical and office administration/technical professionals through nationwide schedule contracts with both the General Services Administration ("GSA") and Veteran's Affairs ("VA"). The acquisition was in part financed through a \$7 million revolving credit facility obtained through PNC Bank. The terms of the acquisition provided for a purchase price consisting of (i) \$1,750,000 of TeamStaff Common Stock, (ii) a secured note of TeamStaff in the principal amount of \$3,000,000 (iii) cash in the amount of \$3,250,000 and (iv) a potential earn-out payment. The earn-out payment is based upon the following calculation: for every \$1.00 of EBITDA for the earn-out period over \$1.8 million, the Sellers shall be entitled to \$4.00 up to a maximum of \$2 million.

NOTE B  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

RS Staffing Services, Inc. (the Company) was incorporated in 1997. The Company is a contractor engaged in providing professional, administrative, and industrial support personnel to various government agencies and a commercial company at various locations throughout the United States.

Revenue Recognition:

Revenues are generated as services are provided under fixed labor rates as specified in contracts with customers. Related costs are recognized as incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, the accounting for doubtful accounts, depreciation, taxes, insurance, and contingencies. Actual results could differ from those estimates.

Cash in Excess of FDIC Limits:

The Company maintains cash balances at a financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. From time to time, the Company's cash balance exceeds such limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks on cash.

Property and Equipment:

Property and equipment is carried at cost. Expenditures for maintenance and repairs are expenses currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance

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for depreciation, are eliminated from the accounts and any resulting gain or loss is included in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computer Equipment	3 years
Furniture and Fixtures	7 years
Leasehold Improvements	Life of the lease
Machinery and Equipment	3 years

Intangible Asset:

In accordance with Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1), web site development costs were capitalized as an intangible asset. The web site development costs capitalized totaled \$0 for the period ended March 31, 2005. The capitalized costs are being amortized over a three-year period and the related amortization expense for the three months ended March 31, 2005 and March 31, 2004 were \$6,722 and \$6,238 respectively.

Future amortization for the years ended March 31, are:

2006	\$	10,950
2007		10,950
2008		10,950
2009		4,779
		-----
	\$	37,629
		=====

Income Taxes:

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the reporting depreciation, allowance for doubtful accounts and certain accrued expenses. The deferred tax asset represents the future tax consequences of those differences, which will be deductible when the assets are recovered or settled.

NOTE C  
ACCOUNTS RECEIVABLE

The Company extends credit to customers located throughout the United States. The Company does not require collateral for its accounts receivable. Accounts receivable are carried at fair value. The amount of accounting loss due to credit risk the Company would incur if the parties to the accounts receivable failed to perform according to the terms of the agreement would be the balance of the accounts receivable, net of the allowance for doubtful accounts. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable and historical collection information. The

Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to not be collectable by management.

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Accounts receivable as of March 31, 2005, consisted of the following:

Trade accounts receivable - government agencies	\$ 4,710,406
Trade accounts receivable - commercial	256,870
	-----
	\$ 4,967,276
	=====
Trade accounts receivable - billed amounts	\$ 4,022,055
Trade accounts receivable - unbilled amounts	945,221
	-----
	4,967,276
	-----
Less allowance for doubtful accounts	(105,000)
	-----
	\$ 4,862,276
	=====

NOTE D  
MARKETABLE SECURITIES

Investment in marketable securities consists of equity securities and is classified by management as available-for-sale. The securities are recorded at fair market value as of March 31, 2005, with any change in value recorded as other comprehensive income (loss).

NOTE E  
LINE OF CREDIT

The Company has a line of credit with a financial institution for a maximum of \$4,500,000, bearing interest at the prime plus 1% per annum. The agreement renewal date is April 30, 2006. The Company is required to make monthly interest payments. The line of credit is secured by all assets of the Company and personally guaranteed by the shareholders of the Company. The Company's outstanding balance as of March 31, 2005 was \$2,611,990. The agreement requires the Company to meet certain financial and non-financial covenants. At March 31, 2005, the company was in compliance with these loan covenants. Subsequent to March 31, 2005 the line of credit was paid in full in connection with the sale described in Note A.

NOTE F  
NOTES PAYABLE

The Company obtained notes payable aggregating \$457,311 from a financial institution for their workers' compensation, professional medical services, and general liability insurance premiums. The notes bear interest at 4.75% per annum and are payable in monthly principal and interest installments aggregating \$46,733. The notes expire in August 2005. At March 31, 2005, the balance outstanding under these notes was \$268,067.

NOTE G  
LONG TERM DEBT

Bank - note payable; secured by equipment; interest at 10.2% per annum; payable in monthly installments of \$984; maturing in August 2009. \$54,117

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Bank - note payable; secured by a vehicle and personally guaranteed by the shareholders; interest at 6.375% per annum; payable in monthly installments of \$607; maturing in November 2009. 29,259

Bank - note payable; secured by a vehicle; interest at 0% per annum; payable in monthly installments of \$1,071; maturing in December 2009. 61,699

Bank - note payable; secured by a vehicle; interest at 5% per annum; payable in monthly installments of \$1,059; maturing in March 2010. 54,138

Bank - note payable; personally guaranteed by the shareholders and secured by real property owned by the shareholders; interest at 5% per annum; payable in monthly installments of \$7,653; maturing in January 2007. 49,526

Total \$248,739

Less current portion (61,333)

Non-current portion of long-term debt \$187,406

Aggregate maturities of long-term debt for the years ending March 31, are as follows:

2006	\$ 61,333
2007	63,195
2008	41,872
2009	41,872
2010	40,467
	-----
	\$248,739

The shareholders of RS Staffing Services, Inc. purchased the three vehicles and assumed the related notes described above from TeamStaff, Inc. at closing.

NOTE H  
INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liability at March 31, 2005, are presented below:

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Current	Deferred tax asset:		
	Allowance for doubtful accounts	\$ 27,941	
	Accrued expense	46,568	
		-----	
		\$ 74,509	
		-----	
Non-current	Deferred tax asset (liability):		
	Accumulated depreciation	\$(52,228)	
	Accumulated amortization	11,451	
	Capital loss carry-forward	3,326	
	Tax credit carry-forward	54,359	
		-----	
		\$ 16,908	
		-----	
	Total deferred tax assets	\$ 91,417	
		=====	

Federal tax credit carry-forwards begin to expire in 2023.

NOTE I  
RELATED PARTY TRANSACTIONS

Accounts Receivable - Stockholders  
- -----

The Company made unsecured advances to stockholders, which are non-interest bearing and are generally due within one year. At March 31, 2005, the amount due from the stockholders for these advances was \$29,769.

Operating expenses - Rent:  
- -----

The Company rents office space from an entity with common ownership. The prior lease was extended and now expires on December 31, 2009. Rent expense to this related party totaled \$24,600 and \$26,544 for the three months ended March 31, 2005 and March 31, 2004 respectively.

NOTE J  
COMMITMENTS AND CONTINGENCIES

Lease Commitments:  
- -----

The Company leases office space under operating lease agreements. Future minimum lease payments under the operating lease for the years ending March 31 are as follows:

2006	\$ 72,600
2007	72,600
2008	72,600
2009	72,600
2010	54,450
	-----
	\$344,850
	=====

Self-Insurance Program - Healthcare:  
- -----

The Company maintains a self-insurance program for its employees' health care coverage. The Company is liable for claims up to approximately \$103,000 per month for the policy period beginning April 1, 2004 through March 31, 2005. The Company has reinsurance coverage for

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any losses in excess of these amounts. Self-insurance costs are accrued based on claims reported by employees as of the balance sheet date as well as an estimated liability for claims incurred but not yet reported by employees to the program administrator. As of March 31, 2005, the Company has accrued employee healthcare costs of approximately \$45,000. Management believes this accrual accurately reflects its liability under the plan.

Health Insurance - Not Self-Insured:  
- -----

During 2004, The Company began offering a new health insurance option to its employees that is not self-insured by the Company. A majority of the Company's employees had switched their health insurance policy and the self-insurance health plan is being phased out. Effective August 1, 2004, the Company began

offering an additional benefit to its contract employees, a healthcare reimbursement account (HRA) through a third party administrator (TPA), Axis Administrators, Inc. The existing health plan was converted to a fully funded plan on April 1, 2005 and is not being phased out.

Captive Relationship for Self-Insurance Program - Workers' Compensation:  
-----

The Company maintains a self-insurance program for its workers' compensation coverage. The Company is a participant in a group "captive" program, specific to the staffing industry, for workers' compensation coverage. Program premiums are paid based in traditional underwriting practices coupled with usual and customary brokerage and administrative fees while the insurance risk is spread among all participants in the group. The coverage for this group "captive" program is for losses up to \$400,000. The Company has reinsurance coverage for any losses in excess of \$400,000 per occurrence.

Annual premiums paid into the group "captive" program are used to set up a loss fund for each participant in the group and is used to pay claims during the policy year and three years thereafter. The policy period ends each year on September 30. In the third year after each policy end date, after determining the amount of final claims to be paid or reversed, the remaining balance will be refunded to the Company. The loss fund balance for the policy period ended March 31, 2005 was \$311,564. Due to lack of claims history, the Company did not accrue any potential refund under its workers' compensation policy. TeamStaff, Inc will pay any amounts received as a refund by the Company subsequent to the acquisition date to the former shareholders of the Company as additional purchase price consideration in connection with the sale described in Note A.

Litigation and Claims:  
-----

The Company has legal proceedings arising from the normal course of business. The Company is involved in lawsuits brought against it from former employees relating to discrimination and workers' compensation claims. In aggregate, the estimated loss reserved for at March 31, 2005 is approximately \$100,000 that is included in accrued expenses.

NOTE K  
EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) retirement plan for its employees, under which they may defer a portion of their annual compensation, limited to a maximum annual amount as set periodically by the Internal Revenue Service. Employees are eligible to participate upon meeting certain length of service and minimum compensation requirements.

NOTE L  
ECONOMIC DEPENDENCY

Major Customer:  
-----

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A major customer is defined as a customer from which the Company derives at least 10% of its sales. The accounts receivable balance as of March 31, 2005 and March 31, 2004 includes approximately \$1,690,581 and \$1,608,468 respectively from three customers.

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TEAMSTAFF AND RS STAFFING PROFORMAS

INTRODUCTION:  
-----

On June 4, 2005, TeamStaff, Inc. completed the acquisition of 100% of the outstanding common stock of RS Staffing, a private company located in Monroe, Georgia, specializing in providing medical and office administration/technical professionals through nationwide schedule contracts with both the General Services Administration ("GSA") and Veteran's Affairs ("VA"). The acquisition was in part financed through a \$7 million revolving credit facility obtained through PNC Bank. The terms of the acquisition provided for a purchase price consisting of (i) \$1,750,000 of TeamStaff Common Stock, (ii) a secured note of TeamStaff in the principal amount of \$3,000,000 (iii) cash in the amount of



\$3,250,000 and (iv) a potential earnout payment. The credit facility was provided to (i) provide for the acquisition of RS Staffing, (ii) refinance the current senior loan facility, and (iii) provide ongoing working capital. The facility has a three year life, contains term and line of credit borrowing options, and is subject. The earnout payment is based upon the following calculation: for every \$1.00 of EBITDA for the earnout period over \$1.8 million, the Sellers shall be entitled to \$4.00 up to a maximum of \$2 million. For example, if EBITDA of the business is determined to be \$2.3 million or higher, the earnout payment would be \$2.0 million. If EBITDA of the business is determined to be \$1.8 million or less, the earnout payment would be zero.

The attached proforma financial statements include a balance sheet as of March 31, 2005, an income statement for the six months ended March 31, 2005 and an income statement for the twelve months ended September 30, 2004.

NOTES:

The proforma adjustments are based on the assumption that going forward, the company will not pay the prior owners of RS Staffing incentives beyond their potential earnout payment. Additionally, certain payments made to family members for consulting, auto, and health insurance will no longer be made.

The proforma financials do not include add-backs for what management believes are non-recurring legal and settlement costs approximating \$200,000 for the twelve months ended September 30, 2004 and \$37,000 for the six months ended March 31, 2005. In addition, the proformas do not include additional gross margin potential related to using TeamStaff RX and Nursing Innovations as RS Staffing teaming partners.

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<TABLE>

PROFORMA BALANCE SHEET AS OF 03/31/2005 (AMOUNTS ARE IN THOUSANDS)	HISTORICAL TEAMSTAFF 3/31/2005	HISTORICAL RS STAFFING 3/31/2005	PROFORMA ADJUSTMENTS	PROFORMA BALANCE SHEET	
<b>CURRENT ASSETS</b>					
CASH & EQUIVALENTS	\$ 3,933	\$ 1,080	(\$ 1,188)	\$ 3,825	note 1
RESTRICTED CASH	-	-	-	-	
A/R	4,843	4,862	-	9,705	
DEFERRED TAX ASSET	90	75	-	165	
PREPAID W/C	1,160	-	-	1,160	
OTHER CURRENT ASSETS	1,022	405	42	1,469	note 2
<b>TOTAL CURRENT ASSETS</b>	<b>11,048</b>	<b>6,422</b>	<b>(1,146)</b>	<b>16,324</b>	
<b>EQUIPMENT &amp; IMPROVEMENTS</b>					
FURNITURE & EQUIPMENT	3,285	284	(190)	3,379	
COMPUTER EQUIPMENT	469	66	-	535	
COMPUTER SOFTWARE	1,134	134	-	1,268	
LEASEHOLD IMPROVEMENTS	241	45	-	286	
<b>TOTAL EQUIPMENTS &amp; IMPROVEMENTS GROSS</b>	<b>5,129</b>	<b>529</b>	<b>(190)</b>	<b>5,468</b>	
LESS ACCUMULATED DEP & AM	(3,921)	(164)	45	(4,040)	
<b>EQUIPMENT &amp; IMPROVEMENTS NET</b>	<b>1,208</b>	<b>365</b>	<b>(145)</b>	<b>1,428</b>	note 3
DEFERRED TAX ASSET, NET OF CURRENT PORTION	17,416	17	-	17,433	
TRADENAME	4,199	-	-	4,199	
GOODWILL	3,390	-	6,526	9,916	note 4
OTHER ASSETS					
PREPAID W/C, NET OF CURRENT PORTION	3,150	-	-	3,150	note 2
OTHER ASSETS	315	60	85	460	note 2
<b>TOTAL OTHER ASSETS</b>	<b>3,465</b>	<b>60</b>	<b>85</b>	<b>3,610</b>	
<b>TOTAL ASSETS</b>	<b>\$ 40,726</b>	<b>6,864</b>	<b>\$ 5,320</b>	<b>\$ 52,910</b>	
<b>CURRENT LIABILITIES</b>					
CURRENT PORTION OF LTD	\$ 184	\$ 2,941	\$ 3,888	\$ 7,013	note 5
ACCRUED WORKER'S COMPENSATION	1,626	-	-	1,626	
ACCRUED PAYROLL	1,498	1,315	-	2,813	
ACCRUED PENSION LIABILITY	484	-	-	484	
ACCOUNTS PAYABLE	951	200	-	1,151	
ACCRUED EXPENSES & OTHER LIABILITIES	573	547	-	1,120	
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,316</b>	<b>5,003</b>	<b>3,888</b>	<b>14,207</b>	
SUBORDINATED NOTES PAYABLE	-	-	1,500	1,500	note 6
CONTINGENT NOTES PAYABLE	-	-	-	-	
LTD, NET OF CURRENT PORTION	241	188	(145)	284	note 7
ACCRUED PENSION LIABILITY	634	-	-	634	

OTHER LT LIABILITIES	-	-	-	-
LIABILITIES FROM DISC OPS	699	-	-	699
TOTAL LIABILITIES	6,890	5,191	5,243	17,324
SHAREHOLDERS' EQUITY				
PREFERRED STOCK	-	-	-	-
COMMON STOCK (\$0.001 PAR VALUE;40M SHARES AUTHORIZED, 18.1M ISSUED)	18	-	-	18
APIC	66,915	-	1,750	68,665
RETAINED EARNINGS	(32,850)	1,673	(1,673)	(32,850)
ACC COMPREHENSIVE LOSSES	(223)	-	-	(223)
TREASURY STOCK	(24)	-	-	(24)
TOTAL SHAREHOLDERS' EQUITY	33,836	1,673	77	35,586
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 40,726	\$ 6,864	\$ 5,320	\$ 52,910

NOTE 1 - CASH & EQUIVALENTS:

Credit Facility	5,000
Payment to Sellers	(3,250)
RS line repayment	(2,612)
Deferred loan charges	(127)
Related Expenses	(199)

Cash & Equivalents Adjustment (1,188)

NOTE 2 - DEFERRED LOAN CHARGES (RE: NOTE 1)

Current portion	42
Non-current portion	85
Total deferred loan charges	127

NOTE 3 - RS SHAREHOLDERS PURCHASE OF CARS & RELATED NOTE FROM TEAMSTAFF AT CLOSING

(145)

NOTE 4 - GOODWILL ADJUSTMENT:

Purchase Price	8,000
Net Assets Acquired	(1,673)
Related Expenses	199

Total 6,526

NOTE 5 - CURRENT PORTION OF LONG TERM DEBT ANALYSIS:

Line activation - PNC	5,000
Current portion of \$3 million note	1,500
Retire RS line	(2,612)

Total 3,888

NOTE 6 - LONG TERM PORTION OF \$3 MILLION NOTE

1,500

NOTE 7 - RETIRE THE \$145 BALANCE OF THE NOTE FOR CARS (RE: NOTE 2)

(145)

NOTE 8 - STOCK ISSUED RELATED TO ACQUISITION - 1,206,897 SHARES AT \$1.45

1,750

NOTE 9 - ELIMINATE RS STAFFING RETAINED EARNINGS

(1,673)

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<TABLE>

PROFORMA INCOME STATEMENT FOR THE SIX MONTHS ENDED 03-31-05 (AMOUNTS ARE IN THOUSANDS, EXCEPT PER SHARE DATA)	HISTORICAL TEAMSTAFF SIX MONTHS ENDED 03/31/2005	HISTORICAL RS STAFFING SIX MONTHS ENDED 03/31/2005	CONSOLIDATED	PROFORMA ADJUSTMENTS	ADJUSTED PROFORMA SIX MONTHS ENDED 03/31/2005
Revenues	\$ 21,100	\$ 23,050	\$ 44,150		\$ 44,150
TOTAL REVENUES	21,100	23,050	44,150	-	44,150
Cost Of Revenues	15,885	19,733	35,618		35,618
GROSS PROFIT	5,215	3,317	8,532	-	8,532
SG&A Exp., Total	6,563	2,905	9,468	(867)	8,601
Depreciation & Amort., Total	332	72	404		404
Other Operating Expense (Income)	-	-	-		-
OTHER OPERATING EXP., TOTAL	6,895	2,977	9,872	(867)	9,005
OPERATING INCOME (LOSS)	(1,680)	340	(1,340)	867	(473)
Interest Expense	32	41	73	199	272
Interest and Invest. Income	(132)	(9)	(141)		(141)
Net Interest Exp	(100)	32	(68)	199	131
Other Non-Operating Exp., Total	-	-	-		-

INCOME (LOSS) BEFORE TAXES	(1,580)	308	(1,272)	668	(604)	
Income Tax Expense	(601)	149	(452)	222	(230)	note 12
INCOME (LOSS) FROM CONTINUING OPERATIONS	(\$979)	\$159	(\$820)	\$446	(\$374)	

Weighted Average Fully Diluted Shares Outstanding	17,567		17,567		18,774
EPS	\$ (0.06)		\$ (0.05)		\$ (0.02)

NOTE 10 - SG&A ADJUSTMENTS:	this period
Owners' bonuses	(821)
Fees paid to family members	(46)
Total	(867)

NOTE 11 - INTEREST EXPENSE:	
6 months interest expense on outstanding new credit facility	144
6 months interest expense on seller note	75
Deferred loan costs	21
RS loan repaid	(41)
Interest Expense Adjustment	199

NOTE 12 - PROFORMA TAX RATE EQUALS TEAMSTAFF HISTORICAL EFFECTIVE TAX RATE

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<TABLE>

PROFORMA INCOME STATEMENT FOR THE TWELVE MONTHS ENDED 09-30-04 (AMOUNTS ARE IN THOUSANDS, EXCEPT PER SHARE DATA)	HISTORICAL TEAMSTAFF TWELVE MONTHS ENDED 9/30/2004	HISTORICAL RS STAFFING TWELVE MONTHS ENDED 9/30/2004	CONSOLIDATED	PROFORMA ADJUSTMENTS	ADJUSTED PROFORMA TWELVE MONTHS ENDED 09/30/2004	
Revenues	\$ 37,288	\$ 37,048	\$ 74,336		\$ 74,336	
TOTAL REVENUES	37,288	37,048	74,336	-	74,336	
Cost Of Revenues	28,545	32,016	60,561		60,561	
GROSS PROFIT	8,743	5,032	13,775	-	13,775	
SG&A Exp., Total	11,371	3,555	14,926	(372)	14,554	note 13
Depreciation & Amort., Total	409	124	533		533	
Other Operating Expense (Income)	-	-	-		-	
OTHER OPERATING EXP., TOTAL	11,780	3,679	15,459	(372)	15,087	
OPERATING INCOME (LOSS)	(3,037)	1,353	(1,684)	372	(1,312)	
Interest Expense	81	145	226	335	561	note 14
Interest and Invest. Income	(271)	(20)	(291)		(291)	
Net Interest Exp	(190)	125	(65)	335	270	
Other Non-Operating Exp., Total	-	-	-	-	-	
INCOME (LOSS) BEFORE TAXES	(2,847)	1,228	(1,619)	38	(1,582)	
Income Tax Expense	(1,083)	688	(395)	(207)	(602)	note 15
INCOME (LOSS) FROM CONTINUING OPERATIONS	(\$1,764)	\$540	(\$1,224)	\$244	(\$980)	
Weighted Average Fully Diluted Shares Outstanding	15,714		15,714		16,921	
EPS	\$ (0.11)		\$ (0.08)		\$ (0.06)	

NOTE 13 - SG&A ADJUSTMENTS:	total
Owners' bonuses	(302)
Fees paid to family members	(70)
Total	(372)

NOTE 14 - INTEREST EXPENSE:	
Interest expense on outstanding credit facility	288
Interest expense on seller note	150
Deferred loan costs	42
RS loan repaid	(145)
Interest Expense Adjustment	335

NOTE 15 - PROFORMA TAX RATE EQUALS TEAMSTAFF HISTORICAL EFFECTIVE TAX RATE

