
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 11, 2010

TeamStaff, Inc.

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction
of incorporation)

0-18492

(Commission File Number)

22-1899798

(IRS Employer Identification No.)

**1 Executive Drive
Somerset, NJ**

(Address of principal executive offices)

08873

(Zip Code)

Registrant's telephone number, including area code: **(877) 523-9897**

(Former name or former address, if changed since last report.)

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))
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Item 1.01 Entry into a Material Definitive Agreement

In connection with the disposition of the operating assets of TeamStaff Inc's ("TeamStaff" and the "Company") TeamStaff Rx subsidiary, the Company was required to obtain the consent of Sovereign Business Capital ("Sovereign") pursuant to the terms of the Amended and Restated Loan and Security Agreement dated between TeamStaff and Sovereign (the "Loan Agreement"). On January 12, 2010, Sovereign granted the Company such consent. As a condition to the consent, however, Sovereign reduced the maximum amount available under the Loan Agreement from \$3.0 million to \$2.0 million. As of September 30, 2009, there was no debt outstanding under the Loan Agreement and unused availability (as defined) totaled \$1.7 million, net of required collateral reserves per the Loan Agreement for certain payroll and tax liabilities. As of September 30, 2009, the Company had working capital of \$0.9 million. Accordingly, management does not believe that the reduction in the availability under the Loan Agreement will have a material adverse impact on the Company's operations and financial condition.

Item 2.02 Results of Operations and Financial Condition

On January 13, 2010, TeamStaff, Inc. announced by press release its financial results for its fourth fiscal quarter and fiscal year ended September 30, 2009. A copy of the press release is attached hereto as Exhibit 99.1.

The information in Item 2.02 of this Current Report shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 2.02 of this Current Report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Obligation

TeamStaff's Loan Agreement with Sovereign requires it to comply with certain customary covenants, including a debt service coverage ratio. On January 11, 2010, TeamStaff's management determined that as of September 30, 2009, the Company was not in compliance with the debt service coverage ratio covenant of the Loan Agreement. The Loan Agreement provides that following an event of default, Sovereign may, among other remedies provided for in the Loan Agreement, accelerate the amounts outstanding under the Loan Agreement, take such actions as it deems necessary to protect its security interest in the collateral, and terminate the Loan Agreement. In connection with its consent to the sale of the TeamStaff Rx assets and loan modification, Sovereign waived such non-compliance for the period ending September 30, 2009. The Company received this waiver on January 12, 2010. Sovereign, however, reserved its rights under the Loan Agreement with respect to any future non-compliance with the debt service coverage ratio for any future period or any other provision of the Loan Agreement.

Item 3.02 Unregistered Sales of Equity Securities.

The information required to be disclosed in this Item 3.02 concerning the grant of stock options to Ms. Cheryl Presuto is incorporated herein by reference from Item 5.02.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On July 30, 2008, we entered into an employment agreement with our Chief Financial Officer, Cheryl Presuto, which expired as of September 30, 2009. On January 14, 2010, we entered into a new employment agreement with Ms. Presuto, the terms of which are summarized below. The following description of the new employment agreement is qualified in its entirety by reference to the full text of such agreement.

- The employment agreement is for an initial term expiring September 30, 2010. Under the employment agreement, Ms. Presuto will receive a base salary of \$181,000. The term of the agreement is effective as of October 1, 2009. Upon any termination of the Employee's employment on or after the expiration date, other than cause (as defined in the employment agreement), Ms. Presuto will be entitled to the severance payment described below.
- Ms. Presuto may receive a bonus in the sole discretion of the Management Resources and Compensation Committee of the Board of Directors of up to 50% of her base salary for each fiscal year of employment. The bonus will be based on performance targets and other key objectives established by the Management Resources and Compensation Committee.
- Grant of options to purchase 75,000 shares of common stock under the Company's 2006 Long Term Incentive Plan. The vesting schedule applicable to the options is as follows: 50% of the options shall vest on the date of the agreement and the balance shall vest on September 30, 2010, provided Ms. Presuto is an employee as of such date. The options are exercisable for a period of five years at a per share exercise price equal to the closing price of the Company's common stock on the date of execution of the employment agreement.
- In the event of the termination of her employment, the Options will be governed by the terms of the 2006 Plan, except that the following provisions shall apply: (i) in the event Ms. Presuto's employment is terminated for cause, options granted and not exercised as of the termination date shall terminate immediately and be null and void; (ii) in the event her employment with the Company is terminated due to her death, or disability, her (or her estate's or legal representative's) right to purchase shares of common stock pursuant to any stock option or stock option plan to the extent vested as of the date of termination shall remain exercisable for a period of 12 months, but in no event after the expiration of the option; (iii) in the event Ms. Presuto elects to terminate her employment other than for good reason (as defined in the agreement), her right to purchase shares of common stock of the Company pursuant to any stock option or stock option plan to the extent vested as of the date of termination shall remain exercisable for a period of three months following such termination date, but in no event after the expiration of option; and (iv) in the event of (A) a Change of Control, as defined in the agreement, (B) employee's termination by the Company without cause or; (C) termination by employee for good reason, the conditions to the vesting of any outstanding restricted stock awards or options granted under the agreement shall be deemed void and all such shares and options shall be immediately and fully vested and delivered to the employee and all outstanding options shall remain exercisable for a period of 24 months following the date of termination, but in no event after the expiration date of any such option.
- In the event of the termination of employment by us without "cause" or by Ms. Presuto for "good reason," as those terms are defined in the employment agreement, or in the event her employment is terminated due to her disability, she would be entitled to: (a) a severance payment of 12 months of base salary; (b) continued participation in our health and welfare plans for a period not to exceed 12 months from the termination date; and (c) all compensation accrued but not paid as of the termination date. In addition, in the event of termination for disability, she would also receive a pro-rata bonus, as described below.
- In the event of the termination of her employment due to her death, Ms. Presuto's estate would be entitled to receive: (a) all compensation accrued but not paid as of the termination date; (b) continued participation in our health and welfare plans for a period not to exceed 12 months from the termination date; and (c) payment of a "Pro Rata Bonus", which is defined as an amount equal to the maximum bonus Ms. Presuto had an opportunity to earn multiplied by a fraction, the numerator of which shall be the number of days from the commencement of the fiscal year to the termination date, and the denominator of which shall be the number of days in the fiscal year in which she was terminated.
- If Ms. Presuto's employment is terminated by us for "cause" or by her without "good reason," she is not entitled to any additional compensation or benefits other than her accrued and unpaid compensation.
- In the event that within 180 days of a "Change in Control" as defined in the employment agreement, (a) Ms. Presuto is terminated, or (b) her status, title, position or responsibilities are materially reduced and she terminates her employment, the Company shall pay and/or provide to her, the following compensation and benefits:

(A) The Company shall pay Ms. Presuto, in lieu of any other payments due hereunder, (i) the accrued compensation; (ii) the continuation benefits; and (iii) as severance, base salary for a period of 12 months, payable in equal installments on each of the Company's regular pay dates for executives during the twelve months commencing on the first regular executive pay date following the termination date; and

(B) The conditions to the vesting of any outstanding incentive awards (including restricted stock, stock options and granted performance shares or units) granted to Ms. Presuto under any of the Company's plans, or under any other incentive plan or arrangement, shall be deemed void and all such incentive awards shall be immediately and fully vested and exercisable. Further, any such options shall be deemed amended to provide that in the event of termination after a change of control, the options shall remain exercisable for the duration of their term.

- Upon the effective date of an event constituting a change of control, the Company shall pay Ms. Presuto, in one lump sum upon the first day of the month immediately following such event, an amount equal to her then current base salary. Ms. Presuto shall be entitled to such payment whether or not her employment with the Company continues after the change of control.
- If the payments due in the event of a change in control would constitute an "excess parachute payment" as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the aggregate of such credits or payments under the employment agreement and other agreements shall be reduced to the largest amount as will result in no portion of such aggregate payments being subject to the excise tax imposed by Section 4999 of the Code. The priority of the reduction of excess parachute payments shall be in the discretion of Ms. Presuto.
- Pursuant to the employment agreement, Ms. Presuto is subject to customary confidentiality, non-solicitation of employees and non-competition obligations that survive the termination of such agreements.

Item 9.01 Financial Statements and Exhibits

Exhibit Number	Exhibit Title or Description
99.1	Press Release dated January 13, 2010.

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/ Rick J. Filippelli

Name: Rick J. Filippelli

Title: Chief Executive Officer

Date: January 15, 2010

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated January 13, 2010.

TEAMSTAFF INC.

FOR IMMEDIATE RELEASE

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TeamStaff Reports Fourth Quarter and Full Year Results

— Sale of Travel Healthcare Staffing Subsidiary —

Somerset, New Jersey— January 13, 2010 — TeamStaff, Inc., (NASDAQ: TSTF) a leading healthcare and logistical staffing provider serving the Federal Government, today announced its financial results for the fourth quarter and fiscal year ended September 30, 2009. As a result of the previously disclosed sale of TeamStaff Rx, which was completed on January 4, 2010, all results reported in this release have been reclassified to show TeamStaff Rx as a discontinued operation.

TeamStaff's operating revenues for the three months ended September 30, 2009 were \$11.2 million as compared to \$12.5 million in the comparable quarter last year. The decrease in operating revenues from the prior year is due primarily to reduced personnel requirements and overtime restrictions at certain Government facilities. Total revenues for the three months ended September 30, 2009 were \$11.2 million as compared to \$19.7 million in the comparable quarter last year. Included in the three months ended September 30, 2008 is \$7.2 million in revenue from certain non-recurring retroactive billings. Loss from continuing operations was \$0.4 million or (\$0.08) per basic share compared to income from continuing operations of \$1.0 million or \$0.21 per basic share in the comparable quarter last year. Adjusted to eliminate profit from certain non-recurring retroactive billings, as well as favorable tax settlements and insurance claims experience on a previously divested business in the fourth quarter of fiscal 2008, the results for the three months ended September 30, 2008 would have been income from continuing operations of \$0.3 million, or \$0.07 per basic share.

Commenting on the Company's results, TeamStaff's CEO and President Rick J. Filippelli stated, "The past year was challenging for TeamStaff and the healthcare staffing industry in general. After extensive analysis and consideration of economic conditions and trends in Government spending, the Company decided to divest its travel healthcare business and focus on the development and expansion of its core Government staffing subsidiary, TeamStaff Government Solutions ("GS"). GS posted EBITDA of \$2.7 million on a stand-alone fully allocated basis for the 2009 fiscal year. This was achieved despite pressure on gross margins caused by a loss of overtime at certain facilities, increased health benefit expense, increased vacation expense due to lower turnover, and non-recurring credits issued to certain facilities. With the absence of credits and approved billing increases scheduled to take effect on January 1, 2010, we anticipate improved gross margins in fiscal 2010. In addition, revenue opportunities during most of fiscal 2009 were down primarily due to delayed receipt of stimulus funding. We did however see a pick-up in bid solicitations during the fourth quarter. This has translated into a strong pipeline for GS entering fiscal 2010. We are also encouraged by our recently announced \$3.3 million contract win and the opportunities we believe lie ahead."

Mr. Filippelli continued, "The fiscal 2009 results of the travel healthcare subsidiary, TeamStaff Rx, shown as discontinued operations, include non-cash, intangible asset write-offs of approximately \$2.3 million. The proceeds from the sale of TeamStaff Rx will help TeamStaff commit additional capital to grow its Government staffing subsidiary."

Mr. Filippelli added, "TeamStaff maintains a solid liquidity position with over \$3 million in cash and cash equivalents at fiscal year end and no balance outstanding on our revolving line of credit. The Company is streamlined, liquid and positioned for growth in 2010."

Full Year Results

TeamStaff's operating revenues for the fiscal year ended September 30, 2009 were \$46.0 million as compared to \$47.7 million last year. TeamStaff's operating gross profit was \$7.0 million, or 15.2% of revenues for the fiscal year ended September 30, 2009 as compared to \$8.3 million, or 17.3% of revenues, for the fiscal year ended September 30, 2008. Income from continuing operations was \$0.4 million or \$0.08 per basic share for the fiscal 2009 compared to \$3.2 million or \$0.66 per basic share for fiscal 2008. Adjusted to eliminate profit from certain non-recurring retroactive billings, as well as favorable tax settlements and insurance claims experience on a previously divested business in fiscal 2008, last year's income from continuing operations would have been \$1.4 million, or \$0.29 per basic share.

SG&A expenses for the fiscal year ended September 30, 2009 and 2008 were \$6.5 million and \$5.9 million, respectively. Included in this increase is \$0.1 million in management consulting fees related to the strategic business review of our government business, \$0.5 million in increased new business expense for additional sales related headcount and marketing expense at TeamStaff GS and \$0.2 million in legal settlement expense. The Company continues with its cost saving initiatives, which have resulted in reduced headcount in non-revenue generating departments and G&A costs. The Company seeks continued elimination of overhead costs deemed to be non-essential to growth or infrastructure.

The Company also recorded a loss from discontinued operations related to the sale of TeamStaff Rx for the fiscal year ended September 30, 2009 of \$4.7 million or (\$0.97) per basic share. Included in the full year loss is a non-cash goodwill and tradename write-off of \$2.3 million.

Due to the timing of the completion of the Company's sale of the assets of its TeamStaff Rx business, the Company's management was not able to complete the preparation of its Annual Report on Form 10-K in sufficient time to allow the Company's independent registered public accounting firm to complete its review of the report prior to its filing due date. Although the Company will file its Annual Report on Form 10-K as soon as possible, due to the foregoing circumstances, it was not able to accomplish this task prior to the required filing date.

Non-GAAP Measures

This earnings release contains certain non-GAAP financial information. These measures are not in accordance with, or an alternative to, generally accepted accounting principles in the United States ("GAAP"), and may be different from non-GAAP measure reported by other companies. See table below for reconciliation of non-GAAP items. TeamStaff's management does not suggest that investors consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial measures, such as net income, cash flow data or other financial information presented in the consolidated financial statements.

About TeamStaff, Inc.

Headquartered in Somerset, New Jersey, TeamStaff through its subsidiary, TeamStaff Government Solutions, specializes in providing medical, logistic, information technology and office administration professionals through nationwide Federal Supply Schedule contracts with both the United States General Services Administration and the United States Department of Veterans Affairs. For more information, visit the TeamStaff web site at www.teamstaff.com.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995:

This press release contains “forward-looking statements” as defined by the Federal Securities Laws. Statements in this press release regarding TeamStaff, Inc.’s business, which are not historical facts are “forward-looking statements” that involve risks and uncertainties. TeamStaff’s actual results could differ materially from those described in such forward-looking statements as a result of certain risk factors and uncertainties, including but not limited to: our ability to continue to recruit and retain qualified temporary and permanent healthcare professionals and administrative staff on acceptable terms; our ability to enter into contracts with hospitals, healthcare facility clients, affiliated healthcare networks, physician practice groups, government agencies and other customers on terms attractive to us and to secure orders related to those contracts; changes in the timing of customer orders for placement of temporary and permanent healthcare professionals and administrative staff; the overall level of demand for our services; our ability to successfully implement our strategic growth, acquisition and integration strategies; the effect of existing or future government legislation and regulation; the loss of key officers and management personnel that could adversely affect our ability to remain competitive; other regulatory and tax developments; and the effect of other events and important factors disclosed previously and from time-to-time in TeamStaff’s filings with the U.S. Securities Exchange Commission. For a discussion of such risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in the Company’s periodic reports filed with the SEC. The information in this release should be considered accurate only as of the date of the release. TeamStaff expressly disclaims any current intention to update any forecasts, estimates or other forward-looking statements contained in this press release.

(financial tables follow)

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(Unaudited)

	For the Three Months Ended	
	September 30, 2009	September 30, 2008
REVENUES		
Operating revenues	\$ 11,192	\$ 12,506
Non-recurring retroactive billings	—	7,248
Total revenue	<u>11,192</u>	<u>19,754</u>
DIRECT EXPENSES		
Operating direct expense	9,746	10,231
Non-recurring retroactive billings	—	7,122
Total direct expense	<u>9,746</u>	<u>17,353</u>
GROSS PROFIT		
Operating gross profit	1,446	2,275
Non-recurring retroactive billings	—	126
Total gross profit	<u>1,446</u>	<u>2,401</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,649	1,642
DEPRECIATION AND AMORTIZATION	<u>28</u>	<u>28</u>
(Loss) income from operations	(231)	731
OTHER INCOME (EXPENSE)		
Interest income	4	22
Interest expense	(142)	(25)
Settlement of prior periods' payroll tax contingencies	—	416
Other income, net	2	1
Legal expense related to pre-acquisition activity of acquired company	(5)	(62)
	<u>(141)</u>	<u>352</u>
(Loss) income from continuing operations before taxes	(372)	1,083
INCOME TAX BENEFIT	—	(60)
(Loss) income from continuing operations	(372)	1,023
LOSS FROM DISCONTINUED OPERATIONS		
Loss from operations	(2,939)	(517)
Loss from discontinued operations	(2,939)	(517)
NET (LOSS) INCOME	\$ (3,311)	\$ 506
(LOSS) EARNINGS PER SHARE — BASIC & DILUTED		
(Loss) income from continuing operations	\$ (0.08)	\$ 0.21
Loss from discontinued operations	(0.60)	(0.11)
Net (loss) earnings per share	<u>\$ (0.68)</u>	<u>\$ 0.10</u>
WEIGHTED AVERAGE BASIC SHARES OUTSTANDING	<u>4,898</u>	<u>4,897</u>
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	<u>4,898</u>	<u>4,906</u>

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Year Ended	
	September 30, 2009	September 30, 2008
REVENUES		
Operating revenues	\$ 46,021	\$ 47,747
Non-recurring retroactive billings	—	10,772
Total revenue	<u>46,021</u>	<u>58,519</u>
DIRECT EXPENSES		
Operating direct expense	39,019	39,495
Non-recurring retroactive billings	—	10,080
Total direct expense	<u>39,019</u>	<u>49,575</u>
GROSS PROFIT		
Operating gross profit	7,002	8,252
Non-recurring retroactive billings	—	692
Total gross profit	<u>7,002</u>	<u>8,944</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6,505	5,930
DEPRECIATION AND AMORTIZATION	<u>111</u>	<u>150</u>
Income from operations	386	2,864
OTHER INCOME (EXPENSE)		
Interest income	45	40
Interest expense	(222)	(147)
Settlement of prior periods' payroll tax contingencies	—	716
Other income, net	160	—
Legal expense related to pre-acquisition activity of acquired company	(21)	(218)
	<u>(38)</u>	<u>391</u>
Income from continuing operations before taxes	348	3,255
INCOME TAX BENEFIT (EXPENSE)	28	(60)
Income from continuing operations	<u>376</u>	<u>3,195</u>
LOSS FROM DISCONTINUED OPERATIONS		
Loss from operations	(4,731)	(2,049)
Loss from discontinued operations	<u>(4,731)</u>	<u>(2,049)</u>
NET (LOSS) INCOME	\$ (4,355)	\$ 1,146
(LOSS) EARNINGS PER SHARE — BASIC		
Income from continuing operations	\$ 0.08	\$ 0.66
Loss from discontinued operations	(0.97)	(0.42)
Net (loss) earnings per share	<u>\$ (0.89)</u>	<u>\$ 0.24</u>
(LOSS) EARNINGS PER SHARE — DILUTED		
Income from continuing operations	\$ 0.07	\$ 0.66
Loss from discontinued operations	(0.93)	(0.42)
Net (loss) earnings per share	<u>\$ (0.86)</u>	<u>\$ 0.24</u>
WEIGHTED AVERAGE BASIC SHARES OUTSTANDING	<u>4,900</u>	<u>4,866</u>
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	<u>5,085</u>	<u>4,875</u>

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)

	September 30, 2009	September 30, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,992	\$ 5,213
Accounts receivable, net of allowance for doubtful accounts of \$0 as of September 30, 2009 and 2008	11,427	11,881
Prepaid workers' compensation	517	562
Other current assets	257	505
Assets from discontinued operations	1,418	3,878
Total current assets	<u>16,611</u>	<u>22,039</u>
EQUIPMENT AND IMPROVEMENTS:		
Furniture and equipment	2,262	2,262
Computer equipment	254	249
Computer software	788	725
Leasehold improvements	9	9
	<u>3,314</u>	<u>3,245</u>
Less accumulated depreciation and amortization	(3,054)	(2,945)
Equipment and improvements, net	<u>260</u>	<u>300</u>
TRADENAME	3,924	3,924
GOODWILL	8,595	8,595
OTHER ASSETS	267	136
TOTAL ASSETS	<u>\$ 29,657</u>	<u>\$ 34,994</u>

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT PAR VALUE OF SHARES)

	September 30, 2009	September 30, 2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 1,500	\$ 1,500
Current portion of capital lease obligations	20	29
Accrued payroll	10,694	10,408
Accrued pension liability	—	70
Accounts payable	1,890	2,578
Accrued expenses and other current liabilities	1,241	1,910
Liabilities from discontinued operations	392	381
Total current liabilities	15,737	16,876
CAPITAL LEASE OBLIGATIONS, net of current portion	27	45
OTHER LONG TERM LIABILITY, net of current portion	13	14
LONG TERM LIABILITIES FROM DISCONTINUED OPERATIONS	64	173
Total Liabilities	15,841	17,108
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.10 par value; authorized 5,000 shares; none issued and outstanding	—	—
Common Stock, \$.001 par value; authorized 40,000 shares; issued 4,900 at September 30, 2009 and 4,874 at September 30, 2008, respectively; outstanding 4,898 at September 30, 2009 and 4,843 at September 30, 2008, respectively	5	5
Additional paid-in capital	69,124	68,844
Accumulated deficit	(55,289)	(50,934)
Accumulated comprehensive loss	—	(5)
Treasury stock, 2 shares at cost at September 30, 2009 and September 30, 2008	(24)	(24)
Total shareholders' equity	13,816	17,886
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 29,657	\$ 34,994

TEAMSTAFF, INC. AND SUBSIDIARIES
SUPPLEMENTAL FINANCIAL AND OPERATING DATA
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(Unaudited)

RECONCILIATION OF NON-GAAP ITEMS:

	For the three months ended		For the year ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
(Loss) income from continuing operations	\$ (372)	\$ 1,023	\$ 376	\$ 3,195
Gross profit from non-recurring retroactive billings	—	(126)	—	(692)
Settlement of prior periods' payroll tax contingencies	—	(416)	—	(716)
Insurance claims on previously divested business	—	(133)	—	(400)
Adjusted (loss) income from continuing operations (1)	\$ (372)	\$ 348	\$ 376	\$ 1,387
GAAP based (loss) income from continuing operations per basic share	\$ (0.08)	\$ 0.21	\$ 0.08	\$ 0.66
Adjustments:				
Gross profit from non-recurring retroactive billings	—	(0.03)	—	(0.14)
Settlement of prior periods' payroll tax contingencies	—	(0.08)	—	(0.15)
Insurance claims on previously divested business	—	(0.03)	—	(0.08)
Adjusted (loss) income from continuing operations per basic share (2)	\$ (0.08)	\$ 0.07	\$ 0.08	\$ 0.29

	Stand alone TeamStaff GS	TeamStaff Inc. Corporate (3)	As reported Consolidated
For the year ended September 30, 2009			
Income (loss) from operations	\$ 3,324	\$ (2,938)	\$ 386
Depreciation and amortization	72	39	111
Allocation of direct expenses	(674)	674	—
EBITDA (4)	\$ 2,722	\$ (2,225)	\$ 497

(1) Adjusted (loss) income from continuing operations represents GAAP (loss) income from continuing operations minus gross profit from non-recurring retroactive billings and certain non-recurring payroll tax and insurance adjustments. Management presents adjusted (loss) income from continuing operations to show the three and twelve month comparative adjusted net (loss) income to show what results would have been in the three and twelve months of fiscal 2008 had the non-recurring items not occurred. Management believes that adjusted (loss) income from continuing operations is a useful supplement to (loss) income from continuing operations as an indicator of operating performance. Management believes such a measure provides a picture of the Company's results that is more comparable among periods since it excludes the impact of items that are non-recurring, which could cause distorted comparisons between periods, thus providing a more meaningful comparison of its financial results. As defined, adjusted (loss) income from continuing operations is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. While management believes that the non-recurring items are not indicative of the Company's current operating performance, these items do impact the income statement, and management therefore utilizes adjusted (loss) income from continuing operations as an operating performance measure in conjunction with GAAP measures such as GAAP (loss) income from continuing operations.

(2) Adjusted (loss) income from continuing operations per basic share represents GAAP (loss) earnings from continuing operations per basic share minus gross profit from non-recurring retroactive billings and certain non-recurring payroll tax and insurance adjustments. Management presents adjusted (loss) earnings from continuing operations per basic share to show what results would have been in the three and twelve months of fiscal 2008 had the non-recurring items not occurred because it believes that adjusted (loss) earnings from continuing operations per basic share is a useful supplement to GAAP (loss) earnings from continuing operations per basic share as an indicator of operating performance. Management believes such a measure provides a picture of the company's results that is more comparable among periods since it excludes the impact of items that are non-recurring, which could cause distorted comparisons between periods, thus providing a more meaningful comparison of its financial results. As defined, adjusted (loss) earnings from continuing operations per basic

share is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. While management believes that the non-recurring items are not indicative of the company's current operating performance, these items do impact the income statement, and management therefore utilizes adjusted (loss) earnings from continuing operations per basic share as an operating performance measure in conjunction with GAAP measures such as GAAP (loss) earnings from continuing operations per share.

- (3) Expenses related to TeamStaff Inc. on a stand alone basis include the costs associated with being a publicly traded company, general corporate expenses and certain direct expenses of the TeamStaff GS business.
- (4) EBITDA, a non-GAAP financial measure, is defined as earnings before interest, income taxes, depreciation and amortization. Items excluded from EBITDA are significant components in understanding and assessing financial performance. Management presents EBITDA because it believes that EBITDA is a useful supplement to net (loss) income as an indicator of operating performance. The Company believes it is useful for management to review both GAAP information and non-GAAP financial measures to have a better understanding of the overall performance of the Company's business and trends relating to its financial condition and results of operations. Management believes that this information provides greater insight into our Company's underlying operating performance that facilitates a more meaningful comparison of its financial results in different reporting periods.