

TeamStaff provides the following staffing services:

- Allied Health Professionals
- Nursing Professionals
- Administrative Personnel
- Logistic Personnel

The TeamStaff Rx subsidiary operates throughout the United States and specializes in the supply of allied health medical employees and nurses, especially "travel" staff (typically on thirteen-week assignments). Allied medical staff includes MRI technicians, mammographers, dosimetrists, ultrasound staff and physicists. The Nursing division of TeamStaff Rx provides travel nursing, temporary-to-permanent nursing and permanent placement nursing services. A sampling of the Nursing personnel placed include ER, ICU, L&D, Cath Lab, Critical Care, and Medical Surgical.

TeamStaff Rx has more than 25 years of experience in placing temporary and permanent employees with specialized skills and talents to regional and national medical facilities. Temporary medical staffing enables clients to attain management and productivity goals by matching highly trained professional and technical personnel to specific staffing requirements.

TeamStaff Rx focuses its allied health and nurse staffing services in all national markets, and seeks to place employees on temporary long-term assignments or on a permanent basis. TeamStaff Rx employs radiological technologists, diagnostic sonographers, cardiovascular technologists, radiation therapists, registered nurses and other medical professionals, and places these professionals in hospitals, clinics and therapy centers throughout the United States.

TeamStaff Rx's clients are dependent on temporary staffing to supplement various internal departments for staffing shortages due to vacations, medical leaves and other causes. Our Company's operating units fill our clients' needs by providing qualified personnel on a monthly, quarterly or longer basis, depending upon a client's particular staffing objectives. TeamStaff Rx also provides targeted recruiting for clients seeking permanent employees. Additionally, if an employee on temporary assignment is hired by the client on a permanent basis, TeamStaff Rx usually receives a recruitment fee from that client.

TeamStaff's Government Solutions subsidiary, formerly known as RS Staffing Services, specializes in providing medical and office administration/technical professionals through nationwide schedule contracts with both the General Services Administration and Veterans Affairs, among other customers. TeamStaff GS provides its clients, primarily the U.S. Government, with personnel to supplement various departments experiencing staffing shortages because of open positions, vacations, medical leaves and other causes. TeamStaff GS provides qualified personnel on a weekly, monthly, quarterly or longer basis.

TeamStaff's entire complement of staffing services provide clients the ability to "right size;" that is, to expand or reduce their workforces in response to changing business conditions. The Company believes that these services provide numerous benefits to its clients, such as saving the costs of salary and benefits of a permanent employee whose services are not needed throughout the year. The clients also avoid the costs, uncertainty and delays associated with searches for qualified interim employees. TeamStaff's temporary staffing services also allow a client to avoid administrative responsibility for payroll, payroll taxes, workers' compensation, unemployment and medical benefits for interim employees.

The Company believes that its temporary staffing services provide a client with an increased pool of qualified personnel. Since TeamStaff's temporary staffing employees have access to a wide array of benefits, such as paid time off, health and life insurance, Section 125 premium conversion plans and 401(k) retirement savings plans, TeamStaff believes it is able to attract a sufficient pool of personnel to grow this business. These benefits provide

temporary employees with the motivation of permanent workers without additional benefit and administrative costs to the client.

The current shortage in the availability of certain allied health and nursing personnel, along with the advent of certain patient protection measures, has, in management's opinion, created an improving market opportunity for TeamStaff Rx and its Nursing Innovations division. TeamStaff believes that both divisions are in a pivotal position to increase its market share based on its reputation and experience in the temporary medical staffing industry. TeamStaff GS continues to seek further opportunities in the government sector, and to grow further where it has previously enjoyed a strong market position. TeamStaff GS also has significant revenue opportunities through the use of "teaming partners" that provide personnel to fill positions secured by TeamStaff GS.

TeamStaff's goal is to build on its reputation and to become a leading one-stop provider of its clients' temporary travel medical staffing, nursing and government sector personnel. The Company believes it can achieve this goal through a combination of: 1) organic growth; 2) establishing and building a network of alliances with complementary staffing organizations; and 3) completing acquisitions of complementary staffing organizations to increase its product offerings and achieve operational scale. The Company's acquisition of certain temporary nurse staffing assets of Nursing Innovations and RS Staffing Services, Inc. during the last fiscal year is part of its acquisitive growth strategy. We have not entered into any definitive agreements to acquire any further businesses, and there can be no assurance that we will be able to identify any such businesses, or that even once identified, we will be able to acquire them on terms acceptable to us.

### **Government Contracts**

The U.S. Government is the primary customer to our TeamStaff Government Solutions subsidiary. Many of the U.S. Government programs in which we participate as a contractor or subcontractor may extend for several years. However, such programs are normally funded on an annual basis. All U.S. Government contracts and subcontracts may be modified, curtailed or terminated at the convenience of the government for any reason, including if program requirements or budgetary constraints change. If a contract is terminated for convenience, we would generally be reimbursed for our allowable costs through the date of termination and are paid a proportionate amount of the stipulated profit or fee attributable to the work actually performed. Although contract and program modifications, curtailments or terminations have not had a material adverse effect on the business of TeamStaff GS in the past, no assurance can be given that such modifications, curtailments or terminations will not have a material adverse effect on our financial condition or results of operations in the future. In addition, the U.S. Government may terminate a contract for default. Although the U.S. Government has never terminated any of RS Staffing Service's contracts for default, such a termination could have a significant impact on our business. If a contract is terminated for default, we may be unable to recover amounts billed or billable under the contract and may be liable for other costs and damages.