

2009 ANNUAL REPORT

Fellow Shareholders:

During 2009 the men and women of TeamStaff Inc. delivered solid technical performance through their commitment to excellence and customer satisfaction. Our efforts in partnership with key customers contributed to important accomplishments to enhance logistics and health care service delivery to our nation's warriors and veterans.

Most notably, 2009 marked the beginning of a key strategic shift in direction. During the fourth fiscal quarter, recognizing that conditions in the Corporation's external business environment had deteriorated significantly and would continue to impact profitability, the Board of Directors determined that it had become necessary to engage an unbiased, third-party consultant to conduct a strategic review of the enterprise. The Board's Strategic Planning Committee identified and retained two industry-specific strategic advisory specialists with deep domain expertise in TeamStaff's respective markets – commercial healthcare staffing and government services. The firms were chartered with conducting a comprehensive review of each of the corporation's operating businesses (TeamStaff Rx and TeamStaff Government Solutions) as well as a consolidated review of the enterprise as a whole.

Over a two-month period, these specialists performed exhaustive analyses of the external and internal business environment, including detailed examination of business conditions in TeamStaff's markets and the company's internal capabilities and critical resources. Following the completion of their research and further consultation with the Board of Directors, TeamStaff decided to divest its commercial business, TeamStaff Rx, and pursue a government-services focused strategy

As a result of this shift in focus, the Board of Directors engaged a leading executive search firm to provide a slate of top industry executives with demonstrated success in operating and profitably growing government and Department of Defense business. After months of due diligence and discussions, with high optimism and confidence, I humbly accepted the position of President and Chief Executive Officer of TeamStaff Inc. in February 2010.

Although current economic and business conditions present formidable challenges, and we can not be assured of our success, our leadership team is optimistic about our future. Several factors contribute to our optimism:

- Our strengths and core competencies in the government services market aligns well with the President's (and Pentagon's) budget priorities with particular emphasis in areas supporting logistics and healthcare delivery to existing veterans and those Warfighters soon to return from Iraq and Afghanistan. Our Government Solutions (GS) business offers potential for TeamStaff to be well-positioned for growth in this expanding market.



Zachary C. Parker
President,
Chief Executive Officer,
& Director



TeamStaff is proud of our relationship with the Department of Veterans Affairs Consolidated Mail Outpatient Pharmacy (CMOP) program and its recent recognition, in 2009, by J.D. Power and Associates for Outstanding Customer Service rated as “Among the Best.” TeamStaff GS is currently the largest provider of staffing services in support of the CMOP system and is honored to provide quality support to our nation’s veterans through the CMOP program.



Recent organic growth with wins on key government contract competitions including the Armed Forces Retirement Home healthcare program as well as several critical positions to support American Recovery and Reinvestment Act “ARRA” projects for the United States Department of Agriculture. Tactical wins on small, highly competitive contracts such as these can be leveraged as we expand strategically into adjacent and more profitable government services markets.

Demonstrated ability to recruit and retain “top caliber” talent for our key programs. The low voluntary turnover of our nearly 800 employees within the GS business unit is indicative of a high degree of employee satisfaction.

While we are proud of these accomplishments, we are disappointed by the commercial market shift away from Rx-type staffing models and the aggressive, indiscriminant insourcing (i.e. change contractors to government employees) by the federal government. These setbacks, driven largely by shifting customer priorities and requirements, presented real challenges to the TeamStaff Inc. business. The erosion of sales and profitability culminated in layoffs and the ultimate divestiture of TeamStaff Rx.

We continue to be very proud of our workforce and leadership teams for weathering these storms and continuing to deliver outstanding services despite this challenging environment.

Looking Ahead in 2010

We have completed the first half of fiscal 2010 with a firm resolve to keep TeamStaff Inc. on a steady path to financial vitality, accelerated our transition to a focused government services business, growing and expanding our presence in core and adjacent profitable markets, and continued our commitment to performance excellence. We are focused on:



- Reshaping in-house resources to align with the government market
- Developing infrastructure and tools to enhance success as we grow
- Developing a new strategic plan and align business development processes and resources accordingly
- Increasing and re-branding our corporate image for the targeted markets and enhance communications with shareholders and the investment community

To help achieve these goals in a reasonable timeframe we have begun to make changes to our infrastructure, policies, and resources. Among these changes we have begun phase-in testing of a new mini- enterprise resource planning (ERP) system that will allow us to track, monitor and report cost and performance metrics required by government auditors and prime contractor teaming partners. This should be completed this fiscal year with potential for modular growth. We are eliminating vendor agreements, licenses, and corporate alliances that do not contribute to our new focus. We have begun the search and selection process to appoint a company Compliance Officer with extensive Federal Acquisition Regulations (FAR) experience to complement our existing SEC and Sarbanes-Oxley compliance capability. This position is crucial for risk management for Department of Defense and other federal agencies.

Our long range strategic plan is in development and will be a major tool to ensure that our costs, investments, and business pursuits are properly aligned with our organic growth and profitability strategies and eliminate waste. In addition, we are building a team to revamp our websites and virtual communication tools which will enhance our external marketing and investor relations interaction.

I am excited to lead this excellent enterprise through this transformational period and enhance shareholder value through strategic profitable growth and market recognition. I look forward to meeting with you and discussing my vision for the future at our Annual Meeting of the Shareholders later this summer near our office in Somerset, New Jersey.

Zachary C. Parker
President, Chief Executive Officer, Board Director

Special note: The Board of Directors and I would like to express our sincere thanks to Rick Filippelli, former president and CEO for his outstanding professionalism and valued contributions toward an effective transition. We are all very grateful for his skilled and steadfast support to TeamStaff Inc.