SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ________

Commission file number 0-26058

ROMAC INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	59-3264661
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
120 WEST HYDE PARK PLACE SUITE 150 TAMPA, FLORIDA	33606
(Address of principal executive offices)	(zip-code)

Registrant's telephone number, including area code: (813) 251-1700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) had been subject to such filing requirements for the past 90 days. YES X NO ___

As of November 10, 1998, the registrant had 46,897,194 shares of common stock, $.01 par value per share, issued and outstanding.

ITEM 1. FINANCIAL STATEMENTS

ROMAC INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)

	SEPTEMBER 30, 1998 (UNAUDITED)	DECEMBER 31, 1997
Assets:		
Current Assets:		
Cash and cash equivalents	$ 76,552	$ 101,669
Short-term investments	14,666	1,953

Trade receivables, net of allowance for doubtful accounts of $6,813 and $5,423 respectively	113,043	84,729
Notes receivable from franchisees, current	32	109
Receivables from related parties, current	387	233
Deferred tax asset, current	3,138	3,141
Prepaid expenses and other current assets	3,093	2,519
Total current assets	210,911	194,353
Note receivable from franchisees, less current portion	--	4
Receivables from related parties, less current portion	1,720	1,290
Deferred tax asset, less current portion	310	310
Furniture and equipment, net	23,840	15,921
Goodwill, net of accumulated amortization of $4,828 and $2,578, respectively	94,457	66,652
Other assets, net	5,428	4,878
Total assets	$ 336,666	$ 283,408
Liabilities and Shareholders' Equity:		
Current Liabilities:		
Accounts payable and other accrued liabilities	$ 13,371	$ 8,031
Accrued payroll costs	41,544	28,138
Income taxes payable	4,437	3,729
Current portion of capital lease obligations	743	731
Current portion of payables to related parties	14,649	4,265
Accrued merger and integration expenses	8,081	--
Total current liabilities	82,825	44,894
Capital lease obligations, less current portion	686	1,260
Payables to related parties, less current portion	2,000	1,375
Other long-term liabilities, less current portion	4,832	3,175
Total liabilities	90,343	50,704
Commitments and contingencies	--	--
Shareholders' Equity:		
Preferred stock, par value $.01; 15,000 shares authorized, none issued and outstanding	--	--
Common stock, par value $.01; 250,000 shares authorized, 46,275 and 45,475 issued, respectively	462	455
Additional paid-in-capital	183,282	178,494
Retained earnings	63,476	54,723
Cumulative translation adjustment	28	(42)
Less reacquired stock at cost; 677 shares, respectively	(925)	(925)
Total shareholders' equity	246,323	232,704
Total liabilities and shareholders' equity	$ 336,666	$ 283,408

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ROMAC INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 1998	SEPTEMBER 30, 1997	SEPTEMBER 30, 1998	SEPTEMBER 30, 1997
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Net service revenues	$ 174,361	$ 122,326	$ 496,084	$ 333,279
Direct costs of service	100,182	64,804	281,820	175,468
Gross profit	74,179	57,522	214,264	157,811
Selling, general and administrative expenses	56,278	46,499	166,906	130,691
Depreciation and amortization expense	2,353	1,395	6,425	3,616
Merger, restructuring, and integration expenses	3,272	--	23,493	--
Other (income) expense, net	(1,383)	(543)	(3,780)	(1,825)

Income before income taxes	13,659	10,171	21,220	25,329
Provision for income taxes	7,467	4,176	12,467	10,546
Net income	$ 6,192	$ 5,995	$ 8,753	$ 14,783
Net income per share- Basic	$ .14	$ 0.15	$ 0.19	$ 0.37
Weighted average shares outstanding- Basic	45,498	40,066	45,307	39,714
Net income per share- Diluted	$ .13	$ 0.14	$ 0.18	$ 0.36
Weighted average shares outstanding- Diluted	47,436	41,612	47,464	41,183

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ROMAC INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30, 1998 (UNAUDITED)	NINE MONTHS ENDED SEPTEMBER 30, 1997 (UNAUDITED)
Cash flows from operating activities:		
Net income	$ 8,753	$ 14,783
Adjustments to reconcile net income to net cash provided by Operating activities:		
Depreciation and amortization	6,425	3,992
Provision for losses on accounts and notes receivable	3,169	409
Deferred taxes	3	(98)
Loss on asset sales		66
(Increase) decrease in operating assets:		
Trade receivables, net	(31,483)	(25,070)
Notes receivable from franchisees, current	77	71
Prepaid expenses and other current assets	(574)	(485)
Notes receivable from franchisees, less current portion	4	3
Other assets, net	1,293	(1,797)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	5,340	1,270
Accrued payroll costs	13,407	10,254
Income taxes payable	1,259	4,264
Other long-term liabilities	1,657	733

Cash provided by operating activities	9,330	8,395
Cash flows from investing activities:		
Capital expenditures	(11,982)	(6,982)
Acquisition and earnout settlements	(19,088)	(51,576)
Accrued merger, restructuring and integration expenses	8,081	
Proceeds from the sale of fixed assets		1,696
Proceeds from the sale of short-term investments		2,710
Increase in cash surrender value of life insurance policies	(1,843)	
Payments for the purchase of short-term investments	(12,713)	(3,023)
Cash used in investing activities	(37,545)	(57,175)
Cash flows from financing activities:		
Payments on notes receivable from stock subscriptions		13
Proceeds from bank line of credit	--	6,070
Payments on capital lease obligations	(562)	(359)
Payments on receivables from related parties	234	56
Issuance of payables to related parties	--	5,837
Expenses from issuance of common stock	(57)	
Issuance of receivables from related parties	(818)	(504)
Proceeds from exercise of stock options	4,301	2,969
Cash used in financing activities	3,098	14,082
Decrease in cash and cash equivalents	(25,117)	(34,698)
Cash and cash equivalents at beginning of period	101,669	58,404
Cash and cash equivalents at end of period	$ 76,552	$ 23,706
Supplemental Cash Flows Information		
Cash paid during the period for:		
Income Taxes	$ 1,258	$ 2,338
Interest		166
Non cash investing and financing activity:		
Capital lease transaction		$ 2,526

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ROMAC INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

COMMON STOCK:	Shares	Amounts
Balance at December 31, 1997	45,475	$ 455
Exercise of stock options	800	7
Balance at September 30, 1998	46,275	$ 462

ADDITIONAL PAID-IN CAPITAL:	
Balance at December 31, 1997	$ 178,494
Issuance of common stock	(57)
Exercise of stock options	4,294
Tax benefit related to employee stock options	551

Balance at September 30, 1998	$ 183,282

RETAINED EARNINGS:	
Balance at December 31, 1997	$ 54,723
Net income	8,753
Balance at September 30, 1998	$ 63,476
REACQUIRED STOCK:	
Balance at December 31, 1997	($925)
Balance at September 30, 1998	($925)
CUMULATIVE TRANSLATION ADJUSTMENT:	
Balance at December 31, 1997	($42)
Foreign currency translation adjustment	70
Balance at September 30, 1998	$ 28

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ROMAC INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1998
(UNAUDITED)
(IN THOUSANDS)

NOTE A --- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The consolidated Financial Statements include the accounts of Romac International, Inc. (the "Company") and its subsidiaries. The Company completed its merger with Source Services Corporation ("Source") on April 20, 1998. Source continues to operate as a separate division of the Company. This merger was accounted for under the pooling of interests method; accordingly all historical results have been restated to reflect the merger. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Interim Financial Information. The consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in management's opinion, include all adjustments necessary for a fair statement of results for such interim periods. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules or regulations; however, the Company believes that the disclosures made are adequate to make the information presented not misleading.

Revenue Recognition. Net service revenues consist of sales, net of credits and discounts. The Company recognizes Flexible Billings based on hours worked by assigned personnel on a weekly basis. Search Fees are recognized in contingency search engagements upon the successful completion of the assignment. For the Source division, the search fee policy is that if an individual fails to continue employment for a period of time as specified in the placement agreement, generally a thirty-to-ninety day period, the Company is not entitled to collect the search fee. Revenue from search fees is shown on the Consolidated Statement of Operations net of amounts written off for adjustments due to placed candidates not remaining in employment for the guarantee period.

Franchise fees were determined based upon a contractual percentage of the revenue billed by franchisees. Costs relating to the support of franchised operations were included in the Company's selling, general and administrative expenses. The last remaining franchisee and licensee agreement was terminated at the end of the second quarter of 1997. The Company was the legal employer of flexible personnel under its licensing arrangements, and accordingly, included revenues and related direct costs of licensed offices in its net service revenues and direct costs of services, respectively. Commissions paid to licensees were based upon a percentage of the gross profit generated, and were included in the Company's direct cost of services.

Cash and Cash Equivalents. The Company classifies all highly-liquid investments with an initial maturity of three months or less as cash equivalents.

Self-insurance. The Company offers an employee benefit program for which it is self-insured for a portion of the cost. The Company is liable for claims up to $100 per employee and aggregate

claims up to a defined yearly payment limit. All full-time employees and salaried consultants of the Source division are eligible to participate in the program. Self-insurance costs are accrued using actuarial estimates to approximate the liability for reported claims and claims incurred but not reported.

Income Taxes. The Company accounts for income taxes under the principles of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires an asset and liability approach to the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the carrying amounts and the tax bases of other assets and liabilities. The tax effects of deductions attributable to employees' disqualifying dispositions of shares obtained from incentive stock options were reflected in additional paid-in capital.

Foreign Currency Translation. Foreign currency translation adjustments arise from the activities of Source's Canadian operations. Results of operations are translated using the average exchange rates during the period, while assets and liabilities are translated into U.S. dollars using current rates. Resulting foreign currency translation adjustments are recorded in Stockholder's Equity.

Earnings Per Share. Options to purchase 2,917 shares of common stock were outstanding during 1998, but were not included in the computation of diluted earnings per share for the three or nine months ended September 30, 1998 because the options were anti-dilutive.

Recently Issued Accounting Pronouncements

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," which will require the Company to disclose, in financial statement format, all non-owner changes in equity. Such changes include cumulative foreign currency translation adjustments and certain minimum pension liabilities. Comprehensive income is materially the same as reported net income.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for reporting information about operating segments in annual financial statements and interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997 and requires presentation of prior period financial statements for comparability purposes. Romac is currently evaluating its required disclosures under SFAS No. 131 and expects to adopt this standard during the year ended December 31, 1998.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. This statement is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It also requires that all derivatives and hedging activities be recognized as either assets or liabilities in the Statement of Financial Position and be measured at fair value. Romac does not believe adoption of this standard will have a material impact on the Company's financial performance or reporting and expects to adopt this standard during the year ended December 31, 2000.

Reclassifications. Certain amounts related to the three and nine month periods ending September 30, 1997 have been reclassified to conform with current period presentation. The amounts are not considered material to the overall financial statement presentation.

NOTE B---ACQUISITIONS

On April 20, 1998, the Company consummated a merger whereby Source Services Corporation ("Source"), a Delaware corporation, was merged into the Company pursuant to an Agreement and Plan of Merger ("the Merger Agreement") dated February 1, 1998, as amended on February 11, 1998 and April 17, 1998. The acquisition has been accounted for using the pooling of interests method; accordingly, and historical results have been restated to reflect the merger.

The following unaudited, pro forma, selected income statement data has been prepared to reflect the effect on the Company as if the acquisitions (which were accounted for under the purchase method) of Uni-Quality Systems Solutions, Inc ("UQ") and Sequent Associates, Inc. ("Sequent") (September 1997) had been recorded as of January 1, 1997.

	Nine Months Ended September 30,	
	1998 Actual	1997 Proforma
	(unaudited)	(unaudited)
Net service revenues	$496,084	$361,847
Gross profit	214,264	165,123
Income before income taxes	21,220	25,577
Net income	8,753	14,856
Net income per share - Basic	.19	.37
Weighted average shares outstanding - Basic	45,307	39,714
Net income per share - Diluted	.18	.36
Weighted average shares outstanding - Diluted	47,464	41,183

NOTE C---MERGER, RESTRUCTURING, AND INTEGRATION EXPENSE

Pursuant to the terms of the Merger Agreement, each issued and outstanding share of common stock, par value $.02, of Source was converted into the right to receive 1.1351 shares of common stock, par value $.01 per share of the Company's common stock. The Company issued approximately 15.6 million shares of common stock upon conversion of the shares of Source common stock. In addition, each option to purchase Source Common Stock outstanding under Source's stock option plans was converted into an option to purchase the number of shares of the Company's common stock subject to such option multiplied by the exchange ratio for the merger.

In connection with the Merger, the Company recorded a $3.3 million before tax charge for restructuring and other merger and integration related costs in the three months ended September 30, 1998 and $23.5 million before tax charge for the nine months ended September 30, 1998. The charge for the nine months ended September 30, 1998 included $8.2 million of direct merger costs, which consisted of professional fees and other transaction costs, $3.9 million of severance to be incurred in connection with anticipated staff reductions, $4.6 million of planned termination of leased office facilities, and $6.8 million of other expenses directly related to the Merger.

The Company expects to incur an additional $8.5 million of merger, restructuring, and integration related costs for training, lease termination, and other costs to eliminate redundant back office and other operations. These costs will be recognized as period expenses when incurred as these costs do not qualify for immediate recognition under an existing accounting pronouncement and will be classified as merger, restructuring, and integration expenses. The estimate of the total merger, restructuring and integration costs related to the Source merger is $32.0 million.

NOTE D---GOODWILL

During the third quarter of 1998, the Company settled the earnouts on certain acquisitions during 1997 for approximately $12.9 million and accrued approximately $11.1 million for earnouts achieved for certain 1996 and 1997 acquisitions. These amounts have been recorded as additional purchase price consideration and are included in goodwill.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements, particularly with respect to the Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations. Additional written or oral forward-looking statements may be made by the Company from time to time, in filings with the SEC or otherwise. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933 and Section 21 E of the Securities Exchange Act of 1934. Such statements may include, but not be limited to, projections of revenue, income, losses, cash flows, capital expenditures, plans for future operations, financing needs or plans, plans relating to products or services of the Company, estimates concerning the effects of litigation or other disputes, potential effects of Year 2000 issues, as well as assumptions to any of the foregoing. In addition, when used in this discussion the words "anticipate", "estimates", "expects", "intends", "plans", and variations thereof and similar expressions are intended to identify forward looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which can not be predicted. Future events and actual results could differ materially from those set forth in or underlying the forward looking statements. Readers are cautioned not to place undue reliance on any forward looking statements contained in this report which speak only as of the date of this report. The Company takes no obligation to publically publish the results of any adjustments to these forward looking statements that may be made to reflect events on or after the date of this report or to reflect the occurrence of unexpected events.

Results of Operations

The following table sets forth certain items in Romac's consolidated statement of operations, as a percentage of net service revenues, for the indicated periods:

	Nine months ended September 30, 1998	1997
Flexible billings	79.5%	73.5%
Search Fees	20.5	26.5
Net service revenues	100.0	100.0
Gross profit	43.2	47.4
Selling, general, and administrative expenses	33.6	39.7
Merger and integration expenses	4.7	
Income before taxes	4.3	7.6
Net income	1.8%	4.4%

Results of Operations for the Three and Nine Months Ended September 30, 1998 and 1997.

Net service revenues. Net service revenues increased 42.6% and 48.8%, respectively, to $174.4 million and $496.1 million for the three and nine month periods ending September 30, 1998 as compared to $122.3 and $333.3 million for the same periods in 1997. These increases were comprised of a $49.1 million and $149.3 million increase in Flexible Billings and a $3.0 million and $13.5 million increase in Search services for the three and nine month periods ending September 30, 1998, as described below.

Flexible billings increased 53.8% and 61.0% respectively to $140.4 million and $394.2 million for the three and nine month periods ending September 30, 1998 as compared to $91.3 million and $244.9 million for the same periods in 1997.

Search services increased 9.7% and 15.3%, respectively to $34.0 million and $101.9 million for the three and nine month periods ended September 30, 1998 as compared to $31.0 and $88.4 million for

the same periods in 1997. The increase resulted primarily from an increase in the number of search sales consultants, which increased the number of search placements made during the three and nine month periods ended September 30, 1998 as compared to the same period in 1997. The average fee for each placement made during the periods remained relatively constant.

Gross profit. Gross profit increased 29.0% and 35.8%, respectively, to $74.2 million and $214.3 million during the three and nine month periods ended September 30, 1998 as compared to $57.5 million and $157.8 million for the same periods in 1997. Gross profit as a percentage of net service revenues decreased to 42.5% and 43.2%, respectively, for the three and nine month periods ending September 30, 1998 as compared to 47.0% and 47.4% for the same periods in 1997. This decrease was primarily result of the continuing change in the Company's business mix whereby revenues from Flexible Billings, traditionally lower gross margins than Search services, increased to 80.5% and 79.5%, respectively, of the Company's total revenues for the three and nine month periods ending September 30, 1998 as compared to 74.7% and 73.5% respectively for the same periods in 1997.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 19.8% and 26.2%, respectively to $56.3 million and $166.9 million for the three and nine month periods ended September 30, 1998 as compared to $47.0 million and $132.2 million for the same periods in 1997. Selling, general and administrative expenses as a percentage of net service revenues decreased to 32.3% and 33.6%, respectively, for the three and nine month periods ended September 30, 1998 compared to 38.4% and 39.7% for the same periods in 1997. This decrease in selling, general and administrative expense as a percentage of net service revenues in the three and nine month periods ended September 30, 1998 resulted from syncergies and operating efficiencies obtained from the merger.

Depreciation and amortization expense. Depreciation and amortization expense increased 71.4% and 77.8%, respectively, to approximately $2.4 million and $6.4 million for the three and nine month periods ended September 30, 1998 compared to approximately $1.4 million and $3.6 million for the same periods in 1997. Depreciation and amortization expense as a percentage of net service revenues increased to 1.4% and 1.3%, respectively, for the three and nine month periods ended September 30, 1998 as compared to 1.1% for the each of the periods in 1997. The increase as a percentage of net service revenues for both periods in 1998 as compared to the same periods in 1997 is due primarily to the additional goodwill amortization due to the earnout buyouts negotiated in 1998 and the acquisitions of UQ and Sequent in the third quarter of 1997.

Merger, restructuring, and integration expenses. Merger and integration expenses for the three and nine month periods ended September 30, 1998 increased 100% compared to the same periods in 1997 due to the completion of the Source merger in April 1998. Merger and integration expenses consisted of $8.2 million of direct costs related to the merger in the nine months ended September 30, 1998 and $3.3 million and $15.3 million, related to restructuring and integration related expenses for the three and nine months ended September 30, 1998.

Other (income) expense, net. Other (income) expense, net, increased 180.0% and 111.1% for the three and nine months ended September 30, 1998 compared to the same periods in 1997. The increase in other income during both periods in 1998 as compared to 1997 was due to interest earned on the investment of the proceeds from the November 1997 stock offering.

Income Before Taxes. Income before taxes increased 34.3% for the three months ended September 30, 1998 and decreased 16.2% for the nine months ended September 30, 1998 to $13.7 million and $21.2 million, respectively, as compared to $10.2 million and $25.3 million for the same periods in 1997, primarily as a result of the merger and integration expenses explained above.

Provision for income taxes. Provision for income taxes increased 78.6% and 19.0%, respectively, to $7.5 million and $12.5 million for the three and nine month periods ended September 30, 1998 compared to $4.2 million and $10.5 million for the same periods in 1997. The effective tax rate for the three months ended September 30, 1998 was 54.7% compared to 41.2% for the comparable period in 1997. The effective tax rate was 59.0% for the nine months ended September 30, 1998 compared to 41.5% for the same period in 1997. The increase in the effective tax rates in 1998 as compared to 1997 was due to certain non-deductible merger related expenses.

Net Income. Net income increased approximately 3.3% to $6.2 million in the three months ended September 30, 1998 and decreased 40.5% to $8.8 million for the nine months ended September 30, 1998 as compared to the $6.0 million and $14.8 million for the same periods in 1997 primarily as a result of the merger, restructuring and integration expenses explained above.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1998, the Company's sources of liquidity included approximately $76.6 million in cash and cash equivalents, $14.7 in short-term investments, and approximately $128.1 million in additional net working capital. In addition, as of September 30, 1998, there are no amounts outstanding on the Company's line of credit and $30.0 million was available for borrowing under the Company's line of credit. The Company entered into a new Revolving Line of Credit Loan Agreement with NationsBank, N.A. (the "Line of Credit") during September 1997. The Line of Credit expires on March 31, 2000. Amounts outstanding under the line of credit accrue interest at an annual rate equal to 150 basis points above the 90-day London Interbank Offering interest rate ("LIBOR"). As of September 30, 1998, the interest rate on the Line of Credit was 5.96%.

During the nine months ended September 30, 1998, cash flow provided by operations was approximately $9.3 million, resulting primarily from net income, non-cash expenses (depreciation and amortization) and increases in operating payroll liabilities, offset by an increase in accounts receivable. The increase in accounts receivable reflects the increased volume of business during the nine months ended September 30, 1998 from existing locations and the initial funding of the accounts receivable base in acquired operations.

During the nine months ended September 30, 1998, cash flow used in investing activities was approximately $37.5 million, resulting primarily from the Company's use of approximately $12.0 million for capital expenditures, $19.1 million for earnouts from certain acquisitions in 1996 and 1998, and $12.7 million for purchase of short-term investments.

In November and December 1997, the Company received approximately $86.5 million as net proceeds of its common stock offering, part of which was used to repay the indebtedness outstanding under the Line of Credit. The Company intends to use the remaining net proceeds for general corporate purposes, including possible acquisitions, expansion of the Company's operations and certain capital expenditures related to the Company's expansion. Pending such uses, the net proceeds will be invested in short term, investment grade securities, certificates of deposit, or direct or guaranteed obligations of the United States government.

The Company believes that cash flow from operations and borrowings under the Company's Line of Credit, or other credit facilities that may become available to the Company in the future will be adequate to meet the working capital requirements of the Company's current operations for at least the next 12 months. The Company believes that the consummation of the merger with Source which was effective April 20, 1998 will not adversely affect the Company's liquidity. The Company's estimate of

the period that existing resources will fund its working capital requirements is a forward-looking statement that is subject to risks and uncertainties. Actual results could differ from those indicated as a result of a number of factors, including the use of such resources for possible acquisitions.

YEAR 2000 CONCERNS

Many computer systems in use today were designed and developed using two digits, rather than four, to specify years. As a result, such systems will recognize the year 2000 as 00 or 1900. This could cause many computer applications to fail completely or to create erroneous results unless corrective measures are taken.

The Company utilizes software and computer technologies that are essential to its operations. The Company continuously evaluates the ongoing and expected future business and industry requirements of its internally developed and externally purchased applications. These applications and technology equipment are updated on a regular basis. The Company has not accelerated its plans to replace or update existing systems because of the Year 2000 issue. Although, the Company currently believes all material systems are Year 2000 compliant and currently does not expect any future material costs to be incurred to maintain Year 2000 compliance, there can be no assurance that the Company will not experience material Year 2000 related problems or expenses.

The Company is working with key third party vendors to understand their ability to continue to provide services and products through the change to 2000. The Company intends to continue to partner with its key third party vendors to avoid any business interruptions in 2000. The Company is dependent upon our customers for sales and cash flow. The Company currently does not believe that it is subject to significant business risks related to its customers' and suppliers' Year 2000 efforts, although if the Company's customer or vendors experience Year 2000 problems, the Company's results of operations could be materially adversely affected.

The effect of Year 2000 interruptions on the Company and our customer's operations is difficult to predict because flexible staffing could be a vehicle that that the Company's customer's will could use to correct the effect of Year 2000 disruptions in their business. The Company will continue to monitor the status of our customers and key strategic partners as a means of determining risks and alternatives. While the Company believes that all material systems and equipment have been addressed related to the Year 2000 issue the Company will continue to monitor and develop contingency plans with regards to the Year 2000 problem.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
None

ITEM 2. CHANGES IN SECURITIES
None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None

ITEM 5. OTHER INFORMATION
None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
(a) Exhibits

27.1 -- Restated Financial Data Schedule for the nine months ended September 30, 1997 (for SEC use only).

27.2 -- Financial Data Schedule for the nine months ended September 30, 1998 (for SEC use only).

(b) Reports:

Current Reports on Form 8-K filed during the quarter ended September 30, 1998 were as follows:

None.

SIGNATURES

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.

ROMAC INTERNATIONAL, INC.
(Registrant)

By: /s/ Peter Dominici

Peter Dominici,
Chief Financial and
Accounting Officer

Date: November 16, 1998

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