ROMAC INTERNATIONAL, INC. 1999 ANNUAL REPORT

OPPORTUNITY HAS A NEW ADDRESS

kforce.com

Company Profile

With more than 95 offices in 45 markets throughout the United States and Canada, kforce.com is emerging as the nationally recognized leader in providing professional flexible and permanent specialty staffing solutions to Fortune 1000 companies primarily for information technology, finance & accounting, human resources, healthcare, pharmaceutical, scientific, legal, engineering, insurance & investment, and kforce consulting. Aligning Internet technology and 38 years of proven staffing experience with a very aggressive high tech/high touch career management, kforce.com is positioned to transform itself into a leader of complete on-line staffing services.

kforce.com

- **First web-based, full-service staffing company**
- **38 years of staffing expertise**
- **More than 200,000 successful placements**
- **Over 95 locations nationwide**
- **Over 2,000 recruitment specialists on staff**
- **Leading source for contract and permanent staffing in:**

INFORMATION TECHNOLOGY

FINANCE & ACCOUNTING

OPERATING SPECIALTIES

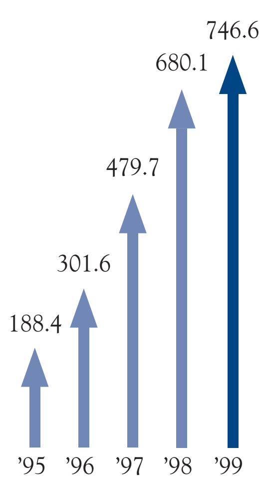
KFORCE CONSULTING

HUMAN RESOURCES

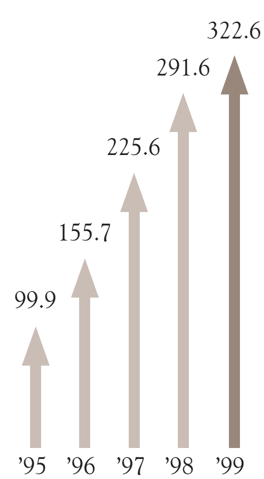
Financial Highlights

Years Ended December 31,	**1999**	1998	1997	1996	1995
(In thousands, except per share data)					
Operations:					
Revenues	**$746,632**	$680,086	$479,743	$301,588	$188,374
Gross profit	**322,631**	291,581	225,611	155,707	99,862
Net (loss) income	**(23,516)**	15,439	22,071	12,452	7,188
Net (loss) income per share—diluted	**$(.53)**	$.33	$.52	$.34	$.25
Financial Position:					
Cash, cash equivalents and short-term investments	**$ 7,919**	$ 68,821	$101,669	$ 58,404	$ 2,008
Working capital	**86,310**	135,348	149,459	95,557	28,537
Total assets	**296,187**	333,812	283,098	142,112	51,576
Long-term debt	**—**	461	1,260	—	500
Shareholders' equity	**$218,205**	$255,022	$232,704	$119,221	$ 34,218

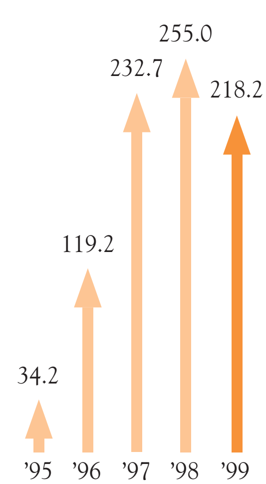
Revenues
(dollars in millions)



Gross Profit
(dollars in millions)



Shareholders' Equity
(dollars in millions)



To Our Shareholde

During 1999 we began to transform our Company, making investments in technology and people to align the power of the Internet with our 38 years of proven staffing expertise . . . a complete "bricks and clicks" solution. We believe these investments will provide a strong competitive advantage and position kforce.com as a leader in on-line specialty staffing services in 2000 and beyond.

To reinforce and affirm this focus and to better convey the benefits that a web-enabled entity provides, the Board of Directors voted to change our name from Romac International to kforce.com subject to approval at our annual meeting.

Key to our commitment to move decisively on this bold new initiative were a number of critical factors. Most importantly, the growing acceptance and utilization of the Internet for critical business applications makes it a logical extension for providing and supporting complete on-line staffing transactions. Both corporate clients and individual job seekers in our specialty services market are especially frequent users of the worldwide web.

Yet they are demanding levels of services that go well beyond job posting sites or even the increased speed of communications that the Internet delivers. They require a high tech/high touch solution: a full function, robust on-line staffing engine, integrated with the expertise and personal attention of career service professionals that have been hallmarks of our Company for over 38 years.

As we studied the fast-moving market dynamics in our industry, we saw enormous opportunities to actually redefine and transform the staffing transaction model. Most importantly, we knew that unlike basic Internet communication or consumer purchases, full web-enabled staffing transactions mandated the industry expertise, local market presence and strategic partnerships that our Company has grown and cultivated.

In fact, we saw the opportunity to enhance the traditional elements of our Company to provide greater career advocacy and management for job seekers—a concept, we believe, unique in our industry—and to forge and strengthen strategic relationships with corporate clients. Clearly, we believe the promise of web enabled transactions would be realized only with the knowledge and personal attention of career professionals within each operating discipline of kforce.com.

We determined that if we moved quickly in establishing kforce.com as the leader in this new environment, we could gain competitive advantage by making our services available on a 24x7 basis across the entire domestic marketplace. By utilizing the power and the worldwide reach of the web, we could appreciably heighten the effectiveness and productivity of our professional staff.

Specifically, we will bring greater efficiency to the process of identifying and generating new candidates. The power of the knowledge exchange of kforce.com Interactive coupled with a greater level of customer intimacy will shape the worth and substance of the communication process and outcomes of our clients. We could also leverage our structural capital and ongoing relationships with major national companies and corporations.

Accordingly, in 1999 we embarked on a corporate-wide strategic effort with three major goals: i) the construction of a true web-enabled staffing engine with streamlined back office resources to support and complement our five functional business units; ii) the aggressive enhancement and fortification of our core competencies through the infusion of new leadership, the establishment of ongoing education, training and testing and the utilization of a uniform sales and marketing approach consistent with the realities of the fast-moving 21st century marketplace; and iii) the promotion of our new capabilities and brand in the marketplace through major marketing and advertising programs.

In seven months, we not only achieved these goals, but also ended the year with compelling evidence and tangible results that indicate, in convincing fashion, that both corporate clients and individual job seekers are increasingly embracing our "bricks and clicks" solutions that complement and enhance their staffing and job search needs.

After advancing its development and testing, our kforce Interactive web site was activated late in the third quarter. The site recorded almost 900,000 unique visitors in Q4 alone, along with increased candidate registrations and corporate kforce memberships. We believe that our user-friendly design along with its rich content—with specific value-added components for job seekers—has helped to almost double the average time that a visitor stays at our site.

We also established kforce.com Interactive in a separate facility to manage, develop and market the performance and content of our web-enhanced staffing engine. In addition, the group supports our five functional business units, as our clients, working in concert with kforce.com account professionals, move more toward integrating the speed and efficiencies of the Internet for their own staffing requirements.

While a great deal of attention and energy has been spent in building our web-based platform, we also recognized the value of investing in our core organization and the people who drive our success.

Our "Leadership Development Program" (LDP) which was launched in March 1999, identifies, recruits and provides extensive training for candidates to our Company who have established strong credentials in other disciplines. We believe that this new initiative—similar to those established in some of the most rs:

respected corporations in America—will infuse our organization with greater discipline and focus to accelerate and drive the execution of our business strategy.

The Company has also instituted a comprehensive education, training and testing program to ensure that our professional staff is well equipped with the knowledge, tools and resources to best serve their clients in integrating the benefits web-based knowledge transactions with their specific staffing or search requirements.

A key element in transforming a business is assuring that the proper level of well-trained resources are brought to bear as clients increasingly look for flexibility in the levels of services they require. Accordingly, we have put in place a major program to ensure uniformity in the marketing of and the responsibility for the different tiers of kforce solutions. We believe the LDP initiative will be a critical factor in driving the discipline and providing the leadership necessary to extend this program across each of our business units, in all of the markets we serve.

One of the most challenging tasks that faced our Company was to build brand awareness and recognition for our web-based staffing capabilities within a space that was becoming increasingly crowded. New market players, fortified with recent infusions of capital, were aggressively moving to identify their organizations as the destination for job-related information over the Internet, despite, in many cases, lacking the people and expertise required in delivering full staffing services.

"Build it and they will come," was never an option. Despite the significant costs of such an undertaking, to be successful we had to move decisively and quickly to drive awareness of our new and unique tool, and to deliver quantifiable results as well.

To that end, our branding initiative rolled out in the fourth quarter. Subsequent to the end of 1999, we officially launched our new brand name with the appearance of our TV commercial on the Super Bowl. Over 434,000 visitors and 70,000 candidate registrations were recorded in the week following the game. As I write this letter, kforce.com has now added over 106,000 individual resumes to its database and over 1,200 corporations have signed on as kforce.com corporate client memberships.

As impressive as these statistics may be, the most telling evidence of the market acceptance of kforce came a month before the Super Bowl, when our Company recorded over $3 million in web-related revenue in the fourth quarter. Please note that a substantial portion of this revenue came from twelve new markets where our Company does not have a physical presence.

In the context of e-business today, moving from design to implementation to revenue generation in less than a year, demonstrates the value of integrating expertise and experience with web-based technology—the bricks and the clicks. We believe by any standard measure—site visitors, individual and membership growth and revenue growth—kforce is the future of our industry, as the Internet becomes a more natural and necessary tool for staffing transactions.

Moving into the new millennium, one area of potential solid growth for our Company is as an eServices business provider. Our kforce Consulting unit specializes in web-enabled technologies geared toward the needs of middle market clients and the divisions of Fortune 1000 companies. By partnering with these companies, kforce Consulting provides customers with the resources to better manage their assets, business partners and suppliers through the implementation of web-enabled solutions.

A more complete discussion of this exciting new competitive advantage, our corporate strategy and capabilities and the markets and customers that we serve can be found beginning on page 4.

Investing in the future of our enterprise does have a cost. Despite increasing revenue over 10% for the year, the IT sector's significant slowdown in anticipation of Y2K, as well as investments primarily associated with our new initiatives, led to a loss for the year. However, we ended the year with one of the highest Q4 gross profit margins in our history and a strong performance from our operating specialties group. Even as we continue our brand awareness and advertising programs in 2000, we expect SG&A, as a percentage of revenue, to retreat to historic levels.

None of our progress in the design and implementation of a web-based staffing engine could have been achieved, or even attempted, without the strong market position our company has attained in providing specialty staffing services for over thirty-eight years.

At the core of our enterprise are 2,000+ staffing professionals who have built strong relationships with our customers. These relationships are anchored by their specific market expertise and their experience and ability to meet the challenges of ever-changing client/candidate needs. kforce.com provides them with a powerful tool to respond to these needs into 2000 and beyond.

We are encouraged and proud of the strides we have made in transforming our Company, but humbled by the tasks ahead. If 1999 was the year of transformation, 2000 must be the year of execution.

But we enter the new year with more than a new name. We believe we have established a unique and growing competitive position to match a broader audience of job seekers and employers in our specialty-staffing sector. As we advance in this endeavor, we see enormous opportunities to grow our revenue, expand our reach and dramatically improve the efficiencies and productivity of our Company.

We fully recognize that changing fundamental elements of a business model is an exercise that demands the understanding and collaboration of many people. I would like to thank our clients for their input and advice, our employees for their dedication and hard work, and you our shareholders, for your continued encouragement and support.

David L. Dunkel
Chairman and Chief Executive Officer

March 28, 2000

Responding to a Changing Marketplace

Over the past several years, explosive advancements in technology have been instrumental in driving companies toward a greater reliance on outsourcing jobs with highly specialized skills. Project-oriented flexible hiring in particular allows organizations to keep labor costs variable and to remain flexible in dealing with shorter technology cycles and increasing global competitive pressure.

Fluctuating staffing requirements for specialized services has led to an increasing demand for professional knowledge workers as well. Many desire to retain their independence, seeking out and working on shorter-term projects in their areas of expertise for various firms or businesses. Further, Department of Labor and Internal Revenue regulations concerning the classification of employees have prompted many of these professionals to affiliate with companies like kforce.com.

To meet and respond to the challenges in this ever-changing marketplace, kforce.com has been organized by five distinct operating units. The Company continues to enhance and strengthen each of these units—Information Technology, Finance and Accounting, Human Resources, Operating Specialties and kforce Consulting—to focus on the particular hiring requirements of corporate clients and the needs of individual job seekers with specific operational skills.

Professional staffing specialists for the Company are located in over 95 offices in 45 markets, where they have built a working knowledge of current market conditions in their particular regions, and over the years have developed strong relationships with local companies and the in-demand passive job seekers in the specialty services field.

Yet the same market dynamics that have converged to drive the growth in specialized staffing are now beginning to transform the very tools and the transaction processes of our industry. Employers are demanding more flexibility in the ranges of services they employ and a faster pace to the hiring process, while continuing to require the personal service and expertise of staffing professionals with local market knowledge.

Job seekers are insisting on greater access to employer information as well as skills assessment, education, training and career counseling. In sum, both employer and potential employee are seeking greater speed, efficiency and creativity of the process, without abandoning the expertise and personal attention they have come to expect.

The origin of this market demand is found in the growing acceptance of the Internet as a necessary tool for critical business applications.

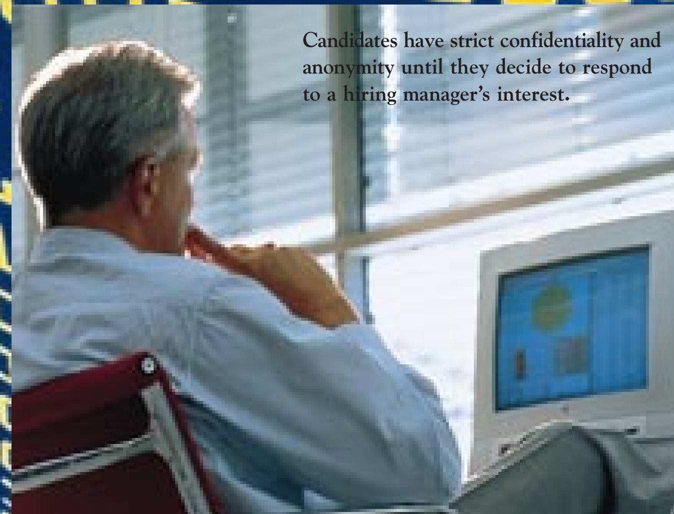
We believe kforce.com is the solution, merging the expertise and personal attention that is the nucleus of professional staffing organizations with the availability and growing functionality of web-based knowledge exchange for interactive transactions.

kforce Interactive Traffic Metrix

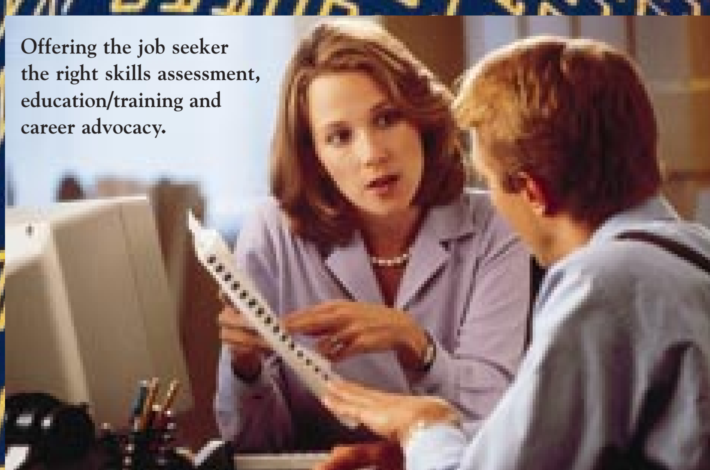
2000

Metric	January	February	% Change
Visitors	342,058	888,814	160%
Candidate Registrations*	81,110	165,897	105%
Organization Memberships*	813	1,120	38%
Average Session Length	13:10	16:00	22%
Searchable Resumes*	51,638	99,325	92%

*Running Totals (End of Month)



Candidates have strict confidentiality and anonymity until they decide to respond to a hiring manager's interest.



Offering the job seeker the right skills assessment, education/training and career advocacy.

ORGANIZATIONS VIEW THE POWER OF THE INTERNET AS A NECESSARY TOOL TO FACILITATE THEIR OVERALL HIRING NEEDS.

SkillMercial™ is a multimedia on-line clip that informs potential hiring managers about a candidate's skills.

kforce Interactive: Harnessing

Improvements in productivity or efficiencies are often achieved through the enhancement or refinement of existing tools or procedures. Once in a great while a new technology presents the opportunity for a singular and distinct advancement by redefining the very parameters of critical business transactions.

We believe kforce.com Interactive is such an advancement. By aligning the speed of Internet communications with the expertise and market knowledge of our staffing professionals, kforce.com Interactive offers tiers of value-added services to both job seekers and organizations, while significantly shortening the overall hiring process: the perfect marriage of high tech/high touch. More importantly it affords a desktop forum on a twenty-four hour—seven-day a week basis to facilitate interaction and transactions between employers and job candidates.

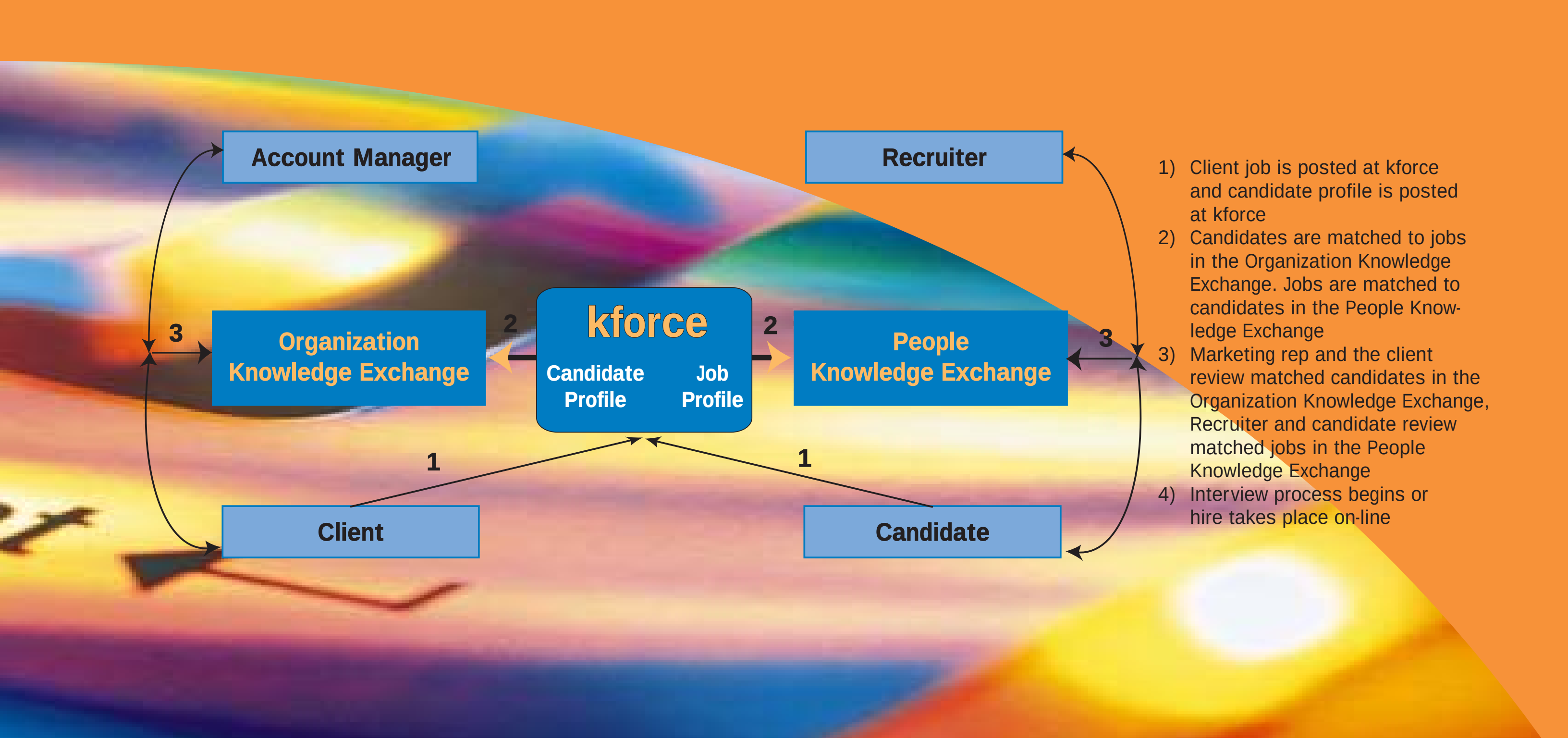
For The Candidate Job candidates require more than a web posting board to view available jobs or to post their resumes. kforce.com Interactive offers the job seeker a career advocate, education/training and career counseling tools and access to employers to advance their placement in the right job with the right employer. Candidates can choose as much or as little human and Internet electronic assistance as they desire.

In addition to the resume building and knowledge tools that content-rich kforce.com Interactive delivers, candidates have strict confidentiality and anonymity until they decide to respond to a hiring manager's interest. Job seekers can also choose education and training services and the talents of a personal career development coach to help advance their career.

In addition to providing the capability to search both basic and premium job opportunities, our Knowledge Exchange allows the candidate to schedule interviews, exchange information, negotiate on the web, and to accept offers in an on-line forum for both flexible and permanent positions.

Candidates who wish to take a more aggressive approach to managing their careers can produce a SkillMercial™, where a multimedia on-line clip informs potential hiring managers about their skills, experience and abilities. An extension of premier club memberships is Career Guarantee, where after admission, careers are mapped out with a guaranteed level of position and income within a specified period of time.

Overall, candidates will have a greater exposure to the marketplace through the extensive database of kforce.com, and utilize the speed of the Internet to learn about new opportunities quickly. They also receive access to education and training sessions, providing both continuity and progression to enhance and improve their marketability.



the Internet for Staffing Transactions

For the Organization To maximize their efficiency and to apply the level of service that a particular job search and placement demands, organizations view the power of the Internet as a necessary tool to facilitate their overall hiring needs.

In addition to basic job posting and candidate search capabilities, kforce.com Interactive offers hiring managers distinctive tools and advantages through Premier and Premier Club memberships. Organizations have the option of masking their name to all candidates in the event that they would like to conduct a confidential search for a particular position. A kforce.com Interactive advocate can be assigned to proactively seek out candidates and verify their appropriateness, thereby accelerating the hiring process.

In the more competitive marketplace of today, where candidates are at a premium, companies must effectively communicate not only the parameters of a particular job, but sell the desirability of their organization, highlighting the corporate culture and elements that make the company an attractive place to advance one's career.

Through the power of kforce.com Interactive, organizations can produce multi-media presentations that highlight the benefits of working for the company, Orgmercials™, as well as more detailed descriptions of the particular position available, JobMercials™. Both are available for view by job candidates on a twenty-four hour basis—an important feature—as studies have found that job seekers spend the greatest portion of their time researching opportunities in the evening.

In addition to having greater exposure to the talent pool available in the marketplace, hiring managers can utilize kforce.com Interactive to act more quickly on availability of specific candidates. They can match the appropriate level of services to the particular demands of their search, selecting from a broad range of value-added features that kforce.com Interactive provides.

kforce.com Interactive allows candidates to review selected positions on-line and to market their skills to prospective employers. Organizations can view selected candidates who have been screened, interviewed and, where appropriate, tested, and then bid for their services. Most importantly, kforce.com Interactive is an interactive 24/7 network that matches a broader audience of job seekers and potential employers.

Organizations can produce multi-media presentations that highlight the benefits of working for a company through the power of kforce.com Interactive.

A Full Range of Staffing Solutions

Central to our Company's ability to move decisively in building a true on-line knowledge exchange engine is a core enterprise that is comprised of staffing professionals who deliver employment opportunities and placements for career-minded professionals and specialized staffing solutions to organizations.

Our professional staff is sustained by a refined level of experience that comes from 38 years of incumbency in the marketplace. Throughout the regions and markets that kforce.com serves, these professionals provide the expertise, advocacy and results that clients have come to expect from our Company.

kforce.com is composed of five primary business units, organized by function—Information Technology, Finance and Accounting, Human Resources, Operating Specialties and kforce Consulting. In 1999, our IT division focused on more sophisticated areas of discipline in the field including systems analysts and networking architects. Finance and Accounting bill rates increased 17% during the year, while expanding service offerings in the Boston, San Francisco and Dallas markets. The Human Resource market continues its steady growth, with demand for specialized areas such as practice trainers and benefits professionals.

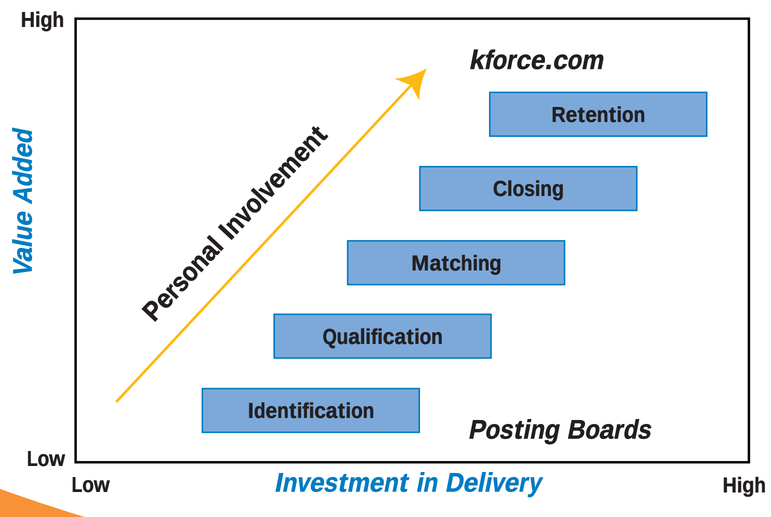
Finally, our Operating Specialities group produced triple digit growth and extended its presence into twenty additional markets. The group continues to increase its reach in the burgeoning bio-tech areas, with the scientific and pharmaceutical specialities. In addition, Operating Specialities is emerging as a dominant staffing solutions provider in the dynamic healthcare, engineering, legal and insurance/investment specialties.

kforce Consulting transitioned from an ERP-based practice to an eService solution provider for middle market clients and divisions of Fortune 1000 companies. These solutions help our customers manage their assets, business partners/suppliers and their own customers through the implementation of web-enabled technologies.

Supporting our operating division is kforce.com Interactive, which manages the Company's web-based staffing technology, focuses on the expansion of the Company's database of candidates and is broadening the market for the Company's services through the reach and speed of the Internet.

Today's marketplace demands both flexibility and responsiveness. Nowhere are these qualities more essential than in providing both essential and value-added career outcomes to job candidates and the permanent and flexible staffing services that are indispensable in building a strong and competitive organization.

kforce.com combines a strong industry focus; a resume of extensive and long-tenured staffing experience and the personal touch and technological reach to offer a multi-tiered solution set for job candidates and organizations into the new millennium.



ROMAC INTERNATIONAL, INC.

Corporate Information

From left to right, seated: William L. Sanders, *Chief Financial Officer*, David L. Dunkel, *President, Chairman and Chief Executive Officer*. Standing: Peter M. Alonso, *President, kforce.com Operating Specialties*, Lawrence J. Stanczak, *Vice President Operations*, Ken W. Pierce, *Chief Marketing Officer*, Kenneth R. Graham, *Chief Information Officer*.

Board of Directors

David L. Dunkel
Chairman, President and Chief Executive Officer, kforce.com

John N. Allred
President, A.R.G., Inc.

W. R. Carey, Jr.
Chief Executive Officer, Corporate Resource Development

Richard M. Cocchiaro
Vice President, kforce.com

Wayne D. Emigh
Former Chairman and past Chief Executive Officer, Source Services Corporation

Todd W. Mansfield
Chief Executive Officer, The Crosland Group, Inc.

Howard W. Sutter
Vice President, kforce.com

Gordon Tunstall
President, Tunstall Consulting

Karl A. Vogeler
Former Partner, Thompson, Coe, Cousins & Irons, LLP

Executive and Senior Officers

David L. Dunkel
Chairman, President and Chief Executive Officer

William L. Sanders
Chief Financial Officer

Joseph J. Liberatore
President, kforce.com Interactive

Lawrence J. Stanczak
Vice President Operations

Jack Causa
President, kforce.com Finance and Accounting

Peter M. Alonso
President, kforce.com Operating Specialties

Kenneth R. Graham
Chief Information Officer

Ken W. Pierce
Chief Marketing Officer

Joseph LaHurd
President, kforce Consulting

Eileen Kelly
Treasurer

Michael R. Blackman
Vice President, Investor Relations

Corporate Counsel
Holland & Knight LLP
Tampa, Florida

Independent Accountants
PricewaterhouseCoopers, LLP
Tampa, Florida

Form 10-K Available
A copy of the kforce.com 10-K, which includes financial information that supplements the material in this Annual Report, is available to any investor upon written request to our Corporate Headquarters.

Annual Meeting
The annual meeting of shareholders will be held on May 5, 2000, at 9:00 a.m. at the Wyndham Harbour Island Hotel in Tampa, Florida.

Website Information
For a comprehensive profile of kforce.com, visit the Company website at kforce.com.

120 West Hyde Park Place
Tampa, Florida 33606
813-251-1700
www.kforce.com

ROMAC INTERNATIONAL, INC.

Selected Financial Data

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Consolidated Financial Statements and the related Notes thereto incorporated into this annual report.

Years Ended December 31,	**1999**	1998	1997	1996	1995
(In thousands, except per share data)					
Statement of Operations Data:					
Net service revenues	**$746,632**	$680,086	$479,743	$301,588	$188,374
Direct costs of services	**424,001**	388,505	254,132	145,881	88,512
Gross profit	**322,631**	291,581	225,611	155,707	99,862
Selling, general and administrative expenses	**346,452**	224,790	184,876	133,084	87,038
Depreciation and amortization	**14,514**	9,507	5,794	3,238	1,111
Merger, restructuring and integration expense	**—**	26,122	—	—	—
Other (income) expense, net	**(942)**	(4,985)	(2,675)	(1,773)	(30)
(Loss) income before taxes	**(37,393)**	36,147	37,616	21,158	11,743
Benefit (provision) for taxes	**13,877**	(20,708)	(15,545)	(8,706)	(4,555)
Net (loss) income	**$ (23,516)**	$ 15,439	$ 22,071	$ 12,452	$ 7,188
Net (loss) income per share—basic	**$(.53)**	$.34	$.55	$.35	$.25
Weighted average shares outstanding—basic	**44,781**	45,410	40,471	35,312	28,309
Net (loss) income per share—diluted	**$(.53)**	$.33	$.52	$.34	$.25
Weighted average shares outstanding—diluted	**44,781**	47,318	42,264	36,996	29,265

December 31,	**1999**	1998	1997	1996	1995
Balance Sheet Data:					
Working capital	**$ 86,310**	$135,348	$149,459	$ 95,557	$ 28,537
Total assets	**$296,187**	$333,812	$283,098	$142,112	$ 51,576
Total long-term debt	**$ —**	$ 461	$ 1,260	$ —	$ 500
Shareholders' equity	**$218,205**	$255,022	$232,704	$119,221	$ 34,218

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and the related Notes thereto incorporated into this annual report.

OVERVIEW

The Company is a provider of professional and technical specialty staffing services in 44 markets in the United States and one international market (Toronto, Canada). The Company provides its customers staffing services in the following specialties: Information Technology, Finance and Accounting, Human Resources, Operating Specialties and kforce Consulting. These services are provided through both traditional staffing channels and the Company's web-based kforce.com Interactive staffing solution. The Company believes its broad range of highly specialized services provides clients with integrated solutions to their staffing needs, allowing it to develop long-term, consultative relationships. This range of services includes search services and flexible staffing services, both professional temporary and contract. Contract services for information technology services are provided through the Company's kforce Consulting group. The Company believes its functional focus and range of service offerings generate increased placement opportunities and enhance its ability to identify, attract, retain, develop and motivate personnel and operating employees. The Company principally serves Fortune 1000 clients, with its top ten clients representing less than 8% of its revenue for 1999.

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. The Company's policy is to replace individuals who fail to continue employment for the period of time specified in the agreements for search assignments, generally thirty to ninety days. Revenue from search fees is shown on the Consolidated Statement of Operations net of a reserve for candidates not remaining in employment for the guarantee period, including estimates of future deferrals related to placements made in 1999.

Gross Profit

Gross profit on flexible billings is determined by deducting the direct cost of services (primarily flexible personnel payroll wages, payroll taxes, payroll-related insurance, and subcontract costs) from net service revenues. Consistent with industry practices, all costs related to search fees are classified as selling, general and administrative expense.

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of net service revenues, certain items in the Company's Consolidated Statement of Operations for the indicated periods:

Year Ended December 31,	**1999**	1998	1997
Flexible billings	**80.6%**	80.1%	74.9%
Search fees	**19.4**	19.9	25.1
Net service revenues	**100.0**	100.0	100.0
Gross profit	**43.2**	42.9	47.0
Selling, general and administrative expenses	**46.4**	33.1	38.5
(Loss) income before taxes	**(5.0)**	5.3	7.8
Net (loss) income	**(3.1)%**	2.3%	4.6%

1999 Compared to 1998

Net service revenues. Net service revenues increased 9.8% to $746.6 million in 1999 as compared to $680.1 million for the same period in 1998. This increase was composed of a $56.9 million increase in flexible billings and a $9.6 million increase in search fees for the year ended December 31, 1999 as described below.

Flexible billings increased 10.4% to $601.5 million in 1999 as compared to $544.6 million for the same period in 1998. Approximately $41 million of this increase is a result of an increase in the number of hours billed by operations as compared to the same periods in 1998 due to the Company's continued emphasis on expanding the number of service offerings in all markets. The remaining increase, approximately $16 million, is attributable to an increase in the average billing rate for 1999.

Search fees increased 7.1% to $145.1 million in 1999 as compared to $135.5 million for the same period in 1998. This increase resulted primarily from an increase in the average fee for each search placement made during 1999 as compared to the same period in 1998. The number of search placements made in 1999 remained relatively constant compared to 1998.

Gross profit. Gross profit increased 10.6% to $322.6 million in 1999 as compared to $291.6 million in 1998. Gross profit as a percentage of net service revenues increased to 43.2% in 1999 as compared to 42.9% for the same period in 1998. The increase in gross profit percentage was a result of the improvement in margins on flexible billings attributable to higher average billing rates. This increase was partially offset by the continuing change in the Company's business mix between flexible billings and search fees. Revenues from flexible billings, which have traditionally lower gross margins than search fees, increased to 80.6% of the Company's net service revenues in 1999 as compared to 80.1% for the same period in 1998.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 54.1% to $346.5 million in 1999 as compared to $224.8 million for the same period in 1998. Selling, general and administrative expenses as a percentage of net service revenues increased to 46.4% in 1999 compared to 33.1% for the same period in 1998. The increase as a percentage of net service revenues resulted from several strategic initiatives adopted by management during the first half of 1999. These included: i) the development, deployment, advertising and other related expenses for the Company's online interactive career management and recruitment resource, kforce.com Interactive, ii) activities to re-engineer and streamline back office operations and iii) investments in future growth, including leadership development, increasing the number of sales consultants, buildout of a national service center, and further development of educational services, kforce Consulting and operating specialties.

Merger, restructuring and integration expense. There was no merger, restructuring and integration expense in 1999, compared to $26.1 million in 1998. The 1998 expenses were related to the merger with Source in April 1998 and the restructuring charges incurred in connection with the merger. Merger, restructuring and integration expenses consisted of $8.2 million of direct costs related to the merger and $17.9 million related to restructuring and integration.

Depreciation and amortization expense. Depreciation and amortization expense increased 52.7%, to $14.5 million for 1999 as compared to $9.5 million for the same period in 1998. Depreciation and amortization expense as a percentage of net service revenue increased to 1.9% for 1999 as compared 1.4% for the same period in 1998. The increase as a percentage of net service revenues for 1999 as compared to the same period in 1998 is primarily due to additional depreciation on the new technology platform implemented at certain Source locations in the second half of 1998 and to additional goodwill amortization due to earnout buyouts negotiated in 1999.

Other (income) expense. Other (income) expense decreased 81.1% in 1999 to $0.9 million as compared to $5.0 million for the same period in 1998. The decrease during 1999 compared to the same period in 1998 is due to a decrease in investment income resulting from increased cash requirements for funding operations and for the Company's repurchase of common stock.

Income (loss) before taxes. The loss before taxes was $37.4 million for 1999 as compared to income before taxes of $36.1 million for the same period in 1998, primarily as a result of the increase in selling, general and administrative expenses discussed above.

Provision for (benefit from) income taxes. The income tax benefit for 1999 was $13.9 million compared to a provision of $20.7 million for the same period in 1998. The effective tax benefit rate was 37.1% in 1999 as compared to an effective provision rate of 57.3% in 1998. The decrease in the effective tax rate in 1999 as compared to 1998 was primarily due to the Company's net loss position in 1999 and to certain non-deductible merger-related expenses in 1998 which were not present in 1999.

Net income (loss). The net loss was $23.5 million for 1999 compared to net income of $15.4 million for the same period in 1998. This decrease was primarily due to the increase in selling, general and administrative expenses discussed above, which were partially offset by the 1998 merger, restructuring, and integration expenses and the decrease in the effective tax rate as a result of the non-deductible merger-related expenses in 1998.

1998 Compared to 1997

Net service revenues. Net service revenues increased 41.8% to $680.1 million in 1998 as compared to $479.7 million for the same period in 1997. This increase was composed of a $185.1 million increase in flexible billings and a $15.3 million increase in search fees for the year ended December 31, 1998 as described below.

Flexible billings increased 51.5% to $544.6 million in 1998 as compared to $359.5 million for the same period in 1997. This increase is a result of an increase in the number of hours billed by operations as compared to the same periods in 1997 due to the Company's continued emphasis on expanding the number of service offerings in all markets and, to a lesser extent, an increase in the average billing rates.

Search fees increased 12.7% to $135.5 million in 1998 as compared to $120.2 million for the same period in 1997. This increase resulted primarily from an increase in the number of search sales consultants, which increased the number of search placements made in 1998 as compared to the same period in 1997. The average fee for each search placement made during the periods remained relatively constant.

Gross profit. Gross profit increased 29.3% to $291.6 million in 1998 as compared to $225.6 million in 1997. Gross profit as a percentage of net service revenues decreased to 42.9% in 1998 as compared to 47.0% for the same period in 1997. This decrease was a result of the continuing change in the Company's business mix whereby revenues from flexible billings, which have traditionally lower gross margins than search fees, increased to 80.1% of the Company's net service revenues in 1998 as compared to 74.9% for the same period in 1997.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 21.6% to $224.8 million in 1998 as compared to $184.9 million for the same period in 1997. Selling, general and administrative expenses as a percentage of net service revenues decreased to 33.1% in 1998 compared to 38.5% for the same period in 1997. This decrease in selling, general and administrative expenses as a percentage of net service revenues resulted from synergies and operating efficiencies obtained from the merger such as elimination of duplicate back office costs.

Merger, restructuring and integration expense. Merger, restructuring and integration expense was $26.1 million in 1998. There was no merger, restructuring and integration expense for 1997. The 1998 expense was related to the merger with Source in April 1998, and associated restructuring charges incurred as a result of the merger. Merger, restructuring and integration expense consisted of $8.2 million of direct costs related to the merger and $17.9 million related to restructuring and integration.

Depreciation and amortization expense. Depreciation and amortization expense increased 63.8%, to $9.5 million for 1998 as compared to $5.8 million for the same period in 1997. Depreciation and amortization expense as a percentage of net service revenue increased to 1.4% for 1998 as compared 1.2% for the same period in 1997. The increase as a percentage of net service revenues for 1998 as compared to the same period in 1997 is primarily due to additional goodwill amortization due to the earnout buyouts negotiated in 1998, full year of amortization of the acquisitions of Uni-Quality Systems Solutions, Inc. and Sequent Associates, Inc. in 1998 compared to four months in 1997, and additional depreciation on the new technology platform implemented at certain Source locations in the second half of 1998.

Other (income) expense. Other (income) expense increased 85.2% in 1998 to $5.0 million as compared to approximately $2.7 million for the same period in 1997. The increase during 1998 is due to interest earned on the investment of the proceeds from the November 1997 stock offering.

Income before taxes. Income before taxes decreased 4.0% to $36.1 million for 1998 as compared to $37.6 million for the same period in 1997, primarily as a result of the merger, restructuring and integration expense discussed above.

Provision for income taxes. The provision for income taxes increased 33.5% to $20.7 million for 1998 compared to $15.5 million for the same period in 1997. The effective tax rate was 57.3% in 1998 as compared to approximately 41.2% 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 decreased 30.3% to $15.4 million for 1998 compared to $22.1 million for the same period in 1997. This decrease was primarily due to the merger, restructuring and integration expense explained above and the increase in the effective tax rate as a result of non-deductible merger-related expense.

Liquidity and Capital Resources

As of December 31, 1999, the Company's sources of liquidity included approximately $7.9 million in cash and cash equivalents and approximately $78.4 million in additional net working capital. In addition, as of December 31, 1999, there were no amounts outstanding under the Company's $30 million Revolving Line of Credit Loan Agreement (the "Line of Credit"), although the Company did borrow against the Line of Credit at various times during 1999. The Line of Credit expires on March 31, 2000 (in March 2000 this agreement was extended) and amounts outstanding under it accrue interest at an annual rate equal to 65 basis points above the 90-day London Interbank Offering Rate ("LIBOR"). The Company is currently negotiating for a new line of credit facility in order to fund expenditures associated with operations, additional repurchase of Company stock and potential future acquisitions. In addition, the Company is pursuing various lease financing alternatives for the construction of its new Tampa headquarters building.

During the year ended December 31, 1999, cash flow used in operations was approximately $26.7 million, resulting primarily from the net loss, the non-cash tax benefit resulting from the loss, an increase in accounts receivable and a decrease in operating payroll liabilities. These were partially offset by non-cash expenses (depreciation, amortization and bad debt provision) and an increase in accounts payable and accrued liabilities.

During 1999, cash flow used in investing activities was approximately $11.0 million, resulting primarily from the Company's use of $16.8 million for capital expenditures and approximately $6.0 million in cash for settlement of earnout provisions on previous acquisitions, offset by $12.0 million received from the sale of short-term investments.

For the year ended December 31, 1999, cash flow used in financing activities was approximately $23.0 million, resulting primarily from the use of $15.1 million for the purchase of outstanding common stock and $10.1 million in payments on notes related to prior years' business acquisitions.

On March 11, 1999, the Company announced that its Board of Directors had authorized the repurchase of up to $50 million of its common stock on the open market, from time to time, depending on market conditions. If additional shares of stock are repurchased, there may be a material impact on the Company's cash flow requirements in the next twelve months. During 1999, a total of approximately 1.9 million shares were repurchased at an average purchase price of $7.78 per share. Subsequent to December 31, 1999, less than 200,000 additional shares have been repurchased.

The Company believes that cash flow from operations and borrowings under its 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 current operations for at least the next twelve months. However, there is no assurance that the Company will be able to obtain financing in amounts sufficient to meet its operating requirements or at terms which are satisfactory and which allow the Company to remain competitive. 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 and the announced stock repurchase plan.

YEAR 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Computer programs or hardware that fail to recognize dates beyond 1999 could result in system failures, miscalculations and other problems. The Company has experienced no problems with its computer systems since the beginning of 2000, but will continue to monitor the systems to assess whether any problems develop. In addition, the Company has not experienced any significant problems in the exchange of data or the processing of transactions with business partners (both vendors and clients) with whom it has material business relationships. The Company incurred approximately $1.3 million in expenses related to assessing and remedying any Year 2000 problems and upgrading computer systems, but does not expect to incur any additional material expenses related to Year 2000 issues going forward.

Report of Independent Accountants

To the Board of Directors and Shareholders of
Romac International, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Romac International, Inc., and its subsidiaries ("the Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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 audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Tampa, Florida
February 8, 2000

ROMAC INTERNATIONAL, INC.

Consolidated Balance Sheets

December 31,	1999	1998
(In thousands)		
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 7,919**	$ 68,821
Short-term investments	**—**	12,000
Trade receivables, net of allowance for doubtful accounts of $4,417 and $5,762, respectively	**112,545**	114,144
Receivables from related parties, current	**—**	384
Income tax receivables	**23,038**	—
Deferred tax asset	**3,546**	5,702
Prepaid expenses and other current assets	**3,669**	3,658
Total current assets	**150,717**	204,709
Receivables from related parties, less current portion	**960**	1,721
Furniture and equipment, net	**27,758**	19,869
Other assets, net	**21,060**	14,003
Goodwill, net of accumulated amortization of $9,452 and $5,790, respectively	**95,692**	93,510
Total assets	**$296,187**	$333,812
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other accrued liabilities	**$ 24,180**	$ 9,260
Accrued payroll costs	**31,922**	41,070
Bank overdrafts	**5,824**	—
Current portion of capital lease obligations	**481**	743
Current portion of payables to related parties	**2,000**	10,144
Accrued merger, restructuring and integration	**—**	4,931
Income taxes payable	**—**	3,213
Total current liabilities	**64,407**	69,361
Capital lease obligations, less current portion	**—**	461
Deferred tax liability, noncurrent	**—**	96
Payables to related parties, less current portion	**—**	2,000
Other long-term liabilities	**13,575**	6,872
Total liabilities	**77,982**	78,790
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, $0.01 par; 15,000 shares authorized, none issued and outstanding	**—**	—
Common stock, $0.01 par; 250,000 shares authorized, 46,687 and 46,408 issued, respectively	**467**	464
Additional paid-in capital	**187,262**	185,300
Cumulative translation adjustment	**(170)**	21
Retained earnings	**46,646**	70,162
Less reacquired shares at cost; 2,613 and 677 shares, respectively	**(16,000)**	(925)
Total shareholders' equity	**218,205**	255,022
Total liabilities and shareholders' equity	**$296,187**	$333,812

The accompanying notes are an integral part of these consolidated financial statements.

ROMAC INTERNATIONAL, INC.

Consolidated Statements of Operations and Comprehensive Income

Years Ended December 31,	**1999**	1998	1997
(In thousands, except per share data)			
Net service revenues	**$746,632**	$680,086	$479,743
Direct costs of services	**424,001**	388,505	254,132
Gross profit	**322,631**	291,581	225,611
Selling, general and administrative expenses	**346,452**	224,790	184,876
Merger, restructuring and integration expense	**—**	26,122	—
Depreciation and amortization	**14,514**	9,507	5,794
Other (income) expense:			
Dividend and interest income	**(1,639)**	(5,224)	(3,077)
Interest expense	**423**	216	308
Other (income) expense, net	**274**	23	94
(Loss) income before income taxes	**(37,393)**	36,147	37,616
Benefit (provision) for income taxes	**13,877**	(20,708)	(15,545)
Net (loss) income	**$(23,516)**	$ 15,439	$ 22,071
Comprehensive (loss) income:			
Foreign currency translation	**(191)**	63	(21)
Comprehensive (loss) income	**$(23,707)**	$ 15,502	$ 22,050
Net (loss) income per share:			
Basic	**$(.53)**	$.34	$.55
Diluted	**$(.53)**	$.33	$.52
Weighted average shares:			
Basic	**44,781**	45,410	40,471
Diluted	**44,781**	47,318	42,264

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended December 31,	**1999**	1998	1997
(In thousands)			
Cash flows from operating activities:			
Net (loss) income	**$(23,516)**	$ 15,439	$ 22,071
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	**14,514**	9,507	5,794
Provision for losses on accounts and notes receivable	**9,768**	4,049	4,271
Deferred taxes	**347**	(2,742)	(891)
Loss on asset sales/disposals	**419**	1,604	—
(Increase) decrease in operating assets:			
Trade receivables, net	**(8,169)**	(33,464)	(34,921)
Notes receivable from franchisees	**—**	82	155
Prepaid expenses and other current assets	**(43)**	(1,108)	(1,037)
Other assets, net	**(7,281)**	(5,833)	(2,487)
Increase (decrease) in operating liabilities:			
Accounts payable and other accrued liabilities	**14,920**	1,229	2,512
Accrued payroll costs	**(9,148)**	12,932	13,048
Bank overdrafts	**5,824**	—	—
Accrued merger, restructuring and integration expense	**(4,931)**	4,931	—
Income taxes	**(26,129)**	29	4,621
Other long-term liabilities	**6,703**	4,284	1,201
Cash (used in) provided by operating activities	**(26,722)**	10,939	14,337
Cash flows from investing activities:			
Capital expenditures, net	**(16,779)**	(11,820)	(6,690)
Acquisitions, net of cash acquired and payment on earnout provisions	**(6,039)**	(23,593)	(52,127)
Proceeds from sale of furniture and equipment	**176**	—	1,706
Proceeds from the sale of short-term investments	**12,000**	—	833
Premiums paid for cash surrender value of life insurance policies	**(391)**	(3,292)	(1,485)
Purchase of short-term investments	**—**	(10,047)	(1,906)
Cash used in investing activities	**(11,033)**	(48,752)	(59,669)
Cash flows from financing activities:			
Payments on capital lease obligations	**(723)**	(787)	(535)
Payments on notes payable to related parties	**(10,144)**	—	(23)
Payments on notes receivable from related parties	**1,143**	164	52
Issuance of notes receivable from related parties	**—**	(746)	(600)
Proceeds from issuance of common stock	**—**	—	86,515
Proceeds from exercise of stock options	**1,843**	6,271	3,210
Repurchase of treasury stock Plan	**(15,075)**	—	(1)
Cash (used in) provided by financing activities	**(22,956)**	4,902	88,618
Increase (decrease) in cash and cash equivalents	**(60,711)**	(32,911)	43,286
Cumulative translation adjustment	**(191)**	63	(21)
Cash and cash equivalents at beginning of year	**68,821**	101,669	58,404
Cash and cash equivalents at end of year	**$ 7,919**	$ 68,821	$101,669

The accompanying notes are an integral part of these consolidated financial statements.

ROMAC INTERNATIONAL, INC.

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 1999, 1998 and 1997

	Common Stock		Additional	Cumulative	Stock		Reacquired Stock		
	Shares	Amounts	Paid-In Capital	Translation Adjustment	Subscription Receivable	Retained Earnings	Shares	Amounts	Total
(In thousands)									
Shareholders' Equity:									
Balance at December 31, 1996	34,635	$346	$ 87,182	$ (21)	$(13)	$ 32,652	677	$ (925)	$119,221
Issuance of common stock	4,577	46	86,468	—	—	—	—	—	86,514
3-for-2 stock split	5,184	52	(52)	—	—	—	—	—	—
Exercise of stock options	1,079	11	3,199	—	—	—	—	—	3,210
Tax benefit of employee stock options	—	—	1,696	—	—	—	—	—	1,696
Payments on stock subscription receivable	—	—	—	—	13	—	—	—	13
Foreign currency translation adjustment	—	—	—	(21)	—	—	—	—	(21)
Net income	—	—	—	—	—	22,071	—	—	22,071
Balance at December 31, 1997	45,475	455	178,493	(42)	—	54,723	677	(925)	232,704
Exercise of stock options	933	9	6,262	—	—	—	—	—	6,271
Tax benefit of employee stock options	—	—	545	—	—	—	—	—	545
Foreign currency translation adjustment	—	—	—	63	—	—	—	—	63
Net income	—	—	—	—	—	15,439	—	—	15,439
Balance at December 31, 1998	46,408	464	185,300	21	—	70,162	677	(925)	255,022
Exercise of stock options	279	3	1,840	—	—	—	—	—	1,843
Tax benefit of employee stock options	—	—	122	—	—	—	—	—	122
Foreign currency translation adjustment	—	—	—	(191)	—	—	—	—	(191)
Net income (loss)	—	—	—	—	—	(23,516)	—	—	(23,516)
Repurchase of common stock	—	—	—	—	—	—	1,936	(15,075)	(15,075)
Balance at December 31, 1999	**46,687**	**$467**	**$187,262**	**$(170)**	**$—**	**$ 46,646**	**2,613**	**$(16,000)**	**$218,205**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

(In thousands, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ROMAC International, Inc. (the "Company") is a provider of professional and technical specialty staffing services in more than 95 locations in 45 markets in the United States. The Company provides its customers value-added staffing services in the following specialties: Information Technology, Finance and Accounting, Human Resources, Operating Specialties and korce Consulting. These services are provided through both traditional staffing channels and the Company's web-based kforce.com Interactive staffing solution. The Company provides flexible staffing services on both a professional temporary and contract basis and provides search services on both a contingency and retained basis. The Company principally serves Fortune 1000 clients.

On November 17, 1999, the Board of Directors approved a resolution to change the Company's name to kforce.com, Inc., subject to approval by the Company's shareholders at the next annual meeting. Effective January 31, 2000, the Company is operating as Romac International, Inc. d/b/a kforce.com.

Principles of Consolidation

The consolidated financial statements include the accounts of Romac International, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Stock Split/Dividend

The Company declared a two-for-one stock split effected as a 100% stock dividend on its common stock on October 3, 1997. All share-related data in these consolidated financial statements have been adjusted retroactively to give effect to these events as if they had occurred at the beginning of the earliest period presented.

Public Offerings

The Company completed a secondary offering of 4,577 shares of common stock on October 17, 1997. The proceeds of $86,515, net of underwriters' discounts and other offering costs, were being used to finance business acquisitions and for general working capital purposes.

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. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments

Investments in mutual funds and common stock have been classified as available for sale and, as a result, are stated at fair market value. Mutual funds available for current operations are classified in the balance sheet as short-term investments while investments in common stock are included in other assets. Unrealized holding gains and losses are included as a component of shareholders' equity until realized. At December 31, 1999 and 1998, there were no unrealized gains or losses.

Furniture and Equipment

Furniture and equipment are carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases which range from three to seven years.

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. The Company's policy is to replace individuals who fail to continue employment for the period of time specified in the agreements for search assignments, generally thirty to ninety days. Revenue from search fees is shown on the Consolidated Statement of Operations net of a reserve for candidates not remaining in employment for the guarantee period, including estimates of future deferrals related to placements made in 1999.

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 are reflected in additional paid-in capital.

Stock-Based Compensation

The Company has elected to continue accounting for stock-based compensation under the intrinsic value method of accounting for stock-based compensation as provided under APB No. 25 and has disclosed pro forma net income and earnings per share amounts using the fair value-based method prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

Self-Insurance

The Company offered an employee benefit program for certain employees through September 30, 1998 and offers a program for all eligible employees effective October 1, 1998 for which it is self-insured for a portion of the cost. The Company is liable for claims up to $125 per employee and aggregate claims up to a defined yearly payment limit. All full-time employees and salaried consultants are eligible to participate in the program. Self-insurance costs are accrued using estimates to approximate the liability for reported claims and claims incurred but not reported.

Foreign Currency Translation

Foreign currency translation adjustments arise primarily from activities of the Company'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 stockholders' equity.

Recently Issued Accounting Pronouncements

Accounting for Derivative Instruments and Hedging Activities. 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 contractors (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. The Company 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 ending December 31, 2000.

Earnings Per Share

Under Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"), basic earnings per share is computed as earnings divided by weighted average shares outstanding. Diluted earnings per share includes the dilutive effects of stock options and other potentially dilutive securities.

Options that were outstanding, but were antidilutive and therefore were excluded from the computation of diluted shares totaled 5,289, 1,207 and 158 shares of common stock, for 1999, 1998 and 1997, respectively, at option prices ranging from $0.980 to $30.063 per share in 1999, $24.125 to $30.063 per share in 1998 and $16.13 to $20.63 per share in 1997. The options, which expire on various dates ranging from July 2004 to October 2009, were still outstanding at December 31, 1999.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform with the 1999 presentation.

Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting data to develop the estimates of fair value. The fair values of the Company's financial instruments are estimated based on current market rates and instruments with the same risk and maturities. The fair values of cash and cash equivalents, accounts receivable, short-term investments, accounts payable, notes payable and payables to related parties approximate the carrying values of these financial instruments.

2. FURNITURE AND EQUIPMENT

Major classifications of furniture and equipment and related asset lives are summarized as follows:

		December 31,	
	Useful Life	**1999**	1998
Furniture and equipment	5-7 years	**$20,436**	$14,058
Computer equipment	3-5 years	**24,342**	16,450
Airplane	5 years	**1,889**	1,746
Leasehold improvements	lease term	**2,746**	1,559
		49,413	33,813
Less accumulated depreciation and amortization		**21,655**	13,944
		$27,758	$19,869

Included in computer equipment is approximately $2,600 subject to a noncancelable capital lease commitment with a three-year term commencing on July 1, 1997.

3. ACQUISITIONS

Goodwill and intangible assets totaled $95,692 and $93,510 at December 31, 1999 and 1998, respectively. Goodwill is amortized on a straight-line basis over a fifteen to thirty-year period and intangible assets are amortized over the life of the employment agreement (five to eight years). Management periodically reviews the potential impairment of goodwill in order to determine the proper carrying value of goodwill as of each balance sheet date presented. Goodwill amortization expense was $3,857, $3,212 and $1,469 for the years ended December 31, 1999, 1998 and 1997, respectively.

For the Year Ended December 31, 1999

In January 1999, the Company acquired substantially all of the assets of Network Training Solutions, Science Solutions, Inc. and Technology Consulting Group for an aggregate purchase price of approximately $5,100. During 1999, the Company also settled earnout provisions on certain prior acquisitions for approximately $1,300. These amounts have been recorded as purchase price consideration and are included in goodwill.

For the Year Ended December 31, 1998

The Company completed its merger with Source Services Corporation ("Source") on April 20, 1998, in a transaction accounted for as a pooling of interests. Accordingly, all historical results have been restated to reflect the combined results for the Company and Source for all periods presented. The common stock of Source was converted to shares of the Company using a 1.1351 ratio.

There were no purchased acquisitions by the Company during the year ended December 31, 1998. However, the Company settled the earnout provisions on certain prior acquisitions for $18,500 (see Note 9). During 1998, approximately $23,593 of earnout provisions related to prior acquisitions were paid. These amounts have been recorded as additional purchase price consideration and are included in goodwill.

For the Year Ended December 31, 1997

In January 1997, the Company acquired substantially all of the assets of Career Enhancement International of Massachusetts (CEIM), a provider of permanent placement and contract services for information technology personnel. The purchase price was approximately $4,400, subject to adjustment upon attainment of certain operating results.

In March 1997, the Company acquired all of the outstanding capital stock of Professional Application Resources Incorporated (PAR), a provider of information technology contract personnel. The purchase price was approximately $4,700.

In September 1997, the Company acquired all of the outstanding capital stock of Uni*Quality Systems Solutions, Inc. (UQ), a provider of contract services for information technology personnel. The purchase price was approximately $19,600, subject to adjustment upon attainment of certain operating results. Also in September 1997, the Company acquired substantially all of the assets of Sequent Associates, Inc. (Sequent), a provider of supplemental contract personnel staffing specializing in information technology and engineering professionals. The purchase price was approximately $20,300, subject to adjustment upon attainment of certain operating results.

In November 1997, the Company acquired the fixed assets of DP Specialists of Colorado, Inc. (DPSE), a provider of permanent placement and staff augmentation contract services for information technology personnel. The purchase price, including a non-compete agreement, was approximately $3,300.

In December 1997, the Company acquired substantially all of the assets of The Center For Recruiting Effectiveness, Inc. (CRE), a provider of human resources personnel on a permanent and contract basis. The purchase price was approximately $2,100, subject to adjustment upon attainment of certain operating results.

The Company has accounted for all acquisitions, except for the Source transaction, using the purchase method of accounting. The results of these purchased companies' operations have been included with those of the Company from the dates of the respective acquisitions. The pro forma results of operations listed below reflect purchase accounting and pro forma adjustments as if the transactions occurred as of the beginning of 1997. The unaudited pro forma consolidated financial statements are not necessarily indicative of the results that would have occurred if the assumed transaction had occurred on the dates indicated or the expected financial position or results of operations in the future.

(Unaudited)	1997
Net service revenue	$514,850
Gross profit	235,067
Income before income taxes	37,793
Net income	22,060
Earnings per share—basic	$.55
—diluted	$.52

4. OTHER ASSETS

December 31,	**1999**	1998
Cash surrender value of life insurance policies	**$10,435**	$ 5,572
Capitalized software, net of amortization	**8,294**	7,128
Deferred tax asset—noncurrent portion	**1,711**	—
Other	**620**	1,303
	$21,060	$14,003

The cash surrender value of life insurance policies relates to policies maintained on key employees used to fund deferred compensation agreements with a cash surrender value of $10,435 and $5,114 at December 31, 1999 and 1998, respectively, and key man life insurance on officers with a cash surrender value of $458 at December 31, 1998.

During 1997, the Company began the development and implementation of new computer software to enhance performance of the accounting and operating systems. Direct internal and external costs subsequent to the preliminary stage of this project are being capitalized and classified as other assets. Capitalized software development costs are amortized over the estimated useful life of the software (typically three years) using the straight-line method.

5. LINE OF CREDIT AND CAPITAL LEASE OBLIGATION

December 31,	**1999**	1998
Obligation under capital lease with quarterly payments of principal and interest at 8.3% through June 2000	**$481**	$1,204
Less current maturities	**481**	743
	$ —	$ 461

The Company has an unsecured line of credit agreement that provides for up to $30,000 of working capital to the Company for general corporate purposes. This agreement matures on March 31, 2000 and bears interest at up to 150 basis points above the average rate at which deposits in U.S. dollars were offered in the London Interbank Market. This agreement contains restrictive covenants which require the maintenance of certain financial ratios. No amounts were outstanding under the line at either December 31, 1999 or 1998.

The Company is currently negotiating for a new line of credit.

6. MERGER, RESTRUCTURING AND INTEGRATION EXPENSES

In connection with the Source merger, $26,122 of one-time merger, restructuring and integration-related expenses were identified and recorded in 1998. These charges included direct merger costs of approximately $8,265, which consisted of professional fees and other transaction costs associated with the merger, approximately $4,606 of severance and other termination-related costs to be incurred in connection with anticipated staff reductions, $5,885 costs in connection with consolidation of certain office facilities and related equipment, and approximately $7,366 in other merger and integration-related expenses.

At December 31, 1999 and 1998, the remaining accrued expenses balance associated with the above charge were $-0- and $4,931, respectively, of which approximately $2,744 related to severance and other termination-related costs, approximately $1,631 related to the consolidation of certain office facilities and related equipment and approximately $556 related to other merger and integration-related expenses at December 31, 1998.

7. INCOME TAXES

The benefit (provision) for income taxes consists of the following:

Years Ended December 31,	**1999**	1998	1997
Current:			
Federal	**$13,252**	$(19,156)	$(13,156)
State	**972**	(4,294)	(3,281)
Deferred	**(347)**	2,742	892
	$13,877	$(20,708)	$(15,545)

The benefit (provision) for income taxes shown above varied from the statutory federal income tax rates for those periods as follows:

Years Ended December 31,	**1999**	1998	1997
Federal income tax rate	**(35.0)%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**(5.0)**	5.0	5.5
Non-deductible items	**1.8**	16.1	1.0
Goodwill amortization	**1.0**	1.2	.3
Other	**.1**	—	(.5)
Effective tax rate	**(37.1)**	57.3	41.3

Nondeductible items consist primarily of the direct costs of the Source merger and the portion of meals and entertainment expenses which are not deductible for tax purposes.

Deferred income tax assets and liabilities shown on the balance sheet are comprised of the following:

December 31,	**1999**	1998
Deferred taxes, current:		
Assets		
Allowance for bad debts	**$ 1,426**	$ 2,270
Accrued liabilities	**2,154**	3,432
	3,580	5,702
Liabilities		
Accrued liabilities	**(34)**	—
Net deferred tax asset, current	**$ 3,546**	$ 5,702
Deferred taxes, noncurrent:		
Assets		
Deferred compensation	**$ 5,600**	$ 2,710
Deferred rent	**968**	—
	6,568	2,710
Liabilities		
Depreciation and amortization	**(4,857)**	(2,806)
Net deferred tax asset (liability), noncurrent	**$ 1,711**	$ (96)

A valuation allowance on the net deferred tax assets has not been recorded due to the presence of taxable income in years available for carryback and management's expectation that it is more likely than not that deferred tax assets will be realized in future periods.

At December 31, 1999, the Company had a net operating loss of approximately $32,900. It is expected that the entire net operating loss will be carried back to prior years for refund of income taxes paid in those years. Further, the Company had state net operating losses of approximately $34,700. Of this amount, approximately $14,800 is expected to be carried back to prior years for refund of income taxes paid in those years, and approximately $19,900 will be carried forward to be offset against future state taxable income. The state tax net operating loss carryforward expires in varying amounts through 2014.

8. RELATED PARTIES

Receivables from Related Parties

Receivables from related parties are summarized as follows:

December 31,	**1999**	1998
Receivables from officers and shareholders	**$960**	$1,644
Other related-party receivables	**—**	461
	960	2,105
Less current maturities	**—**	384
	$960	$1,721

Receivables from officers and shareholders include non-interest-bearing receivables for premiums paid on split dollar life insurance policies. Repayment terms on the remaining unsecured receivables range from one to two years at rates of 8% to 9%.

Payables to Related Parties

Notes payable to related parties include the following:

December 31,	**1999**	1998
Notes payable due in annual installments through March 2000 relating to contingent purchase price adjustments on previous acquisitions (see Note 3)	**$2,000**	$12,144
Less current maturities	**2,000**	10,144
	$ —	$ 2,000

Related-Party Transactions

In March 1999, the Company guaranteed a note payable by one of its officers. At December 31, 1999, the balance of this note was approximately $1,779. During 1999, consulting services totaling $595 were provided to the Company by a company owned by the spouse of the Chairman of the Board. Also during 1999, an aircraft charter company owned 100% by the Chairman of the Board provided charter services to the Company in the amount of $125. The Company billed the aircraft charter company $35 for the use of the Company's airplane in 1999. Similar agreements for consulting services and aircraft usage have been entered into for 2000. During 1998, the Company purchased an airplane at cost for $1,746 from the Chairman's charter company. The Company also had a consulting agreement with a company affiliated with one of its outside board members. Services under this agreement were completed by December 1998 at an aggregate cost of approximately $187. The Company has operating leases with related parties as discussed in Note 12.

9. EMPLOYEE BENEFIT PLANS

401(k) Savings Plan

The Company has a qualified defined contribution 401(k) plan covering substantially all full-time employees. The plan offers a savings feature and Company matching contributions. Employer matching contributions are discretionary and are funded annually as approved by the Board of Directors. Assets of this plan are held in trust for the sole benefit of employees.

Prior to the merger, Source merged its profit sharing plan and 401(k) plan ("Source plan") effective October 1, 1997. The Source plan covered all active participants who were participating in either the previous 401(k) plan or profit sharing plan or those employees who met the Source plan's requirements for eligibility. This plan was merged with the Company's 401(k) plan ("the Plan") effective July 1, 1998. At December 31, 1999 and 1998, the Plan held 1,772 and 2,303, respectively, of the Company's stock, representing approximately 4.0% and 5.0%, respectively, of the Company's outstanding shares. Employer contributions to the 401(k) plan totaled $892, $1,609 and $2,084 in 1999, 1998 and 1997, respectively.

Prior to their mergers into the Company, certain franchisees had separate qualified defined contribution 401(k) plans covering substantially all full-time employees of the subsidiaries. No employer matching contributions were made for these plans for the years ended December 31, 1999, 1998 and 1997. Employees of these franchisees are now covered under the Company's plan described above.

Employee Stock Purchase Plan

During 1996, Source enacted an Employee Stock Purchase Plan. This plan allowed employees to purchase stock at the current market price through payroll deductions, without paying commissions on purchases. Only Source employees hired prior to April 20, 1998 were eligible to participate in the Employee Stock Purchase Plan. There was no waiting period for enrollment prior to April 20, 1998.

Subsequent to December 31, 1999, the Company placed into effect a new Employee Stock Purchase Plan which had been approved in 1999 and which allows employees to purchase stock at a 15% discount from market prices and without commissions on the purchases. Employees are eligible to participate in the plan as of the next plan enrollment date following their date of hire. This plan replaces the prior Source plan.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan pursuant to which eligible officers and highly compensated key employees may elect to defer part of their compensation to later years. The Company accrues interest and discretionary Company matching contributions. These amounts, which are classified as other long-term liabilities, are payable upon retirement or termination of employment, and at December 31, 1999 and 1998, aggregated $14,001 and $6,773, respectively. The Company has insured the lives of the participants in the deferred compensation program to assist in the funding of the deferred compensation liability. The cash surrender value of these Company-owned life insurance policies, $10,435 and $5,114 at December 31, 1999 and 1998, respectively, is included in other assets. Compensation expense of $1,938, $825 and $234 was recognized for the plan for the years ended December 31, 1999, 1998 and 1997, respectively.

Split Dollar Life Insurance

In 1995, the Company entered into split dollar and cross-purchase split dollar life insurance agreements with several officers and their estates whereby the Company pays a portion of the life insurance premiums on behalf of the officers and their estates. The Company has been granted a security interest in the cash value and death benefit of each policy equal to the amount of the cumulative premium payments made by the Company. The intent of these agreements was to, in the event of an officer's death, provide liquidity to pay estate taxes and to provide surviving officers with the ability to purchase shares from a deceased officer's estate, minimizing the possibility of a large block of the Company's common shares being put on the open market to the potential detriment of the Company's market price and to allow the Company to maintain a concentration of voting power among its officers. During 1999, the Company decided to cancel these policies.

Premiums paid to date, that have not been recovered from policy cancellations and which are included in related party receivables were $760 and $1,298 at December 31, 1999 and 1998, respectively.

10. STOCK OPTION PLANS

During 1994, the Company established an employee incentive stock option plan which authorized the issuance to employees of options to purchase common stock. During 1996, this plan was amended to increase the number of shares of common stock that may be issued under the plan to 6,000 to allow persons other than employees to participate in the plan, to allow incentives in the form of Nonqualified Stock Options, Stock Appreciation Rights and Restricted Stock to be awarded under the plan and to effect a change in the plan name to the Romac International, Inc. Stock Incentive Plan. During 1997, the Plan was amended to increase the number of shares of common stock that may be issued under the Plan to 9,000.

During 1995, the Company established a non-employee director stock option plan which authorized the issuance to non-employee directors of options to purchase common stock. The maximum number of shares of common stock that can be issued under this plan is 400.

Prior to the merger, Source had an incentive stock option plan for eligible employees of Source and a non-employee director option plan. Effective with the merger, all stock options previously granted and outstanding under these plans were exchanged for approximately 638 of the Company's stock options.

A summary of the Company's stock option activity is as follows:

	Employee Incentive Stock Option Plan	Non-Employee Director Stock Option Plan	Total	Weighted Average Exercise Price Per Share	Weighted Average Fair Value of Options Granted
Outstanding as of December 31, 1996	4,299	120	4,419	$ 6.74	
Granted	1,279	71	1,350	$ 13.05	$ 5.88
Exercised	(1,078)	—	(1,078)	$ 2.98	
Forfeited	(304)	—	(304)	$ 10.91	
Outstanding as of December 31, 1997	4,196	191	4,387	$ 9.36	
Granted	1,899	101	2,000	$ 25.71	$10.86
Exercised	(933)	—	(933)	$ 6.75	
Forfeited	(587)	—	(587)	$ 15.54	
Outstanding as of December 31, 1998	4,575	292	4,867	$ 15.84	
Granted	**2,353**	**60**	**2,413**	**$ 7.68**	**$ 7.73**
Exercised	**(342)**	**—**	**(342)**	**$ 5.26**	
Forfeited	**(1,522)**	**(127)**	**(1,649)**	**$19.19**	
Outstanding as of December 31, 1999	**5,064**	**225**	**5,289**	**$11.76**	
Exercisable at December 31:					
1999	1,535	127	1,662		
2000	847	42	889		
2001	1,322	38	1,360		
2002	1,321	18	1,339		
2003	39	—	39		

Options granted during each of the three years ended December 31, 1999 have vesting requirements ranging from three to four years. Options expire at the end of ten years from the date of grant.

The following table summarizes information about employee and director stock options:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding at December 31, 1999 (Shares)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$ 0.980–$ 1.490	66	5.2	$ 1.33
$ 4.188–$ 8.845	2,897	8.5	$ 7.03
$ 9.565–$12.180	737	5.9	$11.34
$12.875–$18.060	571	7.5	$14.08
$18.938–$24.375	529	7.7	$22.29
$26.125–$31.500	489	7.8	$27.72
	5,289	7.9	$11.76

	Options Exercisable	
Range of Exercise Prices	Number Exercisable at December 31, 1999 (Shares)	Weighted Average Exercise Price
$0.980 –$ 1.490	66	$ 1.34
$4.188 –$ 8.845	556	$ 5.77
$9.565 –$12.180	569	$11.50
$12.875–$18.060	248	$14.18
$18.938–$24.375	115	$22.13
$26.125–$31.500	108	$27.74
	1,662	$11.37

Had compensation cost for the Company's option plans been determined based on the fair value at the grant dates, as prescribed by SFAS 123, the Company's net income and net income per share would have been as follows:

Years Ended December 31,	**1999**	1998	1997
Net income:			
As Reported	**$(23,516)**	$15,439	$22,071
Compensation expense per SFAS 123	**(11,113)**	(6,100)	(3,786)
Tax benefit, pro forma	**890**	532	456
	$(33,739)	$ 9,871	$18,741
Net income per share:			
Basic:			
As Reported	**$(.53)**	$.34	$.55
Pro forma	**$(.75)**	$.22	$.46
Diluted:			
As reported	**$(.53)**	$.33	$.52
Pro forma	**$(.75)**	$.21	$.44

The fair value of each option is estimated on the date of grant using the minimum value method with the following assumptions used for grants during the applicable period: dividend yield of 0.0% for all three periods; risk-free interest rates of 4.95%-5.74% for options granted during the year ended December 31, 1999, 4.77%-5.71% for options granted during the year ended December 31, 1998 and 5.85%-7.03% for options granted during the year ended December 31, 1997; a weighted average expected option term of 5-6 years for 1999, 4-7 years for 1998 and 4-10 years for 1997; and a volatility factor of 45.59% for 1999, 40.69% for 1998 and 35.12% for 1997.

Tax benefits resulting from the disqualifying dispositions of shares acquired under the Company's employee incentive stock option plan reduced taxes currently payable by $122 and $545 in 1999 and 1998, respectively. These tax benefits are credited to additional paid-in capital.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space for use as its headquarters under an operating lease with monthly payments of $31 expiring in 2001 from a related party. The Company also leases office space for one of its operating locations from a related party at an annual rental of $74 subject to adjustment as defined through December 31, 2000. The Company leases other space and various equipment under operating leases expiring at various dates with some leases cancelable upon thirty to ninety days notice. The leases require payment of taxes, insurance and maintenance costs in addition to rental payments.

Future minimum lease payments under operating leases are summarized as follows: 2000, $12,911; 2001, $9,519; 2002, $5,730; 2003, $4,214; 2004, $1,950; $1,313 thereafter.

Rental expense under all operating leases was $12,187, $10,226 and $7,155 for 1999, 1998 and 1997, respectively.

Noncancelable Processing Commitment

The Company has an agreement with a third-party processor ("Processor") who previously provided certain services for some of the Company's franchised and licensed temporary placement operations. The cost of such services was a percentage of gross billings as defined within the agreement. Pursuant to certain contract termination provisions, the Company would have been required to pay $500 in the event of early termination of such agreement. The agreement continues in effect until the aggregate of all amounts actually collected and paid to the Processor from September 1, 1985 exceeds $5,000. Since the Company no longer uses the services provided under the agreement, the remaining balance due was accrued at December 31, 1999. The cumulative amounts accrued under the agreement were $5,000, $4,482 and $4,373 as of December 31, 1999, 1998 and 1997, respectively.

Litigation

The Company is involved in litigation in the ordinary course of business which will not, in the opinion of management, have a material effect on the results of operations or financial condition of the Company.

Employment Agreements

The Company has entered into employment agreements with certain executive officers which provide for minimum compensation, salary and continuation of certain benefits for a two-year period under certain circumstances. The agreements also provide for a payment of two times their annual salary if a change in control (as defined) of the Company occurs and include a covenant against competition with the Company which extends for one year after termination for any reason. The Company's liability at December 31, 1999 would have been approximately $1,870 in the event of a change in control or if all of the employees under contract were to be terminated by the Company without good cause (as defined) under these contracts.

12. SUPPLEMENTAL CASH FLOWS INFORMATION

The Company's non-cash investing and financing activities and cash payments for interest and income taxes were as follows:

Years Ended December 31,	**1999**	1998	1997
Notes payable issued in settlement of contingent purchase price of previous acquisitions	$ —	$11,100	$ 5,640
Capital lease transaction	$ —	$ —	$ 2,526
Cash paid during the year for:			
Interest	**$ 423**	$ 216	$ 308
Income taxes	**$12,027**	$19,905	$12,862

13. SEGMENT ANALYSIS (UNAUDITED)

In 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of Enterprise and Related Information" ("SFAS 131"). SFAS 131 supercedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach of determining reportable segments of an organization. The management approach designates the internal organization that is used by management for making operation decisions and addressing performance as the source of determining the Company's reportable segments. Beginning in 1997, the Company revised its organizational structure to provide internal reporting following its four functional service offerings, including: Information Technology, Finance and Accounting, Human Resources and Operating Specialties.

The Company only generates information on sales and gross profit on a functional basis, as such; asset information by segment is not disclosed. Substantially all operations and long-lived assets are located in the United States.

Information concerning operations in these segments of business is as follows:

	Information Technology	Finance and Accounting	Human Resources	Operating Specialty	Total
1999					
Sales	**$448,640**	**$205,646**	**$18,317**	**$74,029**	**$746,632**
Gross Profit	**175,117**	**114,321**	**6,191**	**27,002**	**322,631**
1998					
Sales	$431,921	$191,086	$17,575	$39,504	$680,086
Gross Profit	169,429	104,765	5,672	11,715	291,581
1997					
Sales	$296,914	$154,594	$11,524	$16,711	$479,743
Gross Profit*					

* Due to the Company's 1998 merger with Source Services and due to the fiscal 1997 change to a functional-based organization, it is impracticable to recreate comparable data for this period.

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarter Ended	March 31,	June 30,	Sept. 30,	Dec. 31,
Fiscal 1999				
Net service revenues	**$184,095**	**$189,390**	**$191,707**	**$181,440**
Gross profit	**78,832**	**81,208**	**82,215**	**80,376**
Net income (loss)	**9,128**	**332**	**904**	**(33,880)**
Net income (loss) per share–basic	**$.20**	**$.01**	**$.02**	**$(.77)**
Net income (loss) per share–diluted	**$.20**	**$.01**	**$.02**	**$(.77)**
Fiscal 1998				
Net service revenues	$155,402	$166,321	$174,361	$184,002
Gross profit	67,101	72,984	74,179	77,317
Net income	6,249	(3,688)	6,192	6,686
Net income per share–basic	$.14	$(.08)	$.14	$.15
Net income per share–diluted	$.13	$(.08)	$.13	$.15

Market for the Registrant's Common Equity and Related Shareholder Matters

The Company's Common Stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market (SM), formerly under the symbol "ROMC" and now under the symbol "KFRC." The following table sets forth, for the periods indicated, the range of high and low closing sale prices for the Common Stock, as reported on the Nasdaq National Market.

Fiscal Year	High	Low
1998		
First Quarter	$29.750	$19.375
Second Quarter	$32.250	$23.125
Third Quarter	$31.125	$16.125
Fourth Quarter	$22.750	$11.750
1999		
First Quarter	$24.250	$ 6.875
Second Quarter	$15.438	$ 6.906
Third Quarter	$ 9.750	$ 7.000
Fourth Quarter	$15.625	$ 5.875
2000		
First Quarter (through March 20)	$18.250	$10.375

On March 20, 2000, the last reported sale for the Company's Common Stock was at $12.50. On March 20, 2000, there were approximately 171 holders of record.

Since the Company's initial public offering, the Company has not paid any cash dividends on its common stock.