

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 29, 2002
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 1-6081

COMFORCE Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-2262248
(IRS Employer Identification No.)

415 Crossways Park Drive, P.O. Box 9006, Woodbury, New York 11797
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (516) 437-3300

Not Applicable
Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common stock, \$.01 par value

Outstanding at November 7, 2002
16,659,356 shares

COMFORCE Corporation

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMFORCE CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (in thousands, except share and per share amounts)

	September 29, 2002 (unaudited)	December 30, 2001
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,473	\$ 4,067
Accounts receivable, net	46,740	44,091
Funding and service fees receivable, net	28,668	35,938
Prepaid expenses and other current assets	3,991	5,733
Total current assets	83,872	89,829
Deferred income taxes, net	1,619	--
Property and equipment, net	12,274	12,590
Intangible assets, net	215	--
Goodwill, net	79,242	134,283
Deferred financing costs, net	2,846	3,307
Total assets	\$ 180,068	\$ 240,009
 LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY:		
Current liabilities:		
Accounts payable	\$ 1,998	\$ 3,440
Accrued expenses	34,746	28,487
Total current liabilities	36,744	31,927
Long-term debt	145,907	154,720
Deferred income taxes, net	--	581
Other liabilities	361	244
Total liabilities	183,012	187,472
Commitments and contingencies		
Stockholders' (deficit) equity:		
Common stock, \$.01 par value; 100,000,000 shares authorized; 16,659,341 shares and 16,659,173 shares issued and outstanding at September 29, 2002 and December 30, 2001, respectively	167	167
Additional paid-in capital	49,589	49,581
Accumulated other comprehensive loss	(278)	(309)
(Accumulated deficit) retained earnings	(52,422)	3,098
Total stockholders' (deficit) equity	(2,944)	52,537
Total liabilities and stockholders' (deficit) equity	\$ 180,068	\$ 240,009

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

COMFORCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2002	September 30, 2001	September 29, 2002	September 30,2001
Revenue:				
Net sales of service	\$ 95,607	\$ 107,508	\$ 283,832	\$ 343,067
Costs and expenses:				
Cost of services	78,062	86,337	231,104	271,454
Selling, general and administrative expenses	13,599	15,103	41,279	49,598
Depreciation and amortization	1,004	2,021	2,985	5,894
Total costs and expenses	<u>92,665</u>	<u>103,461</u>	<u>275,368</u>	<u>326,946</u>
Operating income	<u>2,942</u>	<u>4,047</u>	<u>8,464</u>	<u>16,121</u>
Other income (expense):				
Interest expense	(4,131)	(4,900)	(12,171)	(15,722)
Gain on debt extinguishment	--	9,322	--	15,858
Other income, net	55	11	218	40
	<u>(4,076)</u>	<u>4,433</u>	<u>(11,953)</u>	<u>176</u>
Income (loss) before tax	(1,134)	8,480	(3,489)	16,297
Provision (benefit) for income taxes	<u>(340)</u>	<u>4,052</u>	<u>(769)</u>	<u>8,251</u>
Income (loss) before a cumulative effect of a change in accounting principle	(794)	4,428	(2,720)	8,046
Cumulative effect of a change in accounting principle -- goodwill impairment, net of tax benefit of \$2,200	--	--	(52,800)	--
Net income (loss)	<u>(794)</u>	<u>\$ 4,428</u>	<u>(55,520)</u>	<u>\$ 8,046</u>
Basic income (loss) per common share:				
Income (loss) before a cumulative effect of a change in accounting principle	\$ (0.05)	\$ 0.27	\$ (0.16)	\$ 0.48
Cumulative effect of a change in accounting principle -goodwill impairment	--	--	(3.17)	--
Net income (loss)	<u>\$ (0.05)</u>	<u>\$ 0.27</u>	<u>\$ (3.33)</u>	<u>\$ 0.48</u>
Diluted income (loss) per common share:				
Income (loss) before a cumulative effect of a change in accounting principle	\$ (0.05)	\$ 0.26	\$ (0.16)	\$ 0.48
Cumulative effect of a change in accounting principle -goodwill impairment	--	--	(3.17)	--
Net income (loss)	<u>\$ (0.05)</u>	<u>\$ 0.26</u>	<u>\$ (3.33)</u>	<u>\$ 0.48</u>
Weighted average common shares outstanding, basic	<u>16,659</u>	<u>16,659</u>	<u>16,659</u>	<u>16,659</u>
Weighted average common shares outstanding, diluted	<u>16,659</u>	<u>16,804</u>	<u>16,659</u>	<u>16,862</u>

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

COMFORCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

	Nine Months Ended	
	September 29, 2002	September 30, 2001
Cash flows from operating activities:		
Net income (loss)	\$ (55,520)	\$ 8,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,985	5,894
Amortization of deferred financing fees	682	592
Issuance of notes in lieu of interest	1,104	1,923
Gain on repurchase of Senior Notes	--	(2,238)
Gain on repurchase of PIK Debentures	--	(7,025)
Write-off of goodwill, net of tax	52,800	--
Gain on sale of fixed assets	(156)	--
Changes in assets and liabilities, net of effects of acquisitions of businesses:		
Accounts receivable and funding service fees receivable	4,652	22,858
Prepaid expenses and other current assets	932	(953)
Accounts payable and accrued expenses	4,783	(2,149)
Decrease in income tax receivable	810	--
Net cash provided by operating activities	13,072	26,948
Cash flows from investing activities:		
Purchases of property and equipment	(2,504)	(2,900)
Disposal of fixed assets	434	--
Payments of contingent consideration	(323)	(773)
(Increase) in deferred costs and other assets	--	(250)
Net cash used in investing activities	(2,393)	(3,923)
Cash flows from financing activities:		
Net repayments under capital leases	(135)	(60)
Net repayments under line of credit agreement	(9,917)	(9,805)
Repurchase of Senior Notes and PIK Debentures	--	(11,336)
Debt financing costs	(221)	(270)
Cash consideration paid in exchange of convertible debt	--	(1,000)
Net cash used in financing activities	(10,273)	(22,471)
Net increase in cash and cash equivalents	406	554
Cash and cash equivalents at beginning of period	4,067	4,940
Cash and cash equivalents at end of period	\$ 4,473	\$ 5,494
Supplemental disclosures:		
Cash paid for:		
Interest	\$ 7,001	\$ 8,976
Income taxes	362	5,591
Supplemental schedule of significant non-cash financing activities:		
Issuance of 8% subordinated convertible note in exchange for 15% PIK Debentures	\$ --	\$ 8,000

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

COMFORCE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited interim consolidated financial statements of COMFORCE Corporation (“COMFORCE”) and its subsidiaries, including COMFORCE Operating, Inc. (“COI”) (collectively, the “Company”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, all adjustments, consisting of normal recurring adjustments considered necessary for a fair presentation, have been included. Although management believes that the disclosures made are adequate to ensure that the information presented is not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2001. The results for the three and nine months ended September 29, 2002 are not necessarily indicative of the results of operations for the entire year.

2. DEBT

Notes payable and long-term debt at September 29, 2002 and December 30, 2001 consisted of (in thousands):

	September 29, 2002	December 30, 2001
12% Senior Notes, due 2007	\$ 87,000	\$ 87,000
15% Senior Secured PIK Debentures, due 2009	11,158	10,379
8% Subordinated Convertible Notes due 2009	8,446	8,121
Revolving line of credit, due December 14, 2003, with interest payable monthly at LIBOR plus 3.0% with a weighted average rate of 4.58% at September 29, 2002 and LIBOR plus 2.25% with a weighted average rate of 4.33% at December 30, 2001	39,303	49,220
Total long-term debt	\$ 145,907	\$ 154,720

The debt service costs associated with COMFORCE’s 15% Senior Secured PIK Debentures due 2009 (the “PIK Debentures”) may be satisfied through issuance of new PIK Debentures through December 1, 2002 and the debt service costs associated with COMFORCE’s 8% Subordinated Convertible Notes due 2009 (the “Convertible Notes”) may be satisfied through issuance of new Convertible Notes through December 1, 2003. Beginning with the interest payment due June 1, 2003, COMFORCE will be required to pay interest on the PIK Debentures in cash, and beginning with the interest payment due June 1, 2004, COMFORCE will be required to pay interest on the Convertible Notes in cash. Its ability to do so is expected to be dependent on its availability of funds for this purpose, whether through borrowings by COI under the revolving credit facility agented by Whitehall Business Credit Corporation (formerly IJB Whitehall Business Credit Corporation) (the “Whitehall Credit Facility”), funds from COI’s operations or otherwise, and on COI’s ability to upstream funds in accordance with the restricted payments test under the indenture for COI’s 12% Senior Notes due 2007 (the “Senior Notes”). COMFORCE’s ability to repay the PIK Debentures and the Convertible Notes at their respective maturity dates in December 2009, or on any earlier required repayment or repurchase dates, will also be dependent on such conditions and availability of funds.

Under the indenture, COI is restricted in upstreaming funds to its parent COMFORCE. Under one interpretation of these restrictive provisions, COI anticipates that it will have adequate funds eligible for upstreaming to COMFORCE to pay cash interest that will be due on June 1, 2003. COI plans to request clarification from the indenture trustee in addressing certain interpretive issues under the indenture. If the Company’s interpretation does not receive support from the trustee or the Company is otherwise unable to pay interest under the PIK Debentures or the Convertible Notes when

due, then, in addition to being a default under these instruments, such non-payment would constitute a default under the Whitehall Credit Facility. Under these circumstances, the Company's management may take steps designed to prevent a default from occurring, such as seeking a consent from the holders of the Senior Notes to upstream funds to pay interest on the Convertible Notes or the PIK Debentures, or seeking to raise capital at the COMFORCE level (not subject to upstreaming restrictions) through the issuance of additional capital or by obtaining a loan to provide necessary funds to satisfy these obligations. No assurance can be given that the indenture trustee will provide needed comfort to the Company in interpreting the indenture or that any steps taken to avoid a default will prove successful, in which case the lenders under the Whitehall Credit Facility and the holders of the PIK Debentures and Convertible Notes may exercise remedies available to them.

Effective as of May 10, 2002, the Company entered into an amendment to the Whitehall Credit Facility to, among other things (i) waive the Company's non-compliance with the fixed-charge coverage ratio for the period ended March 31, 2002, (ii) reduce the fixed-charge coverage ratio in future periods, and (iii) increase each level of the applicable rate and LIBOR margins by 0.25%.

3. FISCAL YEAR

On March 22, 2001, the Company's Board of Directors adopted a resolution to change the Company's fiscal year, which was previously a calendar year. Beginning in 2001, the fiscal year consists of the 52 or 53 weeks ending on the last Sunday in December. Accordingly, the Company's current fiscal year will end on Sunday, December 29, 2002.

4. INCOME (LOSS) PER SHARE

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during each period. Diluted income (loss) per share is computed assuming the conversion of stock options and warrants with a market value greater than the exercise price to the extent such conversion assumption is dilutive. The following represents a reconciliation of the numerators and denominators for basic and diluted income (loss) per share for the three and nine month periods ended September 29, 2002 and September 30, 2001 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2002	September 30, 2001	September 29, 2002	September 30, 2001
Numerator:				
Income (loss) before a cumulative effect of a change in accounting principle	\$ (794)	\$ 4,428	\$ (2,720)	\$ 8,046
Cumulative effect of a change in accounting principle -- goodwill impairment, net of tax benefit	--	--	(52,800)	--
Net income (loss)	<u>\$ (794)</u>	<u>\$ 4,428</u>	<u>\$ (55,520)</u>	<u>\$ 8,046</u>
Denominator:				
Weighted average shares -- basic	16,659	16,659	16,659	16,659
Effect of dilutive securities:				
Warrants and Employee stock options	--	145	--	203
Denominator for diluted income (loss) per share -- adjusted weighted average shares and assumed conversions	<u>16,659</u>	<u>16,804</u>	<u>16,659</u>	<u>16,862</u>

Outstanding options and warrants to purchase shares of common stock, representing approximately 3.6 million shares of common stock, were not included in the computations of diluted net income (loss) per share for the three and nine months ended September 29, 2002 because their effect would be anti-dilutive.

5. STOCK OPTIONS

During the first nine months of 2002, the Company granted options to purchase in aggregate of 60,000 shares of the Company's common stock at an exercise price of \$1.10 per share and 535,000 shares of the Company's common stock at an exercise price of \$1.45, which was equal to or greater than the fair market value of the common stock on the date of grant. These options were granted to 23 individuals who are officers, directors, employees or agents of the Company. These options were granted under the Company's Long-Term Stock Investment Plan. The options granted to directors provide for vesting on the first anniversary of the date of grant and the remaining options provide for vesting 6, 18 and 30 months after the date of grant in equal increments.

At the annual meeting of stockholders of the Company held June 13, 2002, the stockholders approved the COMFORCE Corporation 2002 Stock Option Plan under which options to purchase up to 1,000,000 shares of the Company's common stock may be granted by the Company to officers, directors, employees and agents of the Company at exercise prices not less than market prices at the date of grant. To date, no options have been issued under this plan.

6. INDUSTRY SEGMENT INFORMATION

COMFORCE has determined that its reportable segments can be distinguished principally by the types of services offered to the Company's clients.

The Company reports its results through three operating segments -- Staff Augmentation, Human Capital Management Services and Financial Outsourcing Services. The Staff Augmentation segment provides information technology (IT), technical, telecom, healthcare support and other staffing services. The Human Capital Management Services segment provides contingent workforce management services. The Financial Outsourcing Services segment provides funding and back office support services to independent consulting and staffing companies.

The accounting policies of the segments are the same as those described in Note 2 to the consolidated financial statements of the Company included in the Company's Annual Report on Form 10-K for the year ended December 30, 2001. COMFORCE evaluates the performance of its segments and allocates resources to them based on operating contribution, which represents segment revenues less direct costs of operations, excluding the allocation of corporate general and administrative expenses. Assets of the operating segments reflect primarily net accounts receivable and goodwill associated with segment activities; all other assets are included as corporate assets. The Company does not account for expenditures for long-lived assets on a segment basis.

The table below presents information on the revenues and operating contribution for each segment for the three and nine months ended September 29, 2002 and September 30, 2001, and items which reconcile segment operating contribution to COMFORCE's reported pre-tax income (loss) (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2002	September 30, 2001	September 29, 2002	September 30, 2001
Net sales of services:				
Staff Augmentation	\$ 51,964	\$ 73,628	\$ 157,764	\$ 238,777
Human Capital Management Services	41,537	31,112	119,304	95,046
Financial Outsourcing Services	2,106	2,768	6,764	9,244
	\$ 95,607	\$ 107,508	\$ 283,832	\$ 343,067
Operating contribution:				
Staff Augmentation	\$ 4,897	\$ 7,055	\$ 14,249	\$ 25,580
Human Capital Management Services	1,089	716	3,996	1,919
Financial Services	1,510	2,134	4,290	7,202
	7,496	9,905	22,535	34,701
Consolidated expenses:				
Interest, net	4,076	4,889	11,953	15,682
Gain on debt extinguishment	--	(9,322)	--	(15,858)
Depreciation and amortization	1,004	2,021	2,985	5,894
Corporate general and administrative expenses	3,550	3,837	11,086	12,686
	8,630	1,425	26,024	18,404
Income (loss) from continuing operations	\$ (1,134)	\$ 8,480	\$ (3,489)	\$ 16,297
	At September 29, 2002	At December 30, 2001		
Total assets:				
Staff Augmentation	\$ 97,310	\$ 143,009		
Human Capital Management Services	28,673	25,965		
Financial Services	28,668	45,338		
Corporate	25,417	25,697		
	\$ 180,068	\$ 240,009		

7. ACCOUNTING FOR BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, *Business Combinations* ("SFAS 141"), Statement No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142") and in August 2001 the FASB issued Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 141 specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS 142 eliminates the requirement to amortize goodwill and intangible assets with indefinite useful lives. Instead, they will be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives and to their estimated residual values, and reviewed for impairment in accordance with SFAS 144.

The Company has adopted the provisions of SFAS 141 upon issuance and the provisions of SFAS 142 as of the beginning of fiscal year 2002. The Company has evaluated its existing intangible assets and goodwill that were acquired in prior purchase business combinations and has reclassified \$264,000 net carrying value of goodwill to intangible assets in order to conform to the new criteria in SFAS 141 for recognition apart from goodwill. The Company has reassessed the useful lives and residual values of the intangible assets acquired, and has determined that no amortization period adjustments were necessary.

The intangible assets with definite useful lives are comprised of covenants not to compete (being amortized over periods ranging from 8 to 10 years) with a gross carrying amount of \$558,000 and accumulated amortization of \$343,000 as of September 29, 2002. The amortization expense for the three months ended September 29, 2002 was \$17,000 and generated a tax benefit of \$6,900. The amortization expense for the nine months ended September 29, 2002 was \$50,000 and generated a tax benefit of \$20,000. The estimated amortization expense for the following years is as follows (in thousands):

For year ended 12/29/02	\$	66
For year ended 12/28/03		41
For year ended 12/26/04		41
For year ended 12/25/05		41
For year ended 12/31/06		20

The Company has tested goodwill for impairment in accordance with the provisions of SFAS 142 as of the beginning of fiscal year 2002. In connection with the goodwill test, the Company engaged an independent firm to determine the fair values of its reporting units (as defined by SFAS 142). Based on management's assessment of the circumstances, considering the firm's findings, utilizing a discounted cash flow analysis, the Company recognized an impairment loss of \$55.0 million (\$43.7 million for Staff Augmentation, \$9.4 million for Financial Outsourcing Services and \$1.9 million for Human Capital Management Services) as a cumulative effect of a change in accounting principle in the accompanying financial statements during the first quarter of 2002. These impairment losses relate primarily to the goodwill attributable to staffing companies acquired by the Company in 1996 and 1997, during which time (i) staffing companies were customarily valued at higher levels than they currently command and (ii) the market price of the Company's common stock was substantially higher than the current market price.

The changes in the carrying amount of goodwill for the nine months ended September 29, 2002 is as follows (in thousands):

	Staff Augmentation	Human Capital Management	Financial Outsourcing	Total
Balance as of December 30, 2001	\$ 113,783	\$ 11,100	\$ 9,400	\$ 134,283
Goodwill acquired during year	223	--	--	223
Impairment losses	(43,700)	(1,900)	(9,400)	(55,000)
Amounts reclassified to intangible assets, net	(264)	--	--	(264)
Balance as of September 29, 2002	\$ 70,042	\$ 9,200	\$ --	\$ 79,242

Goodwill amortization for the three and nine months ended September 30, 2001 was \$1.1 million and \$3.2, respectively, and generated tax benefits of \$65,000 and \$204,000, respectively. The following table shows the results of operations as if SFAS 142 was applied to prior periods (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	September 29, 2002	September 30, 2001	September 29, 2002	September 30, 2001
Income (loss) before a cumulative effect of a change in accounting principle, as reported	\$ (794)	\$ 4,428	\$ (2,720)	\$ 8,046
Plus:				
Goodwill amortization, net of tax	--	984	--	2,945
Adjusted income (loss) before a cumulative effect of a change in accounting principle	<u>\$ (794)</u>	<u>\$ 5,412</u>	<u>\$ (2,720)</u>	<u>\$ 10,991</u>
Basic income (loss) per common share:				
Income (loss) before a cumulative effect of a change in accounting principle, as reported	\$ (0.05)	\$ 0.27	\$ (0.16)	\$ 0.48
Goodwill amortization, net of tax	--	0.06	--	0.18
Adjusted income (loss) before a cumulative effect of a change in accounting principle	<u>\$ (0.05)</u>	<u>\$ 0.33</u>	<u>\$ (0.16)</u>	<u>\$ 0.66</u>
Diluted income (loss) per common share:				
Income (loss) before a cumulative effect of a change in accounting principle, as reported	\$ (0.05)	\$ 0.26	\$ (0.16)	\$ 0.48
Goodwill amortization, net of tax	--	0.06	--	0.17
Adjusted income (loss) before a cumulative effect of a change in accounting principle	<u>\$ (0.05)</u>	<u>\$ 0.32</u>	<u>\$ (0.16)</u>	<u>\$ 0.65</u>

8. ACCOUNTING FOR EXTINGUISHMENT OF DEBT

The Financial Accounting Standard Board (“FASB”) issued Statement No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* (“SFAS 145”). SFAS 145 rescinds Statement 4, which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in Opinion 30 will now be used to classify those gains and losses both on a prospective and retrospective basis. The provisions of SFAS 145 are effective for fiscal years beginning after May 15, 2002, with early adoption of the provisions related to the rescission of Statement 4 encouraged. As a result, the Company adopted SFAS 145 during the second fiscal quarter of 2002.

The adoption of SFAS 145 had no impact upon the Company’s consolidated balance sheet or net income in its consolidated statement of operations for any period, but required a reclassification of the gain on the extinguishment of debt, net of related income tax effect, for fiscal 2000 and 2001 and the quarterly periods during such years in which the Company repurchased its debt at a discount. For these periods, the gain, before any tax effect, has been recorded as other income and the income (loss) before tax and the provision for income taxes line items have been adjusted accordingly. The Company’s consolidated statement of operations for the three and nine months ended September 30, 2001 has been reclassified as described, and the reclassifications for other periods will be reflected in future quarterly and annual reports of the Company in which statements for the relevant periods are required to be included.

9. NEW ACCOUNTING STANDARDS

In August 2001, the FASB issued Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. However, SFAS 144 retains the fundamental provisions of SFAS 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 supersedes the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of a business. However, SFAS 144 retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in distribution to owners) or is classified as held for sale. SFAS 144 also amends ARB No. 51, *Consolidated Financial Statement*, to eliminate the exception to consolidation for a temporarily controlled subsidiary. The Company adopted SFAS 144 effective for calendar year 2002. The impact of the adoption did not have a material impact on its consolidated financial statements since the impairment assessment under SFAS 144 is largely unchanged from SFAS 121. The provisions of this statement for assets held for use or other disposal generally are required to be applied prospectively to newly initiated disposal activities and therefore, will depend on future actions initiated by management. As a result, the Company cannot determine the potential effects that the adoption of SFAS 144 will have on its financial statements with respect to future disposal decisions, if any.

In July 2002, the FASB issued Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 will be applied to exit or disposal activities after December 31, 2002 and is not expected to have a material effect on the Company.

10. RECLASSIFICATIONS

Certain reclassifications have been made to conform prior period amounts to the current period presentation. See notes 7 and 8.

11. CONTINGENCIES

The Company is currently undergoing a payroll tax audit by the Internal Revenue Service for the fiscal year 1999. The results of this audit are not yet known.

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

The discussion set forth below supplements the information found in the unaudited consolidated financial statements and related notes of COMFORCE Corporation ("COMFORCE") and its subsidiaries, including COMFORCE Operating, Inc. ("COI") (collectively, the "Company").

Overview

From the time it entered the staffing business in October 1995 through January 1998, the Company completed 10 acquisitions. In February 2000, it completed one additional acquisition. Each of these acquisitions has been accounted for on a purchase basis and the results of operations of each of the businesses acquired have been included in the Company's historical consolidated financial statements from the date of acquisition. Certain of these acquisitions provided for contingent payments by the Company as a part of the purchase consideration based upon the operating results of the acquired businesses for specified future periods. All such contingent payment obligations have been satisfied by the Company. The acquisitions were financed by the Company principally through the issuance of debt and equity securities and borrowings under credit facilities.

Staffing personnel placed by the Company are generally employees of the Company. The Company is responsible for employee related expenses for its employees, including workers' compensation, unemployment compensation insurance, Medicare and Social Security taxes and general payroll expenses. The Company offers health, dental, disability and life insurance to its eligible billable employees. Staffing and consulting companies, including the Company, typically pay their billable employees for their services before receiving payment from their customers, often resulting in significant outstanding receivables. To the extent the Company grows, these receivables will increase and there will be greater requirements for borrowing availability under its credit facility to fund current operations.

The Company reports its results through three operating segments -- Staff Augmentation, Human Capital Management Services and Financial Outsourcing Services (formerly known as Financial Services). The Staff Augmentation segment provides information technology (IT), technical, telecom, healthcare support and other staffing services. The Human Capital Management Services segment provides contingent workforce management services. The Financial Outsourcing Services segment provides payroll, funding and back office support services to independent consulting and staffing companies.

Results of Operations

Three Months Ended September 29, 2002 Compared to Three Months Ended September 30, 2001

Net sales of services for the three months ended September 29, 2002 were \$95.6 million, a decrease of 11.1% from net sales of services for the three months ended September 30, 2001 of \$107.5 million. The Company suffered a decrease in net sales of services in Staff Augmentation and Financial Outsourcing Services segments, partially offset by an increase in the Human Capital Management Services segment. Net sales of services in the Human Capital Management Services segment increased by \$10.4 million or 33.5% due to an increase in its client base. In the Staff Augmentation segment, the decrease of \$21.7 million or 29.4% is principally attributable to the ongoing softness in corporate spending, particularly in sales to IT, telecom, technical and other staffing services. Also, as a result of the current economic condition, net sales of services decreased \$662,000 or 23.9% in the Financial Outsourcing Services segment.

Cost of services for the three months ended September 29, 2002 was 81.6% of net sales of services as compared to cost of services of 80.3% for the three months ended September 30, 2001. The cost of services as a percentage of net sales for the third quarter of 2002 increased from the comparable period in 2001 principally as a result of a decrease in permanent placement fees and a higher growth in the Human Capital Management Services segment which has a higher cost of services as a percentage of net sales of services.

Selling, general and administrative expenses as a percentage of net sales of services were 14.2% for the three months ended September 29, 2002, compared to 14.0% for the three months ended September 30, 2001. Due to lower sales, as discussed above, management continued to undertake initiatives to reduce selling, general and administrative costs, and has been successful in controlling costs as sales decreased.

Operating income for the three months ended September 29, 2002 was \$2.9 million as compared to operating income of \$4.0 million for the three months ended September 30, 2001. This 27.3% decrease in operating income for the three months ended September 29, 2002 resulted principally from a decrease in sales in Staff Augmentation and Financial Outsourcing Services segments, partially offset by a reduction of \$1.1 million in goodwill amortization.

The Company's interest expense for the three months ended September 29, 2002 and September 30, 2001 is attributable to the Whitehall Credit Facility, the Convertible Notes, the 12% Senior Notes due 2007 (the "Senior Notes") and the PIK Debentures. During the first quarter of 2001, the Company repurchased \$13.0 million principal amount of Senior Notes for \$8.9 million and \$5.2 million principal amount of PIK Debentures for \$2.5 million (including accrued and unpaid interest of \$340,000), the repurchase prices of which were paid from lower interest rate borrowings under the Whitehall Credit Facility. In September 2001, the Company completed the exchange of \$18.0 million principal amount of PIK Debentures for its Convertible Note in the original principal amount of \$8.0 million (bearing interest at the per annum rate of 8%), plus \$1.0 million in cash. The interest expense was lower for the three months ended September 29, 2002 as compared to the three months ended September 30, 2001 due to lower market interest rates and lower borrowing

levels under the Whitehall Credit Facility as well as the reduction of Senior Notes and PIK Debentures through the transactions described above.

The income tax benefit for the three months ended September 29, 2002 was \$340,000 on a loss before tax of \$1.1 million. The income tax provision for the three months ended September 30, 2001 was \$4.1 million on income before tax of \$8.5 million. Applying SFAS 145 (in accordance with the criteria in APB Opinion 30), the gain on the extinguishment of debt, net of related income tax effect, for the three months ended September 30, 2001 was recorded as other income (before any tax effect), which in turn required that the income before tax and the provision for income taxes line items be adjusted accordingly. The Company provides for income taxes based upon the estimated effective rate for the respective fiscal year. The difference between the federal statutory income tax rate and the Company's effective tax rate relates primarily to the nondeductibility of a portion of the interest expense associated with the PIK Debentures and state income taxes, disallowance for travel and entertainment and 2001 amortization expense associated with goodwill that was not deductible.

Nine Months Ended September 29, 2002 Compared to Nine Months Ended September 30, 2001

Net sales of services for the nine months ended September 29, 2002 were \$283.8 million, a decrease of 17.3% from net sales of services for the nine months ended September 30, 2001 of \$343.1 million. The Company suffered a decrease in net sales of services in Staff Augmentation and Financial Outsourcing Services segments, partially offset by an increase in the Human Capital Management Services segment. Net sales of services in the Human Capital Management Services segment increased by \$24.3 million or 25.5% due to an increase in its client base. In the Staff Augmentation segment, the decrease of \$81.0 million (33.9%) is principally attributable to reduced sales to IT, telecom, technical and other staffing services customers as a result of the continuing effects of the soft economy. Also, as a result of the current economic conditions, net sales of services were lower by \$2.5 million (26.8%) in the Financial Outsourcing Services segment.

Cost of services for the nine months ended September 29, 2002 was 81.4% of net sales of services as compared to cost of services of 79.1% for the nine months ended September 30, 2001. The cost of services as a percentage of net sales for the nine months ended September 29, 2002 increased from the comparable period in 2001 principally as a result of lower sales (and gross margin percentages on sales) to telecom and technical customers, a decrease in permanent placement fees and a higher growth in Human Capital Management Services which has a higher cost of services as a percentage of net sales of services.

Selling, general and administrative expenses as a percentage of net sales of services were 14.5% for the nine months ended September 29, 2002, compared to 14.5% for the nine months ended September 30, 2001. Due to lower sales, as discussed above, management continued to undertake initiatives to reduce selling, general and administrative costs and has been successful in controlling costs as sales decreased. These costs were further reduced by lower commissions as a result of the decrease of sales discussed above.

Operating income for the nine months ended September 29, 2002 was \$8.5 million as compared to operating income of \$16.1 million for the nine months ended September 30, 2001. This 47.5% decrease in operating income for the nine months ended September 29, 2002 resulted principally from a decrease in sales and gross margins in Staff Augmentation and Financial Outsourcing Services segments, partially offset by a reduction of \$3.2 million in goodwill amortization.

The Company's interest expense for the nine months ended September 29, 2002 and September 30, 2001 is attributable to the Whitehall Credit Facility, the Convertible Notes, the Senior Notes and the PIK Debentures. During the first quarter of 2001, the Company repurchased \$13.0 million principal amount of Senior Notes for \$8.9 million and \$5.2 million principal amount of PIK Debentures for \$2.5 million (including accrued and unpaid interest of \$340,000), the repurchase prices of which were paid from lower interest rate borrowings under the Whitehall Credit Facility. In September 2001, the Company completed the exchange of \$18.0 million principal amount of PIK Debentures for its Convertible Note in the original principal amount of \$8.0 million (bearing interest at the per annum rate of 8%), plus \$1.0 million in cash. The interest expense was lower for the nine months ended September 29, 2002 as compared to the nine

months ended September 30, 2001 due to lower market interest rates and lower borrowing levels under the Whitehall Credit Facility as well as the reduction of Senior Notes and PIK Debentures through the transactions described above.

The income tax benefit for the nine months ended September 29, 2002 was \$769,000 on a loss before tax of \$3.5 million. The income tax provision for the nine months ended September 30, 2001 was \$8.3 million on income before tax of \$16.3 million. Applying SFAS 145 (in accordance with the criteria in APB Opinion 30), the gain on the extinguishment of debt, net of related income tax effect, for the nine months ended September 30, 2001 was recorded as other income (before any tax effect), which in turn required that the income before tax and the provision for income taxes line items be adjusted accordingly. The Company provides for income taxes based upon the estimated effective rate. As a result of the Company's revised forecasts in the third quarter of 2002, the expected tax rate was adjusted to 22.0%. The difference between the federal statutory income tax rate and the Company's effective tax rate relates primarily to the nondeductibility of a portion of the interest expense associated with the PIK Debentures and state income taxes, disallowance for travel and entertainment and 2001 amortization expense associated with goodwill that was not deductible.

Financial Condition, Liquidity and Capital Resources

The Company generally pays its billable employees weekly for their services, and remits certain statutory payroll and related taxes as well as other fringe benefits. Invoices are generated to reflect these costs plus the Company's markup. These bills are typically paid within 40 days. Increases in the Company's net sales of services, resulting from expansion of existing offices or establishment of new offices, will require additional cash resources.

The following table represents contractual commitments associated with operating agreements and earnout (contingent payment) agreements:

	Payments Due By Period (in thousands)			
	2002	2003	2004-5	Thereafter
Operating Leases (1)	\$3,337	\$2,846	\$3,666	\$4,841
Whitehall Credit Facility				
- principal repayments	--	39,303	--	--
Senior Notes - principal repayments	--	--	--	87,000
PIK Debentures - principal repayments	--	--	--	11,158
Convertible Notes - principal repayments	--	--	--	8,446
Earnout agreements	323	--	--	--
Total	<u>\$3,660</u>	<u>\$42,149</u>	<u>\$3,666</u>	<u>\$111,445</u>

(1) Calculated as of December 30, 2001 but not substantially changed since such time.

The Company also had standby letters of credit outstanding at September 29, 2002 in the aggregate amount of \$5.2 million.

During the nine months ended September 29, 2002, the Company's primary sources of funds to meet working capital needs were from borrowings under the Whitehall Credit Facility. Cash and cash equivalents increased \$406,000 during the nine months ended September 29, 2002. Cash flows provided by operating activities of \$13.1 million exceeded cash flows used in financing activities of \$10.3 million and cash flows used in investing activities of \$2.4 million.

As of September 29, 2002, the Company had outstanding \$39.3 million principal amount under the Whitehall Credit Facility bearing interest at a weighted average rate of 4.58% per annum. In addition, as of September 29, 2002, the Company had outstanding \$11.2 million principal amount of PIK Debentures bearing interest at a rate of 15% per annum, \$87.0 million principal amount of Senior Notes bearing interest at a rate of 12% per annum and \$8.5 million

principal amount of Convertible Notes bearing interest at the rate of 8% per annum. As more fully described below, interest on the PIK Debentures and the Convertible Notes may be satisfied through the issuance of new PIK Debentures and Convertible Notes through December 1, 2002 and December 1, 2003, respectively. To date, the Company has chosen to issue new PIK Debentures and Convertible Notes to pay interest thereon.

The Company entered into the Whitehall Credit Facility in December 2000 to provide greater borrowing availability and flexibility. The Whitehall Credit Facility has been amended several times since it was entered into, most recently to ensure the Company's compliance with financial covenants at March 31, 2002, described below and to lessen the requirements through December, 2003. The Whitehall Credit Facility, as amended, has permitted the Company to execute its strategy of reducing its higher interest rate debt and improving its balance sheet by retiring Senior Notes and PIK Debentures. The Whitehall Credit Facility currently provides for borrowing availability of up to \$95.0 million based upon a specified percentage of the Company's eligible accounts receivable. At September 29, 2002, the Company had remaining availability based upon then outstanding eligible accounts receivable of \$17.4 million.

Effective as of May 10, 2002, the Company has entered into an amendment to the Whitehall Credit Facility to, among other things (i) waive the Company's non-compliance with the fixed-charge coverage ratio for the period ended March 31, 2002, (ii) reduce the fixed-charge coverage ratio in future periods, and (iii) increase each level of the applicable rate and LIBOR margins by 0.25%. As of September 29, 2002, the incremental rate was 3.0%.

The scheduled maturity date of the Whitehall Credit Facility is December 14, 2003. The Company intends to seek to extend the Whitehall Credit Facility or to seek to obtain alternative financing.

Substantially all of the consolidated net assets of the Company are assets of COI and all of the net income that has been generated by the Company through September 29, 2002 is net income attributable to the operations of COI. Accordingly, except for permitted distributions, these assets and net income are restricted as to their use by COMFORCE. The indenture governing the Senior Notes imposes restrictions on COI making specified payments, which are referred to as "restricted payments," including making distributions or paying dividends (referred to as upstreaming funds) to COMFORCE. Under the indenture, COI is not permitted to make cash distributions to COMFORCE other than (1) to upstream \$2.0 million annually (\$1.25 million annually prior to 2000) to pay public company expenses, (2) to upstream up to \$10.0 million to pay income tax related to deemed forgiveness of PIK Debentures to facilitate the purchase or exchange by COMFORCE of PIK Debentures at less than par, (3) under certain circumstances in connection with a disposition of assets, to upstream proceeds therefrom to repay the PIK Debentures, and (4) to upstream funds to the extent COI meets the restricted payments test under the indenture.

Management believes that \$2.0 million annually (if COI has funds available for this purpose) will be sufficient to pay COMFORCE's annual public company expenses for the foreseeable future.

Through December 1, 2002, interest under the PIK Debentures is payable, at the option of COMFORCE, in cash or in kind through the issuance of additional PIK Debentures. In addition, through December 1, 2003, interest on the Convertible Notes is payable, at the option of COMFORCE, in cash or in kind through the issuance of additional Convertible Notes. To date, COMFORCE has paid all interest under the PIK Debentures and Convertible Notes in kind. Beginning with the interest payment due June 1, 2003, COMFORCE will be required to pay interest on the PIK Debentures in cash, and beginning with the interest payment due June 1, 2004, COMFORCE will be required to pay interest on the Convertible Notes in cash. Its ability to do so is expected to be dependent on its availability of funds for this purpose, whether through borrowings by COI under the Whitehall Credit Facility, funds from COI's operations or otherwise, and on COI's ability to upstream funds in accordance with the restricted payments test under the indenture for the Senior Notes. COMFORCE's ability to repay the PIK Debentures and the Convertible Notes at their respective maturity dates in December 2009, or on any earlier required repayment or repurchase dates, will also be dependent on such conditions and availability of funds.

Under the indenture, COI is restricted in upstreaming funds to its parent COMFORCE. Under one interpretation of these restrictive provisions, COI anticipates that it will have adequate funds eligible for upstreaming to COMFORCE to pay cash interest that will be due on June 1, 2003. COI plans to request clarification from the indenture trustee in addressing certain interpretive issues under the indenture. If the Company's interpretation does not receive support from

the trustee or the Company is otherwise unable to pay interest under the PIK Debentures or the Convertible Notes when due, then, in addition to being a default under these instruments, such non-payment would constitute a default under the Whitehall Credit Facility. Under these circumstances, the Company's management may take steps designed to prevent a default from occurring, such as seeking a consent from the holders of the Senior Notes to upstream funds to pay interest on the Convertible Notes or the PIK Debentures, or seeking to raise capital at the COMFORCE level (not subject to upstreaming restrictions) through the issuance of additional capital or by obtaining a loan to provide necessary funds to satisfy these obligations. No assurance can be given that the indenture trustee will provide needed comfort to the Company in interpreting the indenture or that any steps taken to avoid a default will prove successful, in which case the lenders under the Whitehall Credit Facility and the holders of the PIK Debentures and Convertible Notes may exercise remedies available to them.

The Convertible Note is convertible into the Company's common stock based on a price of \$1.70 per share of common stock, provided that if such conversion would result in a change of control occurring under the terms of the indentures governing the PIK Debentures or the Senior Notes, the Convertible Note will be convertible into shares of non-voting preferred stock having a nominal liquidation preference (but no other preferences), which in turn will be convertible into common stock at the holder's option at any time so long as the conversion would not result in a change of control. Notice of conversion must be given at least 61 days in advance.

As of September 29, 2002, approximately \$79.2 million, or 44.0%, of the Company's total assets were goodwill recorded in connection with the Company's acquisitions. Effective December 31, 2001, the Company ceased recording amortization expense relating to goodwill amounting to approximately \$4.2 million annually upon its required adoption of a new accounting standard (SFAS 142), as described under note 7 to the consolidated financial statements. As also described under note 7, the Company evaluated the recoverability of goodwill on its books under the new standards under SFAS 142, resulting in its write-off of \$55.0 million of goodwill in the first quarter of 2002.

The Company was obligated under various agreements to make earn-out payments to the sellers of companies acquired by the Company and to sellers of franchised businesses repurchased by the Company, subject to the sellers meeting specified contractual requirements. During fiscal 2002, the Company made earn-out payments totaling \$323,000. It has no remaining obligation to make earn-out payments to any person in future periods.

Subject to possible restrictions on COI's ability to distribute sufficient funds to pay cash interest due on the PIK Debentures in June 2003, as discussed above and in note 2, management of the Company believes that cash flow from operations and funds anticipated to be available under the Whitehall Credit Facility will be sufficient to service the Company's indebtedness and to meet currently anticipated working capital requirements.

The Company is currently undergoing a payroll tax audit by the Internal Revenue Service for the fiscal year 1999. The results under this audit are not yet known.

Seasonality

The Company's quarterly operating results are affected primarily by the number of billing days in the quarter and the seasonality of its customers' businesses. Demand for technical and engineering services, IT and telecom staffing services has historically been lower during the second half of the fourth quarter through the following first quarter, and, generally, shows gradual improvement until the second half of the fourth quarter.

Forward Looking Statements

Various statements made in this Report concerning the manner in which the Company intends to conduct its future operations, and potential trends that may impact future results of operations, are forward looking statements. The Company may be unable to realize its plans and objectives due to various important factors, including, but not limited to the following: a continuation of the current recessionary environment, particularly in the aircraft manufacturing, telecom, information technology and other sectors served by the Company (which may reflect cyclical conditions or fundamental changes in these industries), could further reduce demand for contingent personnel and further heighten the competition for customers, resulting in lower revenues and margins and affecting the Company's ability to continue to meet the

financial covenants under the Whitehall Credit Facility; the Company's significant leverage may leave it with a diminished ability to obtain additional financing for working capital or other capital expenditures, for retiring higher interest rate debt or for otherwise improving the Company's competitiveness and capital structure or expanding its operations; recently adopted SFAS 142, which requires the Company to evaluate annually the recoverability of goodwill on its books, could cause the Company to write-off goodwill in future periods (in addition to the write-off of \$55.0 million in the first quarter of 2002), which could have a material adverse impact on the Company's financial condition and results of operations; or, if COI fails to generate sufficient consolidated net income or have other funds available to upstream to COMFORCE under the restricted payments test of the Senior Notes indenture in order for it to pay cash interest on the PIK Debentures (which is required beginning June 1, 2003) or the Convertible Note (which is required beginning June 1, 2004) or to repay the PIK Debentures or the Convertible Note at their maturity in December 2009, or on any earlier required repayment or repurchase date, then, unless COMFORCE obtains a loan or sells its capital stock or other securities to provide funds for this purpose, the Company will default under the indentures governing the PIK Debentures and the Senior Notes and under the Whitehall Credit Facility.

Additional important factors that could cause the Company to be unable to realize its plans and objectives are described under "Risk Factors" in the Registration Statement on Form S-3 of the Company filed with the Securities and Exchange Commission on December 21, 2000 (Registration No. 333-52356). The disclosure under "Risk Factors" in the Registration Statement may be accessed through the Web site maintained by the Securities and Exchange Commission at "www.sec.gov." In addition, the Company will provide, without charge, a copy of such "Risk Factors" disclosure to each stockholder of the Company who requests such information. Requests for copies should be directed to the attention of Linda Annicelli, Vice President, Administration at COMFORCE Corporation, 415 Crossways Park Drive, P.O. Box 9006, Woodbury, New York 11797, telephone 516-437-3300.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 has been disclosed in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 30, 2001. There has been no material change in the disclosure regarding market risk.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this Report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 adopted under the Securities Exchange Act of 1934. Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Since the date of the filing of the Company's Annual Report on Form 10-K for the year ended December 30, 2001, there have been no material new legal proceedings involving the Company or any material developments to the proceedings described in such 10-K.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

99.1 Certification of chief executive officer and chief financial officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunder duly authorized.

COMFORCE Corporation

By: /s/ Harry V. Maccarrone
Harry V. Maccarrone,
Executive Vice President and Chief Financial Officer

Date: November 13, 2002

CERTIFICATIONS

I, John C. Fanning, Chairman and Chief Executive Officer of COMFORCE Corporation, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q of COMFORCE Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal

controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ John C. Fanning

John C. Fanning,
Chairman and Chief Executive Officer

I, Harry V. Maccarrone, Executive Vice President and Chief Financial Officer of COMFORCE Corporation, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q of COMFORCE Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ Harry V. Maccarrone

Harry V. Maccarrone,
Executive Vice President and Chief Financial Officer

**Certification of Chief Executive Officer and Chief Financial Officer
under Section 906 of the Sarbanes-Oxley Act of 2002**

Each of the undersigned officers hereby certifies that, to his knowledge, (1) the Quarterly Report on Form 10-Q of COMFORCE Corporation for the quarter ended September 30, 2002 as to which this Certification is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)) and (2) the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of COMFORCE Corporation.

Signed this 13th day of November, 2002.

/s/ John C. Fanning

John C. Fanning,
Chairman and Chief Executive Officer

/s/ Harry V. Maccarrone

Harry V. Maccarrone,
Executive Vice President and Chief Financial Officer