SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1999

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 No. 0-18492

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

New Jersey	22-1899798
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
300 Atrium Drive, Somerset, NJ	08873
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (732)748-1700

DIGITAL SOLUTIONS, INC.

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 [X] No [ ]

27,930,160 shares of Common Stock, par value $.001 per share, were outstanding as of May 18, 1999.

TEAMSTAFF, INC. AND SUBSIDIARIES
FORM 10-Q

March 31, 1999

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TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1999 (unaudited)	SEPTEMBER 30, 1998
ASSETS		
CURRENT ASSETS		
Cash	$ 2,088,000	$ 1,530,000
Restricted Cash	350,000	--
Accounts receivable, net of allowance of $384,000 and $284,000 in 1999 and 1998, respectively	9,282,000	6,891,000
Other current assets	1,584,000	691,000
Total current assets	13,304,000	9,112,000
EQUIPMENT AND IMPROVEMENTS		
Equipment	3,938,000	3,336,000
Leasehold improvements	71,000	47,000
	4,009,000	3,383,000
Accumulated depreciation and amortization	3,160,000	2,591,000
	849,000	792,000
DEFERRED TAX ASSET	1,264,000	1,782,000
GOODWILL, net of amortization of $1,303,000 and $1,082,000 in 1999 and 1998, respectively	17,186,000	4,096,000
OTHER ASSETS	685,000	866,000
TOTAL ASSETS	$33,288,000	$16,648,000

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

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1999 (unaudited)	SEPTEMBER 30, 1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,788,000	$ 540,000
Accounts payable	2,458,000	1,792,000
Accrued payroll	4,444,000	2,258,000
Accrued expenses and other current liabilities	3,737,000	1,203,000
Total current liabilities	12,427,000	5,793,000
LONG-TERM DEBT	4,772,000	2,981,000
Total Liabilities	17,199,000	8,774,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock, $.001 par value; authorized 40,000,000 shares; issued and outstanding 27,930,160 at March 31, 1999 and 19,356,833 at September 30, 1998	28,000	19,000
Additional paid-in capital	21,036,000	13,692,000
Accumulated deficit	(4,975,000)	(5,837,000)
Total shareholders' equity	16,089,000	7,874,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 33,288,000	$ 16,648,000

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

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1999	1998
REVENUES	$ 55,248,000	$ 32,575,000
DIRECT EXPENSES	51,638,000	30,346,000
Gross profit	3,610,000	2,229,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,868,000	1,761,000
DEPRECIATION AND AMORTIZATION	295,000	170,000
Income from operations	447,000	298,000
OTHER INCOME (EXPENSE)		
Interest and other income	101,000	11,000
Interest expense	(297,000)	(105,000)
	(196,000)	(94,000)
Income before tax	251,000	204,000
INCOME TAX BENEFIT	276,000	--
NET INCOME	$ 527,000	$ 204,000
BASIC EARNINGS PER COMMON SHARE	$ 0.02	$ 0.01
WEIGHTED AVERAGE SHARES OUTSTANDING	24,620,265	19,298,010
DILUTED EARNINGS PER COMMON SHARE	$ 0.02	$ 0.01
DILUTED SHARES OUTSTANDING	24,783,175	19,618,273

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

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	FOR THE SIX MONTHS MARCH 31, 1999	1998
REVENUES	$ 94,947,000	$ 66,237,000
DIRECT EXPENSES	88,343,000	61,406,000
Gross profit	6,604,000	4,831,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,018,000	3,618,000
DEPRECIATION AND AMORTIZATION	471,000	339,000
Income from operations	1,115,000	874,000
OTHER INCOME (EXPENSE)		
Interest and other income	205,000	23,000
Interest expense	(463,000)	(193,000)
	(258,000)	(170,000)
Income before tax	857,000	704,000
INCOME TAX BENEFIT	5,000	--
NET INCOME	$ 862,000	$ 704,000
BASIC EARNINGS PER COMMON SHARE	$ 0.04	$ 0.04
WEIGHTED AVERAGE SHARES OUTSTANDING	21,958,982	19,234,889
DILUTED EARNINGS PER COMMON SHARE	$ 0.04	$ 0.04
DILUTED SHARES OUTSTANDING	22,117,982	19,572,183

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

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE SIX MONTHS ENDED MARCH 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 862,000	$ 704,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	471,000	339,000
Provision for doubtful accounts	96,000	35,000
Deferred income taxes	(110,000)	--
Changes in operating assets and liabilities:		
Increase in restricted cash	(350,000)	--
Decrease in accounts receivable	190,000	485,000
Decrease (increase) in other current assets	568,000	(173,000)
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	83,000	(754,000)
Net cash provided by operating activities	1,810,000	636,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of TeamStaff Companies	(4,282,000)	--
Purchase of equipment and improvements	(53,000)	(151,000)
Net cash used in investing activities	(4,335,000)	(151,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on long term debt	2,500,000	--
Proceeds from revolving line of credit	765,000	--
Proceeds from borrowings on bridge loan	750,000	--
Repayments on long term debt	(291,000)	--
Repayments on revolving line of credit	(663,000)	(260,000)
Payments under capital lease obligations	(21,000)	(72,000)
Proceeds from issuance of common stock and exercise of common stock options and warrants	43,000	250,000
Net cash provided by (used in) financing activities	3,083,000	(82,000)
Net increase in cash	558,000	403,000
CASH AT BEGINNING OF PERIOD	1,530,000	841,000
CASH AT END OF PERIOD	$ 2,088,000	$ 1,244,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 237,000	$ 181,000

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

TEAMSTAFF, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) ORGANIZATION AND BUSINESS

TeamStaff, Inc., formerly Digital Solutions, Inc. (the "Company"), a New Jersey Corporation, with its subsidiaries, provides a broad spectrum of human resource services including professional employer services, payroll processing, human resource administration and placement of temporary and permanent employees. The Company has regional offices in Somerset, New Jersey; Houston, Texas; and Tampa and Clearwater, Florida and sales service centers in New York, New York; El Paso and Houston, Texas; Tampa and Clearwater, Florida; and Somerset, New Jersey.

The Company changed its name from Digital Solutions, Inc, to TeamStaff, Inc. on February 10, 1999. Effective January 25, 1999, the Company acquired the ten entities operating under the trade name, The TeamStaff Companies. The financial data and discussions contained in this Form 10-Q reflect the acquisition for the period from January 25 to March 31, 1999.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION-

The consolidated financial statements included herein have been prepared by the registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the registrant believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. This financial information reflects, in the opinion of management, all adjustments necessary to present fairly the results for the interim periods. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

The accompanying consolidated financial statements include those of TeamStaff Inc., a New Jersey Corporation and its wholly-owned subsidiaries; TeamStaff Solutions, Inc., DSI Staff ConnXions - Northeast, Inc., DSI Staff ConnXions Southwest, Inc., TeamStaff Rx., Inc, TeamStaff I, Inc, TeamStaff II, Inc., TeamStaff III, Inc., TeamStaff IV, Inc., TeamStaff V, Inc., TeamStaff VI, Inc., TeamStaff Insurance, Inc., TeamStaff VII, Inc., TeamStaff VIII, Inc., TeamStaff IX, Inc. and Employer Support Services, Inc. The results of operations of acquired companies have been included in the consolidated financial statements from the date of acquisition. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS-

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way public enterprises are to report information about operating segments in interim financial statements and requires the reporting of selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS 131 is effective for fiscal periods beginning after December 15, 1997, at which time the Company will adopt the provisions. The Company does not expect SFAS 131 to have a material effect on reported results.

EARNINGS PER SHARE-

In February 1997, the FASB issued Statement on Financial Accounting Standards Number 128, "Earnings Per Share" ("SFAS No. 128"), which requires the presentation of basic earnings per share ("Basis EPS") and diluted earnings per share ("Diluted EPS"). Basic EPS is calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period adjusted to reflect potentially dilutive securities.

In accordance with SFAS 128, the following table reconciles net income and share amounts used to calculate basic earnings per share and diluted earnings per share:

	Three Months Ended March 31,		Six Months Ended March 31,	
	1999	1998	1999	1998
Numerator:				
Net income	$ 527,000	$ 204,000	$ 862,000	$ 704,000
Denominator:				
Weighted average number of common shares Outstanding-basic	24,620,265	19,298,010	21,958,982	19,234,889
Incremental shares for assumed conversions of stock options/warrants	162,910	320,263	159,000	337,294
Weighted average number of common and equivalent shares outstanding-Diluted	24,783,175	19,618,273	22,117,982	19,572,183
Earnings per share-Basic	$ 0.02	$ 0.01	$ 0.04	$ 0.04
Earnings per share-Diluted	$ 0.02	$ 0.01	$ 0.04	$ 0.04

Stock options and warrants outstanding at March 31, 1999 to purchase 1,042,879 shares of common stock were not included in the computation of Diluted EPS as they were antidilutive.

(3) INCOME TAXES:

At March 31, 1999, the Company had available operating loss carryforwards of approximately $5,100,000 to reduce future periods' taxable income. The carryforwards expire in various years beginning in 2004 and extending through 2012.

During the three months ended March 31, 1999, the Company reduced their entire valuation allowance resulting in the recognition of an income tax benefit of $276,000 for the period. The Company has recorded a $2,272,000 and a $760,000 deferred tax asset at March 31, 1999 and 1998, respectively. This represents management's estimate of the income tax benefits to be realized upon utilization of a portion of its net operating losses as well as temporary differences between the financial statement and tax bases of certain assets and liabilities, for which management believes utilization to be more likely than not. Management believes the Company's operations can generate sufficient taxable income to realize this deferred tax asset as a result of recent business developments, its ability to meet its operating plan as well as the resolution of significant past problems which had adversely affected the Company in prior years. As of March 31, 1999 other current assets included $1,008,000 related to the deferred tax asset.

(4) DEBT:

On April 29, 1998, the Company was successful in replacing a former credit facility with a new long-term credit facility from FINOVA Capital Corporation totaling $4,500,000. Substantially all assets of the Company secure the credit facility. The facility includes a three-year loan for $2,500,000, with a five year amortization, and a balloon payment at the end of three years at prime plus 3% (10.75% as of March 31, 1999) and a $2 million revolving line of credit secured by certain accounts receivable of the Company at prime plus 1% (8.75% as of March 31, 1999). The credit facility is also subject to success fees of $200,000, $225,000 and $250,000 due on the anniversary date of the loan. Taking these fees into consideration, and assuming the Company continuously fully utilizes the revolver, the effective rate of interest on the total borrowings is approximately 16.1%. The credit facility is subject to certain covenants including but not limited to a minimum current ratio, debt to net worth ratio, a minimum net worth and a minimum debt service coverage ratio, as defined.

The Company received an increase of its present lending facility from FINOVA Capital Corporation in order to fund the TeamStaff acquisition. The facility is comprised of (i) a three-year term loan, with a five year amortization, and a balloon payment at the end of three years, in the amount of $2,500,000; (ii) a one year bridge loan in the amount of $750,000 and (iii) an increase in the Company's revolving line of credit from $2,000,000 to $2,500,000. The term loan bears an interest rate of prime plus 3 % (10.75% as of March 31, 1999), the bridge loan bears an interest rate of 12% at March 31, 1999. In addition, the Company will incur success fees of $200,000, $225,000 and $250,000 due on the anniversary dates of the additional loan. The credit facility is subject to certain covenants including but not limited to a debt to net worth ratio, a minimum net worth and a minimum debt service coverage ratio, as defined.

(5) ACQUISITION OF THE TEAMSTAFF COMPANIES

On January 25, 1999 TeamStaff, Inc., formerly Digital Solutions, Inc., completed the acquisition of the Teamstaff Companies through the issuance of 8,233,334 shares of TeamStaff, Inc. common stock and $3.2 million in cash for the preferred stock of the TeamStaff Companies and for the repayment of debt. TeamStaff, Inc. also incurred $1.3 million for certain legal, accounting and investment banking expenses. The acquisition has been accounted for under the purchase method and the results of the operations of the acquired companies have been included in the consolidated financial statements since the date of the acquisition. The purchase price is being allocated based on the estimated fair value at the date of the acquisition. The application of the purchase method of accounting resulted in approximately $13.3 million in excess of purchase price over net tangible assets acquired. Based on a preliminary analysis by TeamStaff, Inc. the excess of the purchase price over the net tangible assets acquired is expected to be allocated to goodwill and other intangible assets which will be amortized up to 25 years.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and the acquired companies as if the acquisition had occurred October 1, 1997.

	Six Months Ended March 31, 1999	1998
Net sales	$129,538,000	$118,860,000
Net income	$ 688,000	$ 774,000
Earnings per common share	$ 0.03	$ 0.04

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Reform Act"). TeamStaff, Inc. desires to avail itself of certain "safe harbor" provisions of the 1995 Reform Act and is therefore including this special note to enable the Company to do so. Forward-looking statements included in this report involve known and unknown risks, uncertainties, and other factors which could cause the Company's actual results, performance (financial or operating) or achievements to differ from the future results, performance (financial or operating) achievements expressed or implied by such forward-looking statements. Such future results are based upon management's best estimates based upon current conditions and the most recent results of operations. These risks include, but are not limited to, risks associated with the Company's risks of current as well as future acquisitions, effects of competition and technological changes and dependence upon key personnel.

The Company's revenues for the three months ended March 31, 1999 and 1998 were $55,248,000 and $32,575,000, respectively, which represents an increase of $22,673,000 or 69.6%. For the six months ended March 31, 1999 and 1998, the Company's revenues were $94,947,000 and $66,237,000, respectively, which represents an increase of $28,710,000 or 43.3%. Of this increase, 58% was due to the acquisition of the TeamStaff Companies with the balance due to internal growth.

Direct expenses were $51,638,000 for the three months ended March 31, 1999 and $30,346,000 for the comparable period last year, representing an increase of $21,292,000 or 70.2%. As a percentage of revenue, direct expenses for the three months ended March 31, 1999 and 1998 were 93.5% and 93.2%. For the six months ended March 31, 1999 and 1998, direct expenses increased $26,937,000 or 43.9%, from $61,406,000 to $88,343,000, respectively. These increases represent the corresponding higher costs associated with higher revenues. As a percentage of revenue, direct expenses for the six months ended March 31, 1999 and 1998 were 93.0% and 92.7%.

Gross profits were $3,610,000 and $2,229,000 for the quarters ended March 31, 1999 and 1998, respectively, an increase of $1,381,000 or 62.0%. Gross profits, as a percentage of revenue, were 6.5% and 6.8% for the quarters ended March 31, 1999 and 1998, respectively. Gross profits were $6,604,000 and $4,831,000 for the six months ended March 31, 1999 and 1998, respectively, representing an increase of $1,773,000 or 36.7%. Gross profits, as a percentage of revenue, were 7.0% and 7.3% for the six months ended March 31, 1999 and 1998.

Although a substantial portion of our revenue growth occurred in the PEO line of business, the gross profit as a percentage of revenue declined only marginally because of improved performance and increases in the other business lines.

Selling, general and administrative "SG&A" expenses for the quarters ended March 31, 1999 and 1998 were $2,868,000 and $1,761,000, respectively, representing an increase of $1,107,000 or 62.9%. This increase is primarily attributed to the TeamStaff Companies acquisition. SG&A expenses for the six months ended March 31, 1999 and 1998 were $5,018,000 and $3,618,000, respectively, representing an increase of $1,400,000 or 38.7%. This increase is similarly attributed to the TeamStaff Companies acquisition.

Depreciation and amortization for the quarters ended March 31, 1999 and 1998 increased to $295,000 from $170,000, respectively, or $125,000. The increase is reflective of the amortization of the goodwill related to the acquisition of the TeamStaff Companies. Depreciation and amortization for the six months ended March 31, 1999 and 1998 increased to $471,000 from $339,000, respectively, or $132,000. The increase is primarily attributed to the additional amortization expense related to the acquisition of the TeamStaff Companies.

Interest expense for the quarter ended March 31, 1999 increased $192,000 to $297,000 from $105,000 in the corresponding period in 1998 due to an increase in debt financing and in the effective borrowing rate associated with the Company's new financing arrangements, effective in April, 1998 as well as the additional debt associated with the TeamStaff acquisition. Interest expense for the six months ended March 31, 1999 increased $270,000 to $463,000 from $193,000 in the six months ended March 31, 1998. This increase is due to the same reason as the increase in the three month period.

Income taxes for the quarter ended March 31, 1999 reflected a tax benefit of $276,000 versus $0 in the same quarter last year. For the six months ended March 31, 1999, the tax benefit was $5,000 versus $0 in the six months of the same period of last year. The Company was able to reduce the valuation allowance by $400,000 to $0 to offset the income tax provision for the period. Included in the second quarter of fiscal 1999 is a $400,000 net tax benefit reflecting the elimination of a deferred tax valuation allowance. Management has determined that is more likely than not that all the deferred tax asset will be realized in the future. Management has considered the consistent eight quarters of profitability as well as the current integration of the TeamStaff Companies. In fiscal 1998, the Company reduced the valuation reserve, leaving a balance at September 30, 1999 of $400,000.

Net income for the quarter ended March 31, 1999 was $527,000 versus a net income of $204,000 for the similar period in 1998. This increase in net income of $323,000 reflects a tax benefit of $276,000 as compared to no tax expense in the similar period of 1998 as discussed above as well as improved performance in all of the Company's business lines. Net income for the six months ended March 31, 1999 was $862,000 as compared to $704,000, an increase of $158,000 which can be attributed to the increase in the Company's revenues in all business lines.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities improved in the first six months of fiscal 1999 to $1,936,000 from net cash provided of $636,000 in the same period of fiscal 1998. The increase in cash flow from operations is attributable to the continued earnings improvement of the Company and the successful refinancing of the company's short term borrowings to a long term credit facility. The net cash provided by financing activities increased in the six months ended March 31, 1999, compared to the six months ended March 31, 1998 due to the increase in financing for the TeamStaff Companies acquisition. Cash outflow for the purchases of equipment and improvements was $53,000 in the six months ended March 31, 1999 compared to $151,000 in the six months ended March 31, 1998. The decrease is related to the timing of capital projects during the quarters. Capital expenditures have been relatively stable over the last three fiscal years. At March 31, 1999, the Company had cash of $2,088,000, restricted cash of $350,000 and accounts receivable, net of $9,282,000.

On April 29, 1998, the Company was successful in replacing the former credit facility with a new long-term credit facility from FINOVA Capital Corporation totaling $4.5 million. The credit facility includes a three-year loan for $2.5 million, with a five-year amortization, at prime + 3% (10.75% at March 31, 1999) and a $2 million revolving line of credit secured by certain accounts receivable of the Company at prime + 1% (8.75% at March 31, 1999). The credit facility is also subject to success fees of $200,000, $225,000 and $250,000 due on the anniversary date of the loan beginning in April, 1999. Taking these fees into consideration and assuming the Company continuously fully utilizes the revolver, the effective rate of interest on the total borrowings is approximately 16.1%.

The Company received an increase of its present lending facility from FINOVA Capital Corporation in order to fund the TeamStaff Companies acquisition. The facility is comprised of (i) a three-year term loan, with a five year amortization, and a balloon payment at the end of three years, in the amount of $2,500,000; (ii) a one year bridge loan in the amount of $750,000 and (iii) an increase in the Company's revolving line of credit from $2,000,000 to $2,500,000. The term loan bears an interest rate of prime + 3 %, the bridge loan bears a interest rate of prime + 1%. In addition, the Company will incur "success" fees of $200,000, $225,000 and $250,000 due on the anniversary dates of the loan.

Management of the Company believes that its existing cash and available borrowing capacity will be sufficient to support cash needs through March 31, 2000.

Inflation and changing prices have not had a material effect on the Company's net revenues and results of operations in the last three fiscal years, as the Company has been able to modify its prices and cost structure to respond to inflation and changing prices.

YEAR 2000 ISSUE

The year 2000 issue is the programming of computer systems to recognize the values "00" in a date field as the year 2000 and not the year 1900. The Company began steps in 1997 to reasonably ensure that the software it utilizes will be year 2000 compliant. The Company has evaluated the Year 2000 readiness of the hardware and software products used by the Company. The Company's assessment covered the following phases: (1) identification of all Products, IT Systems, and non-IT Systems, such as building security and voice mail; (2) assessment of repair or replacement requirements; (3) testing and (4) implementation. The assessment and the first phases of testing and implementation were completed in fiscal 1998, and based on this, the Company believes that, with some modifications to existing software and conversions to new software, the year 2000 issue will not pose significant operational problems. The replacement, final testing and implementation will be complete in June of 1999. The costs of these modifications are not expected to have a material impact on the Company's financial position. However, the assessment of whether a complete system or device will operate correctly depends in large part on the Year 2000 compliance of the product or system's other components, many of which are supplied by parties other than the Company. The supplier of the Company's current financial and accounting software has informed the Company that such software is Year 2000 compliant. Further, the Company relies on various vendors, utility companies, telecommunication service companies, delivery service companies and other service providers who are outside of the Company's control. There is no assurance that such parties will not suffer Year 2000 business disruption, which could impact the Company's financial condition and results of operations.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company's subsidiary, DSI Staff Connxions-Southwest, Inc., is the defendant in a suit (Frederico Farias v. Thomson Consumer Electronics and DSI Staff Connxions-Southwest, Inc.; 327th Judicial District Case No. 96-3036; District Court of El Paso County, Texas) whereby a former leased employee of a client obtained a judgment against the Company during August, 1998 in the amount of $315,000 including interest. The judgment includes approximately $115,000 in compensatory damages and $200,000 in punitive damages. The Company has posted a bond for the full amount of the judgment and is appealing the judgment. Management of the Company, after consultation with counsel, believes that there is no basis for the awarding of punitive damages, and that the award of compensatory damages was based on insufficient evidence. Although there can be no assurances the Company will be successful in prosecuting the appeal, the management of the Company, after consultation with counsel, believes it will obtain a reversal of the judgment. If the Company is not successful with the appeal, the Company would record expense of $315,000.

The Company is also a defendant in a lawsuit (ASI Group, Inc. and Terri Munkirs v. Digital Solutions, Inc., George Eklund and Miriam H. Silverman; Superior Court of New Jersey, Law Division, Middlesex County, Docket No. 8906-97) which is currently pending in the Superior Court of New Jersey. This action was brought by a competitor of the Company in connection with the transfer of several former clients of the competitor to the Company. The Company has denied the material allegations of the complaint. Discovery in the case is in the preliminary stages. The plaintiffs have submitted a calculation of damages of $300,000 for the claims identified in the lawsuit which includes damages for clients which never became clients of the Company. Although there can be no assurances the Company will be successful in defending the claim, management of the Company, after consultation with counsel, believes it has meritorious defenses against the claim.

The Company is engaged in no other litigation, the effect of which would be anticipated to have a material adverse impact on the Company.

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

On March 17, 1999, TeamStaff, Inc. (formerly Digital Solutions, Inc.) (the "Company") held an Annual Meeting of its Stockholders in Somerset, New Jersey. Of the 27,617,241 shares of Common Stock entitled to vote as of the Record Date of February 17, 1999, 24,760,974 shares were represented either in person or by proxy.

The purpose of the Annual Meeting was to consider and approve the following:

1. AMENDMENTS TO CERTIFICATE OF INCORPORATION. To amend the Company's Certificate of Incorporation to classify the Board of Directors into three classes and further provide that any amendment to such provision to classify the Board of Directors be effective only upon the affirmative vote of the Board of Directors of 66 2/3% of the issued and outstanding shares entitled to vote.

RESULTS OF VOTING

The Stockholders of the Company voted 8,968,140 shares in favor of adoption of the amendments to the Certificate of Incorporation. Stockholders holding 129,100 shares voted against the proposal. A total of 15,600 Stockholders abstained from voting.

2. ELECTION OF DIRECTORS. To elect seven directors to the Board of Directors in staggered terms of one to three years. The nominees for election were:

Class 1	Class 2	Class 3
Karl W. Dieckmann	John H. Ewing	Kirk A. Scoggins
Donald W. Kappauf	Charles R. Dees, Jr.	Martin J. Delaney
William J. Marino		

The term for Class 1 directors expires at the 2002 Annual Meeting, the term for Class 2 Directors expires at the 2001 Annual Meeting and the term for Class 3 Directors expires at the 2000 Annual Meeting.

RESULTS OF VOTING

The Stockholders voted as follows with respect to the election of Directors:

	Votes For	Votes Withheld
Karl W. Dieckmann	24,233,431	527,743
Donald W. Kappauf	24,271,431	489,543
William J. Marino	24,321,531	439,443
John H. Ewing	24,293,231	467,743
Charles R. Dees, Jr.	24,353,231	407,743
Kirk A. Scoggins	24,351,231	409,743
Martin J. Delaney	24,355,731	405,243

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None

SIGNATURES

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

TEAMSTAFF, INC.
(Registrant)

/s/ Donald W. Kappauf

Donald W. Kappauf
Chief Executive Officer

/s/ Donald T. Kelly

Donald T. Kelly
Chief Financial Officer

Date: May 18, 1999

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3-MOS
SEP-30-1999
JAN-01-1999
MAR-31-1999
2,088,000
0
9,666,000
(384,000)
0
13,304,000
4,009,000
(3,160,000)
33,288,000
12,427,000
0
0
0
(28,000)
(16,061,000)
33,288,000
0
55,248,000
0
51,638,000
0
(47,000)
297,000
251,000
276,000
527,000
0
0
0
527,000
.02
.02

AMOUNT REFLECTS EPS-BASIC NOT EPS-PRIMARY.