SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 ON 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 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 No.)
300 ATRIUM DRIVE, SOMERSET, NEW JERSEY	08873
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (732) 748-1700

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
NONE	

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SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, $.001 PAR VALUE PER SHARE
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes x No

On January 6, 2000, the aggregate market value of the voting stock of TeamStaff, Inc. (consisting of Common Stock, $.001 par value per share) held by non-affiliates of the Registrant was approximately $41,462,324 based upon the average bid and asked price for such Common Stock on said date as reported by Nasdaq Small Cap Market. On such date, there were issued 27,932,513 shares of Common Stock of the Registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for 1999 Annual Meeting of Shareholders Incorporated by Reference into Part II of this Form 10-K

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PART I

SAFE HARBOUR STATEMENT

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Reform Act"). The Company 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 on Form 10-K 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) or 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 related to recently consummated acquisitions as well as future acquisitions, the Company's ability to increase its revenues and produce net income, effects of competition and technological changes, risks associated with compliance with government regulations such as ERISA, state and local employment regulations and workers' compensation and dependence upon key personnel.

ITEM 1. BUSINESS

INTRODUCTION

TeamStaff, Inc. (the Company), formerly Digital Solutions, Inc. ("DSI"), a New Jersey Corporation, was founded in 1969 as a payroll service company and has evolved into a leading provider of human resource management services to a wide variety of industries in 50 states. TeamStaff's wholly-owned subsidiaries include TeamStaff Solutions, Inc., DSI Staff ConnXions-Northeast, DSI Staff ConnXions-Southwest, 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., and TeamStaff IX, Inc. (collectively referred to, with TeamStaff, as the "Company").

Effective January 25, 1999, the Company acquired the ten entities operating under the trade name, the TeamStaff Companies. In conjunction with the acquisition, the Company changed its name from Digital Solutions, Inc., to TeamStaff, Inc. on February 10, 1999.

The Company currently provides three types of services related to the employee leasing, temporary staffing and payroll service businesses: (1) professional employer organization ("PEO") services, such as payroll processing, personnel and administration, benefits administration, workers' compensation administration and tax filing; (2) employer administrative services, such as payroll processing and tax filing; and (3) contract staffing, or the placement of temporary and permanent employees. TeamStaff currently furnishes PEO employees, payroll and contract staffing services to over 2,150 client organizations with approximately 10,500 worksite PEO, 1,500 staffing employees and processing for approximately 30,000 payroll service employees and believes that it currently ranks, in terms of revenues and worksite employees, as one of the top 20 professional employer organizations in the United States. The Company's contract staffing business mainly places temporary help in hospitals and clinics throughout the United States through its Clearwater, Florida and Houston, Texas offices. The Company has five regional offices located in Somerset, New Jersey; Houston and El Paso, Texas; and Tampa and Clearwater, Florida and eight sales service centers in New York, New York; El Paso and Houston, Texas; Tampa, Orlando and Clearwater, Florida; Atlanta, Georgia; and Somerset, New Jersey.

Essentially, the Company provides services that function as the personnel department for small to medium sized companies. The Company believes that by offering services which relieve small and medium size businesses of the ever increasing administrative burden of employee related record keeping, payroll processing, benefits administration, employment of temporary and permanent specialized employees and other human resource functions, the Company has positioned itself to take advantage of a major growth opportunity during this decade and the next.

Recognizing the desire by many small businesses to be relieved of the human resource administrative functions, the Company has formulated a strategy of emphasizing PEO and "outsourcing" services. In PEO, a service provider becomes a co-employer of the client company's employees and assigns these employees to the client to perform their intended functions at the worksite.

Management has determined to emphasize the Company's future growth on the PEO and outsourcing industry. The Company's expansion program will focus on internal growth through the cross marketing of its PEO services to its entire client base and the acquisition of compatible businesses strategically situated in new areas or with a client base serviceable from existing facilities. As part of its effort to expand its PEO business, management has expanded the services of TeamStaff Rx, Inc., the Company's medical contract staffing subsidiary, to include PEO, outsourcing and facilities management. While TeamStaff continues to sell stand-alone employer services, such as payroll and tax filing, it will emphasize the PEO component of its service offerings with a goal of becoming the leading provider of PEO services in the United States. A major component of the Company's growth strategy is the acquisition of well-situated, independent PEO companies whose business can be integrated into the Company's operations. However, there can be no assurance any such acquisition will be consummated by the Company.

TeamStaff, Inc. was organized under the laws of the State of New Jersey on November 25, 1969 and maintains its executive offices at 300 Atrium Drive, Somerset, New Jersey 08873 where its telephone number is (732) 748-1700.

RECENT DEVELOPMENTS IN LAST FISCAL YEAR

TEAMSTAFF ACQUISITION

On January 25, 1999 TeamStaff, Inc., completed the acquisition of 10 entities operating as TeamStaff Companies through the issuance of 8,233,334 shares of common stock and $3.2 million in cash in exchange for all capital stock of the TeamStaff Companies and for the repayment of debt. The Company 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 operations of the acquired companies have been included in the consolidated financial statements appearing in this form 10K since the date of the acquisition. The purchase price has been allocated based on estimated fair values 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. The excess of the purchase price over the net tangible assets acquired has been allocated to trade name ($4.7 million) and the balance allocated to goodwill ($8.6 million).

FINANCING

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% (11.25% at September 30, 1999) and a $2 million revolving line of credit secured by certain accounts receivable of the Company at prime + 1% (9.25% at September 30, 1999). The balance on the term loan was $1,833,328 at September 30, 1999 and the revolving credit line balance was $1,455,200 at September 30, 1999. The credit facility is also subject to success fees of $200,000, $225,000 and $250,000 due on the anniversary dates of the loan beginning in April 1999.

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% (11.25% as of September 30, 1999) and the bridge loan bears an interest rate of 12%. 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. On May 27, 1999 the Company retired the bridge loan by a cash payment of $500,000 and a $250,000 increase in TeamStaff's revolving credit line.

SERVICES

PROFESSIONAL EMPLOYER ORGANIZATION (PEO)

The Company's core business, and the area management will continue to emphasize, is its PEO services. When a client utilizes the Company's PEO services, the client administratively transfers all or some of its employees to the Company which then provides them to the client. TeamStaff thereby becomes a co-employer and is responsible for all human resource functions, including payroll, benefits administration, tax reporting and personnel record keeping. The client still manages the employees and determines salary and duties in the same fashion as any employer. The client is, however, relieved of reporting and tax filing requirements and other administrative tasks. Moreover, because of economies of scale, the Company is able to negotiate favorable terms on workers' compensation insurance, health benefits, retirement programs, and other valuable services. The client company benefits because it can then offer its employees the same or similar benefits as larger companies, and successfully compete in recruiting highly qualified personnel, as well as build the morale and loyalty of its staff.

As a PEO service provider, the Company can offer the following benefits to employees:

COMPREHENSIVE MAJOR MEDICAL PLANS - Management of the Company believes that medical insurance costs have forced small employers to reduce coverage provided to its employees and to increase employee contributions. TeamStaff is able to leverage its large employee base and offer the employees assigned to their clients a variety of health coverage plans from traditional indemnity plans to Health Maintenance Organizations (HMO), Preferred Provider Organizations (PPO), or a Point of Service Plan (POS).

DENTAL AND VISION COVERAGE - These types of benefits are generally beyond the reach of most small groups. As a result of economies of scale available, a client of the Company can obtain these benefits for the assigned employees.

LIFE INSURANCE -- Affordable basic coverage is available.

SECTION 125 PREMIUM CONVERSION PLAN -- Employees can pay for benefits with pre-tax earnings, reduce their taxable income and FICA payments, and increase their take-home pay.

401(K) RETIREMENT PLANS -- Management believes that most small employers do not provide any significant retirement benefits due to the administrative and regulatory requirements associated with the establishment and maintenance of retirement plans. The Company enables small business owners to offer the assigned employees retirement programs comparable to those of major corporations. Such plans can be used to increase morale, productivity and promote employee loyalty.

CREDIT UNION - The Company provides an opportunity for employees to borrow money at lower interest than offered at most banks.

PAYROLL SERVICES -- Although ancillary to the PEO services, clients no longer incur the expense of payroll processing either through in-house staff or outside service. The Company's PEO services include all payroll and payroll tax processing.

UNEMPLOYMENT COMPENSATION COST CONTROL - The Company provides an unemployment compensation cost control program to aggressively manage unemployment claims.

HUMAN RESOURCES MANAGEMENT SERVICES - The Company can provide clients with expertise in areas such as personnel policies and procedures, hiring and firing, training, compensation and performance evaluation.

WORKERS' COMPENSATION PROGRAM - The Company has a national workers' compensation policy which can provide the Company with a significant advantage in marketing its services, particularly in jurisdictions where workers' compensation policies are difficult to obtain reasonable costs. The Company also provides its clients where applicable with independent safety analysis and risk management services to reduce workers' injuries and claims.

Relieved of personnel administrative tasks, the client is able to focus on its core business. The client is also offered a broader benefits package for its assigned employees, a competitive rate in workers' compensation insurance, and savings in time and paperwork previously required in connection with personnel administration.

PAYROLL SERVICES

The Company was established as a payroll service firm in 1969, and continues to provide basic payroll services to its clients. Historically, the Payroll Division provided these services primarily to the construction industry and currently 70% of the Company's approximately 750 payroll service clients are in the construction industry. The Company offers most, if not all, of what other payroll services provide, including the preparation of checks, government reports, W-2's (including magnetic tape filings), remote processing (via modem) directly to the clients offices, and certified payrolls.

In addition, the Company offers a wide array of tax reporting services including timely deposit of taxes, impounding of tax payments, filing of returns, distribution of quarterly and year-end statements and responding to agency inquiries.

TEMPORARY STAFFING SERVICES

TeamStaff provides temporary staffing services through two subsidiaries which have, in the aggregate, more than 30 years of experience in placing permanent and temporary employees with specialized skills and talents with regional, national and international employers. Temporary staffing enables clients to attain management and productivity goals by matching highly trained professionals and technical personnel to specific project requirements. TeamStaff focuses its temporary staffing services in two specific markets where it places people on a temporary long term assignment, or on a permanent basis: (1) radiologic technologist, diagnostic sonographers, cardiovascular technologists, radiation therapist and other medical professionals with hospitals, clinics and therapy centers throughout the 50 states and (2) technical employees such as engineers, information systems specialists and project managers primarily with Fortune 100 companies for specific projects. Clients whose staff requirements vary depending on the level of current projects or business are able to secure the services of highly qualified individuals on an interim basis.

The Company's temporary staffing services provide clients with the ability to "rightsize"; that is, expand or reduce its workforce in response to changing business conditions. Management believes that these services provide numerous benefits to the client, such as saving the costs of salary and benefits of a permanent employee whose services are not needed throughout the year. The client also avoids the costs, uncertainty and delays associated with searches for qualified interim employees. The Company also provides insurance bonding where necessary and assumes all responsibility for payroll tax filing and reporting functions, thereby saving the client administrative responsibility for all payroll, workers' compensation, unemployment and medical benefits.

Management believes that its temporary staffing services provides an employer with an increased pool of qualified applicants, since temporary staffing employees have access to a wide array of benefits such as health and life insurance, Section 125 premium conversion plans, and 401(k) retirement plans. These benefits provide interim employees with the motivation of full-time workers without additional benefit costs to the client. A client is also able to temporarily rehire a retired employee for short-term or specialized projects without jeopardizing their pension plan. The Company believes that it has attained the position of being number one or two in the terms of gross revenues for firms specializing in the placement of temporary medical imaging personnel.

ACQUISITION STRATEGY

A key component of the Company's growth strategy has been, and will continue to be, the acquisition of compatible businesses to expand its operations and customer base. Currently, the human resource service industry includes numerous small companies seeking to develop services, operations and customer base similar to those developed by the Company. The Company has acquired companies in the human resource industry in the past. However, with the business and strategy of the Company further developed, acquisitions in the future will be concentrated in the PEO and outsourcing business. The Company believes that with a limited number of key acquisitions of regional PEO companies who possess a strong customer base and regional reputation, the Company will be able to grow into an industry leader, in not only revenue size, but in scope of services offered.

A prospective acquisition candidate may be either a public or private company, but will be required to meet certain financial criteria and growth potential established by the Company. The Company evaluates acquisition candidates by analyzing the company's management, operations and customer base, which must complement or expand the Company's operations and financial stability, including the company's profitability and cash flow. The Company's long-term plan is to expand sales and income potential by achieving economies of scale as it expands and regionalizes its revenue base. There can be no assurance, however, that the Company will be able to successfully identify, acquire and integrate into the Company operations compatible PEO companies.

CUSTOMERS

The Company's customer base consists of over 2,150 client companies, representing approximately 42,000 employees (including payroll services) as of September 30, 1999. The Company's client base is broadly distributed throughout a wide variety of industries; however, more than 70% of the customers in the payroll processing area are in the construction industry and substantially all of the customers of the Company's subsidiary TeamStaff Rx, Inc. are employed in the healthcare industry.

The Company intends to maintain diversity within its client base to lower its exposure to downturns or volatility in any particular industry and help insulate the Company to some extent from general economic cycles. All prospective customers are also evaluated individually on the basis of workers' compensation risk, group medical history, unemployment history and operating stability.

SALES AND MARKETING

The Company maintains sales and marketing personnel in all of its locations, which presently include New Jersey, New York, Texas, Florida and Georgia.

Sales personnel offer to customers a full array of the Company's services, professional employment, payroll and contract staffing, which supports the cross-marketing of TeamStaff's products and enables the sales representative to employ a professional consultative approach to satisfying clients needs rather than forcing a single solution.

The Company has also implemented several focused marketing activities to increase sales opportunities. The Company has been licensed by the various state Boards of Accountancy to hold continuing professional education seminars for CPAs. In addition, the Company and its management has become an active participant in many trade and community associations and chambers of commerce.

COMPETITION

The PEO industry consists of approximately 2,500 companies, most of which serve a single market or region. The Company believes that there are several PEOs with annual revenue exceeding $500 million. The largest PEO is Staff Leasing of Bradenton, Florida with revenue in excess of $2 billion. While there are several other large PEOs among the approximately 2,500 companies, many are located in Florida and other states in the Sunbelt. The Company considers its primary competition to be these large national and regional PEO providers, as well as the traditional form of employment of employees.

The payroll services industry is characterized by intense competition. The principal competitive factors are price and service. Management believes that Automatic Data Processing, Inc., and Paychex, Inc., which have recently purchased PEOs in Florida, will be major competitors in the future. The Company also competes with manual payroll systems sold by numerous companies, as well as other providers of computerized payroll services including banks, and smaller independent companies. Some companies have in-house computer capability to generate their own payroll documents and reports. The increasing availability of personal computers at low cost may result in additional businesses acquiring such capabilities. In the area of providing temporary technical personnel, the Company competes with companies such as Volt Information Services, Butler Arde, Olsten and Tech Aid, Inc., among others. Many of these competitors have longer operating histories and greater financial resources than the Company.

The Company competes with these companies by offering customized products, personalized service, competitive prices and specialized personnel to satisfy a client's particular employee requirements.

Management of the Company believes that its broad scope of human resource management services and its commitment to quality service differentiate it from its competition. Many companies compete in the various segments of the human resource and financial services marketplace. Management believes that its concentration on providing comprehensive services and moving into facilities management or outsourcing of human resource management services will set it apart from its competitors. While many of the PEOs entered the industry as a result of workers' compensation or health insurance problems, the Company is establishing itself as a professional employer organization which will assist companies, small and large, with all of their human resource management challenges.

Management intends to implement an internet based sophisticated human resource management system during the current fiscal year. Management believes that an internet based system will assist the Company's growth in the future and grow its e-business, interacting with both our clients and employees through the Internet. Management's belief is that the system will allow us to grow dramatically in the future.

INDUSTRY/GOVERNMENT REGULATION

INTRODUCTION

The Company's operations are affected by numerous federal and state laws relating to labor, tax and employment matters. By entering into a co-employer relationship with employees who are assigned to work at client company locations (sometimes referred to as "worksite employees"), the Company assumes certain obligations and responsibilities of an employer under these federal and state laws. Many of these federal and state laws were enacted prior to the development of nontraditional employment relationships, such as professional employer organizations, temporary employment, and outsourcing arrangements, and do not specifically address the obligations and responsibilities of nontraditional employers. In addition, the definition of "employer" under these laws is not uniform. Accordingly, the application of these laws to the Company's business cannot be assured.

Some governmental agencies that regulate employment and labor laws have developed rules that specifically address labor and employment issues raised by the relationship among clients and PEOs. Existing regulations are relatively new and, therefore, their interpretation and application by administrative agencies and federal and state courts is limited or non-existent. The development of additional regulations and interpretation of existing regulations can be expected to evolve over time. The Company cannot predict with certainty the nature or direction of the development of federal, state and local regulations.

As an employer, the Company is subject to all federal statutes and regulations governing its employer-employee relationships.

FEDERAL EMPLOYMENT TAXES

The Company assumes the sole responsibility and liability for the payment of federal and state employment taxes with respect to wages and salaries paid to its employees, including worksite employees. There are essentially three types of federal employment tax obligations: (i) withholding of income tax requirements; (ii) obligations under FICA; and, (iii) obligations under the Federal Unemployment Tax Act (FUTA).

Under these Code sections, employers have the obligation to withhold and remit the employer portion and, where applicable, the employee portion of these taxes. There is still considerable uncertainty as to the status of leased employees in relation to these statutes. While the Company believes that it can assume the client company's withholding obligations, in the event the Company fails to meet these obligations, the client company may be held jointly and severally liable for these payments. These interpretive uncertainties may have an impact on the Company's PEO business.

EMPLOYEE BENEFIT PLANS

The Company offers various employee benefit plans to its full-time employees, including its worksite employees. These plans include a 401(k) Plan (a profit-sharing plan with a cash or deferred arrangement ("CODA") under Code Section 401(k)), a Section 125 plan, group health plans, dental insurance, a group life insurance plan and a group disability insurance plan. Generally, employee benefit plans are subject to provisions of both the Code and the Employee Retirement Income Security Act ("ERISA").

In order to qualify for favorable tax treatment under the Code, the plans must be established and maintained by an employer for the exclusive benefit of its employees. In addition to the employer/employee threshold, pension and profit-sharing plans, including plans that offer CODAs under Code Section 401(k) and matching contributions under Code Section 401(m), must satisfy certain other requirements under the Code. These other requirements are generally designed to prevent discrimination in favor of highly compensated employees to

the detriment of non-highly compensated employees with respect to both the availability of, and the benefits, rights and features offered in qualified employee benefit plans.

Employee pension and welfare benefit plans are also governed by ERISA. ERISA defines "employer" as "any person acting directly as an employer, or indirectly in the interest of an employer, in relation to an employee benefit plan." ERISA defines the term "employee" as "any individual employed by an employer." A definitive judicial interpretation of "employer" in the context of a PEO arrangement has not been established. If the Company were found not to be an employer for ERISA purposes, its plans would not comply with ERISA and the level of services the Company could offer may be adversely affected. Further, as a result of such finding, the Company and its plans would not enjoy the preemption of state laws provided by ERISA and could be subject to varying state laws and regulations, as well as to claims based upon state common laws.

In addition to ERISA and the Code provisions discussed herein, issues related to the relationship between the Company and its worksite employees may also arise under other federal laws, including other federal income tax laws.

STATE REGULATION

As an employer, the Company is subject to all statutes and regulations governing the employer-employee relationship. For example, the Company's activities in the State of Texas are governed by the Staff Leasing Services Licensing Act (the "Act"), which regulates PEOs in the state of Texas. The Act, which became effective on September 1, 1993, established a mandatory licensing scheme for PEOs and expressly recognizes a licensee as the employer of the assigned employee for purposes of the Texas Unemployment Compensation Act. The Company or a subsidiary possesses a license to offer PEO services in the state of Texas.

While many states do not explicitly regulate PEOs, approximately 21 states have passed laws that have licensing or registration requirements for PEOs and other states are considering such regulation. Such laws vary from state to state, but generally provide for monitoring the fiscal responsibility of PEOs. Whether or not a state has licensing, registration or certification requirements, the Company faces a number of other state and local regulations that could impact its operations. A TeamStaff subsidiary is currently licensed in Florida and New Mexico as well as Texas.

EMPLOYEES

As of December 21, 1999, the Company employed 176 employees, both full-time and part-time, including executive officers, an increase from 121 during the previous fiscal year. A major part of this increase is a direct result of the Company's acquisition of the TeamStaff Companies in Tampa, Florida. The Company also employs approximately 10,500 leased employees and 1,500 temporary employees on client assignments. The Company believes its relationship with its employees is satisfactory.

ITEM 2. PROPERTIES

OPERATION AND FACILITIES

The Company currently has processing centers in Somerset, New Jersey; Houston and El Paso, Texas; and Clearwater and Tampa, Florida. The Company also has sales service centers which are located in New York City, Somerset, New Jersey; Clearwater, Tampa and Orlando, Florida; Houston and El Paso, Texas; Atlanta, Georgia. A sales service center is an office used primarily for sales efforts and client services. The Company's strategy is to target acquisitions in the current areas of operation, whereby the Company will acquire a business or business accounts and absorb these accounts into the current operations with minimal additional overhead. The Company intends to continue its national expansion efforts in fiscal years 2000-2001, most likely through additional acquisitions and internal growth.

TeamStaff leases its 15,000 square foot corporate headquarters in Somerset, New Jersey, as well as offices in Clearwater and Tampa, Florida and Houston, Texas. The Company also leases sales offices in New York City and El Paso, Texas. The facilities provide sufficient capacity to meet demands for the foreseeable future. In fiscal year ended September 30, 1999, the Company's total lease expenses were $794,000.

Although TeamStaff's offices are equipped with software and computer systems, the Company is currently evaluating all systems including hardware and will upgrade accordingly. At the Company's headquarters in Somerset, New Jersey, one high speed Xerox printer produces 200,000 plus checks monthly for its client base. This machine, which is integrated with the software system, does all of the printing on the checks, including the client name, the employee, dates, as well as the "Micro Encoding".

The following is summary information on the Company's facilities:

LOCATION	APPROXIMATE SQUARE FEET	EXPIRATION DATE	TERMS
TeamStaff RX, Inc. (Houston) 2 Northpoint Drive, Houston, TX 77060	3,542	7/01/02	$ 5,461 per month
TeamStaff RX, Inc. (Clearwater) 1901 Ulmerton Road Clearwater, FL 33762	17,484	5/31/05	$ 31,690 per month
TeamStaff RX, Inc. (Clearwater) 601 Cleveland Street Suite 350 Clearwater, FL 34615	2,805	5/31/00	$ 3,272 per month
Staff ConnXions Southwest (El Paso) 4050 Rio Bravo, Suite 151 El Paso, TX 79902	3,126	3/31/02	$ 3,759 per month
Corporate Office 300 Atrium Drive Somerset, NJ 08873	15,244	9/30/07	$ 23,819 per month
TeamStaff Solutions, Inc. 245 Fifth Avenue, Suite 2104 New York, NY 10016	1,890	4/30/01	$ 3,082 per month
TeamStaff, Inc. 1211 N. Westshore Blvd Tampa, FL 33607	11,834	4/30/00	$ 11,033 per month
TeamStaff, Inc. 10151 Deerwood Park Blvd Jacksonville, FL 32256	142	3/31/00	$ 728 per month
TeamStaff, Inc. 283 N. North Lake Suite 111 Altamonte Springs, FL 32701	100	5/31/00	$ 548 per month

ITEM 3. LEGAL PROCEEDINGS

In October 1995, the Company entered into a note and finance agreement with LNB Investment Corporation ("LNB") providing for the loan to the Company of up to $3,000,000. LNB agreed not to sell or otherwise liquidate the shares unless the Company were to default under the loan agreement and failed to cure such default after notice. A maximum of 7,5000,000 shares were pledged as collateral.

The Company issued 1,783,334 shares in the name of LNB and delivered the shares to a depository to secure the first portion of the loan of $1,000,000. In January 1996, the Company determined that the shares pledged as collateral had been transferred and sold in violation of the loan and finance agreement. As a result, the financing agreement was terminated and never funded. Through the efforts of the Company, 1,258,334 of these shares were recovered and the Company received proceeds of $229,000 for a partial payment on the 525,000 shares not recovered.

In March 1996, the Company commenced action against LNB, Donaldson, Lufkin & Jenrette Securities Corporation and other individuals to recover damages on account of the wrongful sale of the Company's common stock. On July 2, 1997, the Company settled the action. Without admitting or denying the allegations in the complaint, the defendants agreed to pay $676,000 of which $426,000 has been paid with the balance of $250,000 to be paid by LNB on or before August 4, 1997. The payment was not made by LNB as of December 28, 1998. The Company has commenced collection proceedings. The subsequent payment is secured by a confession of judgment and a mortgage in the amount of $625,000. The payments under the settlement agreement are in addition to $229,000 previously received from LNB bringing the total recovered to approximately $905,000, assuming LNB complies with the terms of the settlement and remits the last payment of $250,000.

The Company's subsidiary, DSI Staff Connxions-Southwest, Inc., is the defendant in a lawsuit (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 judgement. 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 was 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). 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 denied the material allegations of the complaint. The plaintiffs had 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. To avoid further costs of litigation and without admitting any claims of the plaintiff, the Company paid $21,500 to settle this case in September 1999.

A previously disclosed, several of the entities operating under the trade name "The TeamStaff Companies", which were acquired by the Company in January 1999, were part of a class of defendants in a proceeding stemming from the failure of the United States Employer Consumer Self Insurance Fund of Florida ("USEC") in 1995. Several of the TeamStaff Companies had been members of USEC, which was a self-insurance fund for workers' compensation. USEC was insolvent in 1995. The action was entitled in Re: The Receivership of United States Employer Consumer Self Insurance Fund of Florida, Case No. 95-2359 (FLA 2nd Cir Ct) and was brought by the Florida Department of Insurance, (the "Department") as the receiver of the Fund. Because of management's knowledge of the USEC proceedings and the amount of potential assessments at the time of acquisition, the acquisition agreements governing the Company's acquisition of the TeamStaff Companies provided indemnification by the sellers in favor of the Company for damages of up to $1,222,000. The financial statements of the TeamStaff Companies at the time of acquisition included a reserve of $391,000 for which the Company would be responsible for. On October 18, 1999 the Company and the former shareholders of the TeamStaff Companies entered into an agreement with the Department that settled all claims. The Company paid $391,000 to the Department while the former shareholders of the TeamStaff Companies entered into a payment plan with the Department for the remainder of the settlement amount in excess of $391,000. On December 2, 1999 the receivership court, which had jurisdiction over the lawsuit, approved the settlement agreement. There is no remaining liability on this matter against the Company.

The Company is engaged in litigation from time to time during the ordinary course of business in connection with employee suits, workers' compensation and other matters. The Company is engaged in no other litigation, the effect of which would be anticipated to have a material adverse impact on the Company financial conditions or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

The Company did not submit any matters to its shareholders for approval during the fourth quarter ended September 30, 1999.

PART II

ITEM 5. MARKET OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. PRINCIPAL MARKET

The Company's Common Stock is traded in the over-the-counter market and included in the SmallCap Market System of the National Association of Securities Dealers, Inc. ("Nasdaq") under the symbol "TSTF".

B. MARKET INFORMATION

The range of high and low bid prices for the Company's Common Stock for the periods indicated below, are:

COMMON STOCK

FISCAL YEAR 1997	HIGH	LOW
1st Quarter	6 1/4	3 1/8
2nd Quarter	3 15/16	1 13/16
3rd Quarter	2 7/16	1 9/16
4th Quarter	2 5/16	1 9/16

FISCAL YEAR 1998	HIGH	LOW
1st Quarter	2 11/16	1 1/2
2nd Quarter	2 17/32	1 3/4
3rd Quarter	2 15/32	1 9/16
4th Quarter	1 13/16	1

FISCAL YEAR 1999	HIGH	LOW
1st Quarter	1 27/32	15/16
2nd Quarter	1 10/16	15/16
3rd Quarter	1 15/32	14/16
4th Quarter	1 1/2	1

FISCAL YEAR 2000	HIGH	LOW
1st Quarter	1 7/16	3/4

The above quotations, reported by Nasdaq, represent prices between dealers and do not include retail mark-ups, mark-downs or commissions. Such quotations do not necessarily represent actual transactions. On January 4, 1999, the Company's Common Stock had a closing price of $1.3125 per share.

C. DIVIDENDS

The payment of cash dividends by the Company is restricted by the Company's debt facility provider, FINOVA. Without FINOVA'S prior written consent, which FINOVA may withhold in its sole discretion, the Company may not declare or pay cash dividends upon any of its stock. The Company has not declared any cash dividends on its common stock since inception, and has no present intention of paying any cash dividends on its common stock in the foreseeable future.

D. APPROXIMATED NUMBER OF EQUITY SECURITY HOLDERS

The approximate number of record holders of the Company's common stock as of January 6, 2000 was 300. Such number of record holders was determined from the Company's stockholder records, and does not include beneficial owners of the Company's common stock whose shares are held in the names of various security holders, dealers and clearing agencies. The Company believes there are in excess of 4,100 beneficial holders of the Company's common stock.

ITEM 6. SELECTED FINANCIAL DATA

	1999(2)	1998	1997	1996	1995
Revenues	$ 244,830,000	$ 139,435,000	$ 122,559,000	$ 100,927,000	$ 73,821,000
Direct Expenses	228,294,000	129,747,000	113,894,000	92,490,000	68,530,000
Gross Profit	16,536,000	9,688,000	8,665,000	8,437,000	5,291,000
Selling, General & Administrative Expenses (includes Depreciation and Amortization)	13,305,000	8,050,000	11,316,000	8,801,000	7,547,000
Income (Loss) From Operations	3,231,000	1,638,000	(2,651,000)	(364,000)	(2,256,000)
Net Income (Loss)	$1,776,000	$2,703,000	($2,832,000)	($597,000)	($3,316,000)
Earnings (Loss) per share (1)					
Basic	$.07	$.14	($.15)	($.04)	($.24)
Diluted	$.07	$.14	($.15)	($.04)	($.24)
Weighted average shares outstanding (1)					
Basic	24,947,321	19,271,897	19,070,349	16,840,371	13,595,382
Diluted	25,008,864	19,403,298	19,070,349	16,840,371	13,595,382
BALANCE SHEET DATA:					
Assets	$ 36,382,000	$ 16,648,000	$ 14,163,000	$ 14,800,000	$ 13,816,000
Liabilities	19,417,000	8,774,000	9,291,000	7,632,000	10,967,000
Long-Term Debt	4,502,000	2,981,000	89,000	100,000	175,000
Working Capital (Deficiency)	2,968,000	3,319,000	(1,401,000)	286,000	(4,771,000)
Shareholders' Equity	$ 16,965,000	$ 7,874,000	$ 4,872,000	$ 7,168,000	$ 2,849,000

(1) In accordance with Statement of Accounting Standards 128 ("SFAS"), basic and diluted earnings (loss) per share have replaced primary and diluted earnings (loss) per share.

(2) On January 25, 1999, the Company acquired the TeamStaff Companies through the issuance of 8,233,334 shares of TeamStaff, Inc. common stock and $3.2 million in cash in exchange for all capital stock of the TeamStaff Companies and for the repayment of debt.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL YEAR 1999 AS COMPARED TO FISCAL YEAR 1998

The Company's revenues for the fiscal year ended September 30, 1999 were $244,830,000 as compared to fiscal year 1998 of $139,435,000, which represents an increase of $105,395,000 or 75.6%. Of this increase, $75,000,000 was due to the acquisition of the TeamStaff Companies (the "Acquisition") with the balance due to internal growth. PEO services accounted for 83.7% of the internal growth with the remainder attributable to the Company's staffing business.

Direct expenses for fiscal year 1999 were $228,294,000 as compared to $129,747,000 for fiscal year 1998 which represents an increase of $98,547,000 or 76%. This increase is associated with the increase in revenue due to the Acquisition. As a percentage of revenue, direct expenses for the fiscal years 1999 and 1998 were 93.2% and 93.1%, respectively.

Gross profits were $16,536,000 and $9,688,000 for fiscal years 1999 and 1998, respectively. This represents an increase of $6,848,000 or 70.7%. Gross profits, as a percentage of revenue, were 6.8% and 6.9% for fiscal years 1999 and 1998, respectively. Although a substantial portion of the Company's revenue growth occurred in the PEO business, which has lower gross profit margins, the gross profit as a percentage of revenue declined only marginally because of improved performance and increases in the Company's staffing business.

Selling, general and administrative expenses ("SG&A") for fiscal 1999 increased $4,792,000, or 64.9%. This increase is attributable to the Acquisition. SG&A expenses as a percentage of revenue were 5.0% and 5.3% for the fiscal years 1999 and 1998 respectively.

Depreciation and amortization increased $463,000, or 70% in fiscal 1999 primarily due to the increase in amortization of goodwill related to the Acquisition.

Interest income increased $169,000 in fiscal 1999 versus fiscal 1998 primarily due to an increase of late fees paid in the Company's staffing business. Also accounting for the increase in interest income is $54,000 in interest from a note receivable which was previously not recognized due to collectability concerns which have since been eliminated. The Company has also increased interest income due to the investment of its increased cash reserves.

Interest expense in fiscal 1999 increased $579,000, or 104.5%, from $554,000 in fiscal 1998 to $1,133,000 in 1999. This increase was due to an increase in debt financing and its effective borrowing rate associated with the Company's new financing arrangements, effective in April 1998, as well as the additional debt associated with the Acquisition in January 1999.

Income tax expense for fiscal 1999 was $849,000 versus a tax benefit of $1,296,000 in fiscal 1998, the later benefit related to a reduction in the Company's valuation allowance. Included in the second quarter of fiscal 1999 is a $400,000 net tax benefit reflecting the elimination of the remaining deferred tax valuation allowance. Management has determined that it is more likely than not that all the deferred tax asset will be realized in the future. Management has considered the consistent nine quarters of profitability as well as the current integration of the TeamStaff Companies.

Net income for fiscal 1999 was $1,776,000 versus $2,703,000 in fiscal 1998. This decrease is attributable to the recognition in fiscal 1998 of a net tax benefit of $1,296,000. There was an increase in the Company's pre-tax

income of $1,218,000 which reflects the benefit of the Acquisition as well as the improved performance in all of the Company's business lines.

FISCAL YEAR 1998 AS COMPARED TO FISCAL YEAR 1997

The Company's revenues for the fiscal year ended September 30, 1998 were $139,435,000 as compared to fiscal year 1997 of $122,559,000 which represents an increase of $16,876,000 or 13.8%. This increase is due to the efforts of the internal sales force to continually bring in new business which accounted for all of the increase. PEO services accounted for 61% of the growth, while the balance is attributed to the Company's staffing business.

Direct expenses for fiscal year 1998 were $129,747,000 as compared to $113,894,000 for fiscal year 1997 which represents an increase of $15,853,000, or 13.9%. This increase represents the corresponding higher costs associated with higher revenues. As a percentage of revenue, direct expenses for the fiscal year 1998 and 1997 were 93.1% and 92.9%, respectively.

Gross profits were $9,688,000 and $8,665,000 for fiscal 1998 and 1997, respectively, for an increase of 11.8%. Gross profits, as a percentage of revenue, were 6.9% and 7.1% for the fiscal years ended September 30, 1998 and 1997, respectively.

Selling, general and administrative costs ("SG&A") for fiscal 1998 decreased $2,917,000, or 28.3%, from $10,306,000 in fiscal 1997 to $7,389,000. Of this decrease, $1,973,000 pertains to charges recorded in the second quarter of fiscal 1997, $1,002,000 of which was to increase the bad debt reserve, $300,000 to absorb miscellaneous charges, $102,000 to establish a vacation pay accrual, $81,000 to change supplies accounting, $93,000 to establish a reserve for severance costs and $395,000 for various other miscellaneous items. Giving effect to these adjustments, SG&A decreased $944,000 which is attributable to the reduction in overhead costs implemented in the fourth fiscal quarter of 1997 as well as a reevaluation by management of the bad debt reserve due to the payments on previously non performing accounts.

Depreciation and amortization decreased $349,000 in fiscal 1998 due to several intangible assets that have became fully amortized in the current fiscal year. The decrease was also attributable to the writing off of $261,000 in intangible assets of Digital Insurance Services, Inc. which ceased operations in the fiscal year 1997.

Interest expense for fiscal year 1998 increased $177,000 to $554,000 from $377,000 in fiscal 1997 due to an increase in debt financing and an increase in the effective borrowing rate.

Income taxes for the fiscal year 1998 reflected a net tax benefit of $1,296,000 primarily related to the reduction in the Company's valuation allowance. As of September 30, 1997, the Company had established a deferred tax valuation allowance of $2,680,000. In view of the continued earnings improvement of the Company over the last four quarters and its current financial position and prospects, the management determined in June of 1998 that it is more likely than not that the majority of such valuation allowance will be realized. As of September 30, 1998, the Company's valuation allowance approximated $400,000.

Net income for fiscal 1998 was $2,703,000 versus a net loss of ($2,832,000) in fiscal 1997. This increase is attributed to the $3.1 million in adjustments recorded in fiscal 1997, the net tax benefit of $1,296,000 recorded in fiscal 1998, the growth of all businesses and the overhead reductions implemented in the fourth fiscal quarter of 1997.

FISCAL YEAR 1997 AS COMPARED TO FISCAL YEAR 1996

Operating revenues for the fiscal year ended September 30, 1997 were $122,559,000 as compared to fiscal year 1996 of $100,927,000 which represents an increase of $21,632,000 or 21.4%. This increase is due to the efforts of the internal sales force to continually bring in new business which accounted for all of the increase. PEO services

accounted for 83% of the growth, while the balance is attributed to the Company's staffing business.

Direct costs for fiscal year 1997 were $113,894,000 as compared to $92,490,000 for fiscal year 1996 which represents an increase of $21,404,000, or 23.1%. The workers' compensation profit for the first four months of fiscal 1996 of $493,000 was recorded as a reduction of selling, general and administrative expenses, whereas subsequent to that the revenue and direct costs for the workers' compensation program were reflected in their respective accounts. In addition, the first nine months of fiscal 1997 included $308,000 in underbilled/excess charges for PEO medical expenses. After adjusting for the treatment of the workers' compensation profit, one-time charges of $678,000 recorded in the second quarter of 1997 (primarily due to increased workers' compensation charges) and medical expenses, direct costs increased $20,911,000 or 22.7%. As a percentage of revenue, and on an adjusted basis, direct costs for fiscal 1997 and fiscal 1996 were 92.1% and 91.2% respectively. This increase is attributed to the increase in the PEO business as well as the new workers' compensation program, in which the Company is now expensing the maximum workers' compensation exposure on a current basis.

Gross profits were $8,665,000 and $8,437,000 for fiscal 1997 and 1996, respectively, for an increase of 2.7%. Giving effect to the previously discussed adjustments, gross profits for fiscal 1997 and 1996 would have been $9,651,000 and $8,930,000, respectively. As a percentage of revenue, adjusted gross profits for fiscal 1997 and 1996 would have been 7.9% and 8.8%, respectively, reflecting the increased PEO business in fiscal 1997 which has lower margins but adds more dollars of gross profit.

Selling, general and administrative costs ("SG&A") for fiscal 1997 increased $2,334,000, or 29%, from $7,972,000 in fiscal 1996 to $10,306,000. Of this increase, $1,973,000 pertains to charges recorded in the second quarter of fiscal 1997, $1,002,000 of which was to increase the bad debt reserve with the balance for other miscellaneous items. Giving effect to these adjustments, SG&A increased 4.5%.

Depreciation and amortization increased $181,000 in fiscal 1997 due to the write-off of all the intangible assets of a subsidiary, Digital Insurance Services ($261,000) recorded in the second fiscal quarter.

Net loss for fiscal 1997 was ($2,832,000) versus a net loss of ($597,000) in fiscal 1996. The increased loss is due to $3,100,000 in adjustments recorded in the second quarter of 1997.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased in fiscal 1999 by $3,249,000 from a deficit of $48,000 to $3,201,000. The increase in cash flows from operations is attributable to the continued earnings improvement of the Company, an increase in depreciation and amortization due to the TeamStaff acquisition and an increase in accrued expenses associated with year end accruals for payroll offset by an increase in accounts receivable. The net cash provided by financing activities increased in fiscal 1999, compared to fiscal 1998 due to the increase in financing for the TeamStaff Companies acquisition. Cash outflow for the purchase of equipment and improvements was $249,000 in fiscal 1999 compared to $184,000 in fiscal 1998. The Company currently anticipates that the capital expenditures in fiscal 2000 will be approximately $300,000. The Company spent $4,509,000 in cash as part of the acquisition of the TeamStaff Companies. At September 30, 1999, the Company had cash of $1,948,000, restricted cash of $362,000 and net accounts receivable of $13,557,000.

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 term loan for $2.5 million, with a five-year amortization, at prime + 3% (11.25% at September 30, 1999) and a $2 million revolving line of credit secured by certain accounts receivable of the Company at prime + 1% (9.25% at September 30, 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. On April 27, 1999, the Company remitted the first annual success fee of $200,000.

In January 1999 the Company received an increase of its 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. On May 27, 1999 the Company retired the bridge loan by a cash payment of $500,000 and a $250,000 increase in TeamStaff's revolving credit line. As a result of the early payment, the Company saved approximately $75,000 in fees and eliminated a 12 % debt instrument.

On July 22, 1999 the Board of Directors authorized the Company to repurchase up to 3% of the outstanding shares of the Company's common stock subject to the approval of the Company's lenders and any regulatory approval required. As of September 30, and December 31, 1999 the Company repuchased 64,100 and 83,600 shares at an average cost of $1.17 and $1.13, respectively.

Management of the Company believes that its existing cash and available borrowing capacity will be sufficient to support cash needs through September 30, 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. The replacement, final testing and implementation were completed in June of 1999. The costs of these modifications have not had any 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.

As of the filing of this form, the Company has not experienced any material year 2000 issues.

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, and accordingly the Company adopted the provisions of SFAS 131 in the current year.

In March 1998, the AICPA issued Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Maintained for Internal Use." SOP 98-1 provides guidance on the treatment of costs related to internal use software. SOP 98-1 is effective for fiscal years beginning after December 15, 1998, at which time the Company will adopt the provisions. The Company does not expect SOP 98-1 to have a material effect on reported results.

In April 1998, the AICPA issued Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Cost of Startup Activities". SOP 98-5 provides guidance on the financial reporting of startup costs and organization costs and requires that the cost of startup activities and organization costs be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998, at which time the Company will adopt the provisions. The Company does not expect SOP 98-5 to have a material effect on reported results.

ITEM 8. FINANCIAL STATEMENTS

See Attached Financial Statements appearing at pages F-1 through F-18.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

The executive officers and directors of the Company are as follows:

NAME	AGE	OFFICE
Karl W. Dieckmann	71	Chairman of the Board of Directors
Rocco Marano	71	Director
Donald T. Kelly	50	Vice President, Chief Financial Officer and Corporate Secretary
Senator John H. Ewing	79	Director
William J. Marino	56	Director
Donald W. Kappauf	53	President and Chief Executive Officer
Charles R. Dees, Jr.	59	Director
Martin J. Delaney	56	Director
Kirk A. Scoggins	40	President-PEO Division, Director

On March 17, 1999, TeamStaff, Inc. (formerly Digital Solutions, Inc.) (the "Company") held an Annual Meeting of its Stockholders in Somerset, New Jersey. At this meeting the stockholders approved a staggered Board of Directors consisting of three classes. Each class is elected for a three year term.

Pursuant to the agreement governing the acquisition of the TeamStaff Companies, the former shareholders of the TeamStaff Companies, were granted the right to have Mr. Kirk Scoggins appointed as a Director of the Company for a two year period ending January 25, 2001. In addition, the Company agreed to consider a second nominee of the former shareholders. No second nominee has been proposed.

Karl W. Dieckmann, Director of the Company since April, 1990, has been Chairman of the Board since November, 1991. From 1980 to 1988, Mr. Dieckmann was the Executive Vice President of Science Management Corporation and managed the Engineering, Technology and Management Services Groups. From 1948 to 1980, Mr. Dieckmann was employed by the Allied Corporation (now Allied Signal Corporation) in various capacities including President, Semet Solvay Division; Executive Vice President, Industrial Chemicals Division; Vice President Technical -- Fibers Division; Group General Manager -- Fabricated Products Division; and General Manager-Plastics Division, as well as various positions with the Chemicals Division.

Rocco Marano, joined the Board of Directors in July, 1999. Mr. Marano a prominent telecommunications executive, is the retired chairman and President of Bellcore, Inc. a Bell Communications research and engineering entity formerly owned by the seven Bell regional communications companies. His present additional board affiliations include: Park Place Entertainment Corp. and Computer Horizons Corp. He has also served as Chairman of Horizon Blue Cross Blue Shield of New Jersey.

Donald T. Kelly, has been Chief Financial Officer and Vice President of Finance since he joined DSI on January 20, 1997. He was elected Corporate Secretary in August of 1997. Mr. Kelly was Vice President and Chief

Financial Officer of Wireless Cable International and its predecessor company, Cross Country Wireless, Inc. from 1993 to 1997. From 1987 to 1993, he was Vice President of Finance and Administration at Potters Industries.

Senator John H. Ewing, has been a Director of the Company since April, 1990. Senator Ewing has been a State Senator for the state of New Jersey from 1978 to 1998. From 1968 to 1977, Senator Ewing was a New Jersey State Assemblyman. From 1940 to 1968, he was employed by Abercrombie and Fitch Co., New York City, and eventually rose to the position of Chairman of the Board.

William J. Marino, President and Chief Executive Officer of Blue Cross and Blue Shield of New Jersey, joined the Board of Directors in October, 1995. He joined Blue Cross and Blue Shield in 1992 and was named to his present post in 1994. From 1968 to 1991, Mr. Marino held a variety of sales, marketing and management positions with the Prudential Insurance Company of America. He is Chairman of the Board of Trustees of the United Way of Essex and West Hudson (NJ) and is Chairman of the Board of Directors and Executive Committee of the Regional Business Partnership, and a Trustee of the New Jersey Network Foundation, St. Peter's College and the Newark Museum.

Donald W. Kappauf became President and Chief Executive Officer of Digital Solutions, Inc. on December 16, 1997. Mr. Kappauf joined Digital Solutions, Inc. in 1990 and has held several senior management positions including Division President and Executive Vice President. From 1988 to 1990, Mr Kappauf was President of Perm Staff/Temp Staff in Princeton, New Jersey. He was Assistant Vice President of SMC Engineering and then President of SMC Personnel Support from 1968 to 1988.

Charles R. Dees, Jr. joined the Board of Directors in July, 1998. Mr. Dees is a nationally known university administrator and former official of the U. S. Department of Education. He is currently Senior Vice President for Institutional Advancement of Fairleigh Dickinson University.

Martin J. Delaney also joined the Board of Directors in July, 1998. Mr. Delaney is a prominent healthcare executive presently serving as President, CEO and a director of the Winthrop-South Nassau University Health System, Inc., in Long Island, New York.

Kirk A. Scoggins, the former President and Chairman of the TeamStaff Companies, joined the Company with the acquisition as the President of the PEO Division and a member of the Board of Directors of the Company. Mr. Scoggins is one of the original pioneers of the PEO industry. He established one of Florida's first employee leasing companies based in Tampa in 1985. Mr. Scoggins is a member of the Executive Committee of the Board and immediate Past President of the National Association of Professional Employer Organizations (NAPEO) and is also a founding member and Past President of the Florida Association of PEO's. Pursuant to the terms of the agreements governing the acquisition of the TeamStaff Companies, Mr. Kirk Scoggins served as the nominee of the former stockholders of such entities.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION IN COMPENSATION DECISIONS

Karl W. Dieckmann, John H. Ewing and William J. Marino served on the Company's Compensation Committee during the last fiscal year. There are no interlocks between the Company's Directors and Directors of other companies.

MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

During the fiscal year ended September 30, 1999, the Board of Directors met on 7 occasions and acted by unanimous written consent on 7 occasions. The Board of Directors is comprised of 8 persons and has 3 committees. Messrs. Dieckmann, Ewing, Delaney and Marino are members of the Board's Compensation committee. Messrs. Dieckmann, Ewing, and Dees are members of the Board's Audit Committee. Messrs. Dieckmann, Kappauf and Marino are members of the Board's Nominating Committee. Messrs. Marino, Dees, Kappauf and Scoggins are members of the Strategic Planning Committee. The Audit Committee, the Nominating Committee, Compensation Committee and Strategic Planning Committee of the Board of Directors met on 3, 1, 4 and 1 occasions, respectively, during the fiscal year. No director failed to attend fewer then 75% of the Board or Committee meetings.

ITEM 11. EXECUTIVE COMPENSATION

The following provides certain summary information concerning compensation paid or earned by the Company during the years ended September 30, 1999, 1998 and 1997 to the Company's Chief Executive Officer and each of the executive officers of the Company who received in excess of $100,000 in compensation during the last fiscal year.

NAME AND		ANNUAL COMPENSATION			LONG TERM COMPENSATION
PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER	OPTIONS/SAR'S
Donald W. Kappauf, (1)					
Chief Executive Officer	1999	$225,154	$175,500	$14,876	50,000
	1998	$173,308	$ 89,670	$16,991	200,000
	1997	$121,154	$ 25,000	$0	0
Donald T. Kelly, (2)					
Chief Financial Officer	1999	$163,115	$ 87,800	$0	50,000
	1998	$151,038	$ 45,000	$0	50,000
	1997	$ 90,865	$ 20,000	$0	30,000
Kirk A. Scoggins, (3)					
President-PEO Division	1999	$135,625	$0	$0	100,000
George J. Eklund, (4)					
Director	1999	$100,153	$0	$0	0
	1998	$210,000	$0	$0	0
	1997	$210,000	$0	$0	0

(1) The 1997 salary includes Mr. Kappauf's compensation for the executive vice president position he assumed on August 27, 1997. His compensation in 1997, prior to becoming executive vice president was $105,288. Other compensation includes car and car insurance.

(2) Mr. Kelly was granted a sign on bonus of $20,000 at employment, on January 20, 1997.

(3) The 1999 salary includes Mr. Scoggin's compensation for the President-PEO Division position as of January 25, 1999.

(4) Mr. Eklund's employment with the Company commenced on September 19, 1994. He assumed the position of Chief Executive Office in March 1996. In December 1997 due to health concerns, his position changed. Mr. Eklund remained a Director until his resignation on January 14, 1999.

The Company provides normal and customary life and health insurance benefits to all of its employees including executive officers. The Company has no retirement or pension plan other than a 401(k), which is voluntary.

COMPENSATION OF DIRECTORS

Directors who are employees of the Company are not compensated for services in such capacity except under the Director Plan, as defined below. Non-Employee Directors receive $1,000 per board meeting and $ 500.00 per non-board meeting, related travel expenses, and $400 for each committee meeting. The Directors' Plan also provides that directors, upon joining the Board, and for one (1) year thereafter, will be entitled to purchase restricted stock from the Company at a price equal to 80% of the closing bid price on the date of purchase up to an aggregate purchase price of $50,000.

EMPLOYMENT AGREEMENT

Effective March 12, 1996, the Company entered into a new employment agreement with Mr. Eklund for a three year term. The employment agreement provided for (i) annual compensation of $210,000 for the first year of the agreement increasing at the discretion of the Company; (ii) a bonus in accordance with a plan to be established by the Company; (iii) the award of stock options to purchase 300,000 shares of the Company's common stock, subject to vesting requirements; (iv) certain insurance and severance benefits; and (v) a $700 per month automobile allowance. Effective December 16, 1997, Mr. Eklund's position was changed for health reasons. The Company and Mr. Eklund entered into an agreement regarding the change in his position. Pursuant to this agreement, Mr. Eklund no longer served as President and Chief Executive Officer of the Company. Mr. Eklund remained a Director and proformed special projects work for compensation until January 14, 1999. Mr. Eklund received his salary and certain other benefits as provided in his original employment agreement until March 1999.

The Company reached an agreement with Donald Kappauf on a three year renewal of Mr. Kappauf's employment agreement effective January 3, 2000. Mr. Kappauf will continue to serve as the Company's President and Chief Executive Officer and will receive (i) annual compensation of $225,000 for the first year of the agreement increasing at the discretion of the compensation committee; and (ii) a bonus based on the achievement of certain performance criteria as determined by the compensation committee. In addition, Mr. Kappauf receives certain other benefits including insurance benefits and a car allowance.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

OPTION/SAR GRANTS IN LAST FISCAL YEAR

(INDIVIDUAL GRANTS)

NAME	NO. OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENTAGE OF TOTAL OPTIONS/ GRANTED IN FISCAL YEAR	EXERCISE OF BASE PRICE PER SHARE	EXPIRATION DATE
Donald Kappauf	50,000	12%	$ 1.2188	01/04/2004
Donald Kelly	50,000	12%	$ 1.2188	01/04/2004
Kirk Scoggins	100,000	24%	$ 1.0000	04/01/2004

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FY-END OPTION/SAR VALUES

The following table sets forth information with respect to the named executive officers concerning exercise of stock options and SARs during the last fiscal year and the value of unexercised options and SARs held as of the year ended September 30, 1999.

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS SEPTEMBER 30, 1999 EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AS OF SEPTEMBER 30, 1999 EXERCISABLE/ UNEXERCISABLE(1)
Donald W. Kappauf	0	0	250,000/100,000	$0/$0
Donald T. Kelly	0	0	80,000/50,000	$0/$0
Kirk A. Scoggins	0	0	0/100,000	$0/$109,380

(1) Based upon a closing bid price of the Common Stock at $1 3/32 per share on September 30, 1999.

STOCK OPTION PLANS

In April, 1990, the Board of Directors adopted the 1990 Employees Stock Option Plan (the "1990 Plan") which was approved by shareholders in August, 1990. The 1990 Plan provides for the grant of options to purchase up to 1,000,000 shares of the Company's common stock. Under the terms of the 1990 Plan, options granted thereunder may be designated as options which qualify for incentive stock option treatment ("ISOs") under Section 422A of the Code, or options which do not so qualify ("Non-ISO's").

The 1990 Plan is administered by the Compensation Committee designated by the Board of Directors. The Compensation Committee has the discretion to determine the eligible employees to whom, and the times and the price at which, options will be granted; whether such options shall be ISOs or Non-ISOs; the periods during which each option will be exercisable; and the number of shares subject to each option. The Committee has full authority to interpret the 1990 Plan and to establish and amend rules and regulations relating thereto.

Under the 1990 Plan, the exercise price of an option designated as an ISO shall not be less than the fair

market value of the common stock on the date the option is granted. However, in the event an option designated as an ISO is granted to a ten percent (10%) shareholder (as defined in the 1988 Plan), such exercise price shall be at least 110% of such fair market value. Exercise prices of Non-ISO options may be less than such fair market value.

The aggregate fair market value of shares subject to options granted to a participant, which are designated as ISOs and which become exercisable in any calendar year, shall not exceed $100,000.

The Compensation Committee may, in its sole discretion, grant bonuses or authorize loans to or guarantee loans obtained by an optionee to enable such optionee to pay any taxes that may arise in connection with the exercise or cancellation of an option.

Unless sooner terminated, the 1990 Plan will expire in April 2000.

In April 1990, the Board of Directors adopted the Non-Executive Director Stock Option Plan (the "Director Plan") which was approved by shareholders in August, 1991 and amended in March 1996. The Director Plan provides for issuance of a maximum of 500,000 shares of common stock upon the exercise of stock options arising under the Director Plan. Options may be granted under the Director Plan until April, 2000 to: (i) non-executive directors as defined and, (ii) members of any advisory board established by the Company who are not full-time employees of the Company or any of its subsidiaries. The Director Plan provides that each non-executive director is automatically granted an option to purchase 5,000 shares upon joining the Board and each September lst, pro rata, based on the time the director has served in such capacity during the previous year. The Directors' Plan also provides that directors, upon joining the Board, and for one (1) year thereafter, will be entitled to purchase restricted stock from the Company at a price equal to 80% of the closing bid price on the date of purchase up to an aggregate purchase price of $50,000.

The exercise price for options granted under the Director Plan shall be 100% of the fair market value of the common stock on the date of grant. Until otherwise provided in the Stock Option Plan, the exercise price of options granted under the Director Plan must be paid at the time of exercise, either in cash, by delivery of shares of common stock of the Company or by a combination of each. The term of each option commences on the date it is granted and unless terminated sooner as provided in the Director Plan, expires five (5) years from the date of grant. The Committee has no discretion to determine which non-executive director or advisory board member will receive options or the number of shares subject to the option, the term of the option or the exercisability of the option. However, the Committee will make all determinations of the interpretation of the Director Plan. Options granted under the Director Plan are not qualified for incentive stock option treatment.

In April 1990, the Board of Directors adopted and in August, 1990, the Company's shareholders approved the Senior Management Incentive Plan (the "Management Plan") for use in connection with the issuance of stock, options and other stock purchase rights to executive officers and other key employees and consultants who render significant services to the Company and its subsidiaries. It is contemplated that only those executive management employees (generally the Chairman of the Board, Chief Executive Officer, Chief Operating Officer, President and Vice Presidents of the Company or Presidents of the Company's subsidiaries) who perform services of special importance to the Company will be eligible to participate under the Management Plan. A total of 5,000,000 shares of common stock will be reserved for issuance under the Management Plan. Awards made under the Management Plan will be subject to three (3) year vesting periods, although the vesting periods are subject to the discretion of the Administrator.

Unless otherwise indicated, the Management Plan is to be administered by the Board of Directors or a committee of the Board, if one is appointed for this purpose (the Board or such committee, as the case may be, shall be referred to in the following description as the "Administrator"). The Management Plan generally provides that, unless the Administrator determines otherwise, each option or right granted under a plan shall become exercisable in

full upon certain "change of control" events as described in the Management Plan. If any change is made in the stock subject to the Management Plan, or subject to any right or option granted under the Management Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or otherwise), the Administrator will make appropriate adjustments to such plans and the classes, number of shares and price per share of stock subject to outstanding rights or options. The Management Plan permits awards until April, 2000.

Directors who are not otherwise employed by the Company will not be eligible for participation in the Management Plan.

The Management Plan provides four types of awards: stock options, incentive stock rights, stock appreciation rights (including limited stock appreciation rights) and restricted stock purchase agreements, as described below.

Options granted under the Management Plan may be either incentive stock options ("ISOs") or options which do not qualify as ISOs ("non-ISOs") similar to the options granted under the 1990 Plan.

Incentive stock rights consist of incentive stock units equivalent to one share of common stock in consideration for services performed for the Company. If the employment or consulting services of the holder with the Company terminate prior to the end of the incentive period relating to the units awarded, the rights shall thereupon be null and void, except that if termination is caused by death or permanent disability, the holder or his heirs, as the case may be, shall be entitled to receive a pro-rata portion of the shares represented by the units, based upon that portion of the incentive period which shall have elapsed prior to the death or disability.

Restricted stock purchase agreements provide for the sale by the Company of shares of common stock at a price to be determined by the Board of Directors, which shares shall be subject to restrictions on disposition for a stated period during which the purchaser must continue employment with the Company in order to retain the shares. Payment can be made in cash, a promissory note or a combination of both. If termination of employment occurs for any reason within six months after the date of purchase, or for any reason other than death or by retirement with the consent of the Company after the six month period, but prior to the time that the restrictions on disposition lapse, the Company shall have the option to reacquire the shares at the original purchase price.

Restricted shares awarded under the Management Plan will be subject to a period of time designated by the Administrator (the "restricted period") during which the recipient must continue to render services to the Company before the restricted shares will become vested. The Administrator may also impose other restrictions, terms and conditions that must be fulfilled before the restricted shares may vest.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of December 31, 1999 with respect to each director, each of the named executive officers as defined in Item 402(a)(3), and directors and executive officers of the Company as a group, and to the persons known by the Company to be the beneficial owner of more than five percent of any class of the Company's voting securities.

Name of Shareholder	Number of Shares Presently Owned(1)	Percent of Company's Outstanding Stock
Karl W. Dieckmann(2) c/o TeamStaff, Inc. 300 Atrium Drive Somerset, NJ 08873	320,743	1.15%
Senator John H. Ewing(3) 76 Claremont Road Barnardsville, NJ 07924	153,125	*
William J. Marino(4) c/o Blue Cross/Blue Shield of New Jersey 3 Penn Plaza East Newark, NJ 07105	98,617	*
Donald W. Kappauf(5) c/o TeamStaff, Inc. 300 Atrium Drive Somerset, NJ 08873	626,248	2.25%
Donald T. Kelly(6) c/o TeamStaff, Inc. 300 Atrium Drive Somerset, NJ 08873	88,850	*
Charles R. Dees, Jr. Phd(7) c/o TeamStaff, Inc. 300 Atrium Drive Somerset, NJ 08873	11,586	*
Martin J. Delaney(8) c/o TeamStaff, Inc. 300 Atrium Drive Somerset, NJ 08873	118,073	*
Kirk Scoggins (9) c/o TeamStaff, Inc. 300 Atrium Drive Somerset, NJ 08873	3,286,931	11.79%

Warren M. Cason (10) 400 N. Ashley Drive, Suite 2300 Tampa, FL 33602	2,220,654	7.97%
Warren M. Cason Jr. (11) Trustee of the Dorothy C. Cason 1997 Three Year Grantor Retained Annuity Trust c/o Warren M. Cason 400 N. Ashley Drive, Suite 2300 Tampa, FL 33602	1,843,889	6.62%
Dorothy Cason (11) 400 N. Ashley Drive, Suite 2300 Tampa, FL 33602	160,338	*
Mellissa C. Scoggins (12) Trustee of the Kirk Allan Scoggins 1997 Three Year Grantor Retained Annuity Trust	721,522	2.59%
All officers and directors as a group (8)persons (2,3,4,5,6,7,8,9)	4,704,173	16.88%

* Less than 1 percent.

(1) Ownership consists of sole voting and investment power except as otherwise noted.

(2) Includes options to purchase 20,000 shares of the Company's common stock, and excludes unvested options to purchase 5,000 shares of common stock.

(3) Includes options to purchase 25,000 shares of the Company's common stock, and excludes unvested options to purchase 5,000 shares of common stock.

(4) Includes options to purchase 40,000 shares of the Company's common stock, and warrants to purchase 2,500 shares of common stock, and excludes unvested options to purchase 5,000 shares of common stock.

(5) Includes options to purchase 247,500 shares of the Company's common stock, and excludes unvested options to purchase 100,000 shares of common stock.

(6) Includes options to purchase 80,000 shares of the Company's common stock, and excludes unvested options to purchase 50,000 shares of common stock.

(7) Includes options to purchase 6,250 shares of common stock, and excludes unvested options to purchase 5,000 shares of common stock.

(8) Includes options to purchase 6,250 shares of common stock, and excludes unvested options to purchase 5,000 shares of common stock.

(9) Mr. Scoggins received these shares as a former owner of the TeamStaff Companies which were acquired by the Company on January 25, 1999. Mr. Scoggins also joined the Company's Board of Directors on January 25, 1999. Of the 3,286,921 shares currently owned by Mr. Scoggins, 223,442 shares have been placed in escrow to indemnify the Company for certain representations regarding TeamStaff Companies made by the former owners of the TeamStaff Companies. Excludes unvested options to purchase 100,000 shares.

(10) Mr. Cason received these shares as a former owner of the TeamStaff Companies which were acquired by the Company on January 25, 1999. Of the 2,220,654 shares currently owned by Mr. Cason, 150,957 shares have been placed in escrow to indemnify the Company for certain representations regarding TeamStaff Companies made by the former owners of the TeamStaff Companies.

(11) This Trust received these shares as a former owner of the TeamStaff Companies which were acquired by the Company on January 25, 1999. Of the 1,843,889 shares currently owned by this Trust, 125,355 shares have been placed in escrow to indemnify the Company for certain representations regarding TeamStaff Companies made by the former owners of the TeamStaff Companies.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For information concerning employment agreements with and compensation of the Corporation's executive officers and directors, see "Executive Compensation". The Directors' Plan provides that directors, upon joining the Board, and for one (1) year thereafter, will be entitled to purchase restricted stock from the Company at a price equal to 80% of the closing bid price on the date of purchase up to an aggregate purchase price of $50,000.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The financial statements and schedules of the Company are included in Part II, Item 8 of this report and appear as pages F-1 through F-18 and includes page S-1.

2. All other schedules have been omitted since the required information is not applicable or because the information required is included in the Consolidated Financial Statements or the notes thereto.

3. Exhibit List

The exhibits designated with an asterisk (*) are filed herewith. All other exhibits have been previously filed with the Commission and, pursuant to 17 C.F.R. Secs. 20l.24 and 240.12b-32, are incorporated by reference to the document referenced in brackets following the descriptions of such exhibits.

EXHIBIT NO.		DESCRIPTION
2.1	--	Agreement for purchase of Temp-Staff, Inc. (Exhibit 3 to Form 8-K dated May 17, 1990).
2.2	--	Agreement for purchase of X-L Technical Corp. (Exhibit 2a to Form 8-K dated October 31, 1990).
2.3	--	Plan and Agreement of Merger and Reorganization dated as of October 29, 1998 among the Company, the Merger Corporations, the TeamStaff Entities and certain individuals and trusts as

		shareholders of the TeamStaff Entities (filed as Exhibit A to Proxy Statement of Digital Solutions, Inc, dated November 12, 1998).
3.1	--	Amended and Restated Certificate of Incorporation of Registrant (Filed as Exhibit A to Definitive Proxy Material dated July 20, 1990)
3.1.1	--	Form of Amendment to Amended and Restated Certificate of Incorporation (filed as Exhibit G to the Company's Proxy Statement dated November 12, 1998 as filed with the Securities and Exchange Commission).
3.2	--	By-Laws of Registrant (Exhibit 10.1 to Form 8-K dated March 2l, 1990)
10.2	--	Employment Agreement with Donald Kappauf (Exhibit 3 to Form 8-K dated May 17, 1990).
10.4	--	Agreement between Registrant and First Fidelity Bank, N.A. (Exhibit 10.4 to Form 10-K for fiscal year ended September 30, 1991).
10.5	--	Agreement between Registrant and Midatlantic Banks, Inc. dated October 11, 1991 (Exhibit 10.5 to Form 10-K for fiscal year ended September 30, 1991).
10.6	--	Lease dated 10/15/91 for office space at 4041 Hadley Road, South Plainfield, New Jersey (Exhibit 10.6 to Form 10-K for fiscal year ended September 30, 1991).
10.7	--	Employment Agreement between Karl Dieckmann and the Company dated November 1, 1991 (Exhibit 10.7 to Form 10-K for fiscal year ended September 30, 1991).
10.6.1	--	Lease dated May 30, 1997 for office space at 300 Atrium, Somerset, New Jersey (Exhibit 10.6.1 to Form 10-K for the fiscal year ended September 30, 1997).
10.15.1	--	Employment agreement between George J. Eklund and the Company dated March 12, 1996 (Exhibit 10.15.1 to Form 10-K for the fiscal year ended September 30, 1997).
10.15.2	--	Amended employment agreement between George J. Eklund and the Company dated December 16, 1997 (Exhibit 10.15.2 to Form 10-K for the fiscal year ended September 30, 1997).
10.10	--	Employment Contract between David L. Clark and the Company dated January 1, 1993.
10.11	--	Bridge financing between Katie and Adam Bridge Partners, L. P. and the Company in June, 1993.
10.12	--	Sales representation agreement between Sid A. Robinson, III and the Company dated April 14, 1993.
10.13	--	Agreement between Staff Leasing of Mississippi, Inc. and the Company for the purchase of business and assets dated November 4, 1993.
10.15	--	Employment agreement between George J. Eklund and the Company dated September 19, 1994.
10.16.1	--	Seventh Amended Loan Agreement between Registrant and Summit Bank and sixth amended Promissory Note (Exhibit 10.16.1 to Form 10-K for the fiscal year ended September 30, 1997).
10.17	--	Loan and Security Agreement dated April 28, 1998 among Digital Solutions, Inc. and FINOVA Capital Corporation (Filed as Exhibit 10.17 to Form 10K filed January 12, 1999).

10.18 -- Secured Promissory Note in the principal amount of $2,500,000 dated April 28, 1998 in favor of FINOVA Capital Corporation (Filed as Exhibit 10.18 to Form 10K filed January 12, 1999).

10.19 -- Stock Pledge Agreement (Security Agreement) dated April 28, 1998 between FINOVA Capital Corporation and Digital Solutions, Inc.(Filed as Exhibit 10.19 to Form 10K filed January 12, 1999).

10.20 -- Employment Agreement between the Company and Kirk Scoggins dated January 25, 1999 (Filed as Exhibit 10.1 to Form 8K dated January 25, 1999).

10.21 -- Registration Rights Agreement between the Company and certain former shareholders of the TeamStaff Companies dated as of January 25, 1999 (Filed as Exhibit 10.2 to Form 8K dated January 25, 1999)

10.22 -- Amended and Restated Loan and Security Agreement between the Company and Finova Capital Corporation dated January 25, 1999 (Filed as Exhibit 10.3 to Form 8K dated January 25, 1999).

10.23 -- Amended and Restated Note in the principal amount of $2,166,664 dated January 25, 1999 (Filed as Exhibit 10.4 to Form 8K dated January 25, 1999).

10.24 -- Secured Note in the amount of $2,500,000 in favor of Finova Capital Corporation dated January 25, 1999 (Filed as Exhibit 10.5 to Form 8K dated January 25, 1999).

10.25 -- Secured Note in the amount of $750,000 in favor of Finova Capital Corporation dated January 25, 1999 (Filed as Exhibit 10.6 to Form 8K dated January 25, 1999).

10.26 -- Schedule to Amended and Restated Loan Agreement dated January 25, 1999 with Finova Capital Corporation (Filed as Exhibit 10.7 to Form 8K dated January 25, 1999).

21.0* -- Subsidiaries of Registrant.

23.1* -- Consent of Arthur Andersen, LLP to the incorporation of its report on the Company's financial statements into the Company's previously filed Registration Statements on Form S-3 file number 33-85526, 33-70928, 33-91700 and 33-09313.

27.0* -- Financial Data Schedule.

(b) Reports on Form 8-K.

None

(c) Exhibits. See Item (a)(3) above.

(d) Financial Statement Schedule. See Schedule II annexed hereto and appearing at page S-1.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/Donald W. Kappauf

Donald W. Kappauf
President and Chief Executive Officer

Dated: January 11, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/Rocco Marano Rocco Marano	Director	January 11, 2000
/s/Karl W. Dieckmann Karl W. Dieckmann	Chairman of the Board	January 11, 2000
/s/John H. Ewing Senator John H. Ewing	Director	January 11, 2000
/s/William J. Marino William J. Marino	Director	January 11, 2000
/s/Charles R. Dees, Jr. Phd Charles R. Dees, Jr. Phd	Director	January 11, 2000
/s/Martin J. Delaney Martin J. Delaney	Director	January 11, 2000
/s/Kirk A. Scoggins Kirk A. Scoggins	President-PEO Director	January 11, 2000
/s/Donald W. Kappauf Donald W. Kappauf	President & Chief Executive Officer	January 11, 2000
/s/Donald T. Kelly Donald T. Kelly	Chief Financial Officer & Corporate Secretary	January 11, 2000

TEAMSTAFF, INC. AND SUBSIDIARIES

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Schedules other than those listed above have been omitted as they are either not required or because the related information has been included in the notes to consolidated financial statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of

TeamStaff, Inc.:

We have audited the accompanying consolidated balance sheets of TeamStaff, Inc. (formerly Digital Solutions, Inc.) and subsidiaries as of September 30, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended September 30, 1999. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TeamStaff, Inc. and subsidiaries as of September 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1999 in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule listed in the index to the financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and regulations and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
December 14, 1999

TEAMSTAFF, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 1999 AND 1998

ASSETS	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,948,000	$ 1,530,000
Restricted cash	362,000	0
Accounts receivable, net of allowance for doubtful accounts of $209,000 and $284,000 at September 30, 1999 and 1998	13,557,000	6,891,000
Deferred tax asset	1,464,000	380,000
Other current assets	552,000	311,000
Total current assets	17,883,000	9,112,000
EQUIPMENT AND IMPROVEMENTS:		
Equipment	3,748,000	3,336,000
Leasehold improvements	100,000	47,000
	3,848,000	3,383,000
Less - accumulated depreciation and amortization	3,023,000	2,591,000
	825,000	792,000
DEFERRED TAX ASSET	328,000	1,782,000
INTANGIBLE ASSETS, net of accumulated amortization of $1,680,000 and $1,082,000 at September 30, 1999 and 1998	16,798,000	4,096,000
OTHER ASSETS	548,000	866,000
	$36,382,000	$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 AS OF SEPTEMBER 30, 1999 AND 1998

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,034,000	$ 540,000
Accounts payable	2,924,000	1,792,000
Accrued expenses and other current liabilities	10,957,000	3,461,000
Total current liabilities	14,915,000	5,793,000
LONG-TERM DEBT, net of current portion	4,502,000	2,981,000
Total liabilities	19,417,000	8,774,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, $.001 par value; authorized 40,000,000 shares; issued 27,932,513 and 19,356,833; outstanding 27,868,413 and 19,356,833 at September 30, 1999 and 1998	28,000	19,000
Additional paid-in capital	21,073,000	13,692,000
Accumulated deficit	(4,061,000)	(5,837,000)
Treasury stock, 64,100 shares at cost	(75,000)	0
	16,965,000	7,874,000
	$ 36,382,000	$ 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 OPERATIONS

	For the Years Ended September 30,		
	1999	1998	1997
REVENUES	$ 244,830,000	$ 139,435,000	$ 122,559,000
DIRECT EXPENSES	228,294,000	129,747,000	113,894,000
Gross profit	16,536,000	9,688,000	8,665,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	12,181,000	7,389,000	10,306,000
DEPRECIATION AND AMORTIZATION	1,124,000	661,000	1,010,000
Income (loss) from operations	3,231,000	1,638,000	(2,651,000)
OTHER INCOME (EXPENSE):			
Interest income	492,000	323,000	196,000
Interest expense	(1,133,000)	(554,000)	(377,000)
Other income	35,000	0	0
	(606,000)	(231,000)	(181,000)
Income (loss) before income taxes	2,625,000	1,407,000	(2,832,000)
INCOME TAX BENEFIT (EXPENSE)	(849,000)	1,296,000	0
Net income (loss)	$ 1,776,000	$ 2,703,000	($2,832,000)
EARNINGS (LOSS) PER SHARE - BASIC	$ 0.07	$ 0.14	($0.15)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	24,947,321	19,271,897	19,070,349
EARNINGS (LOSS) PER SHARE - DILUTED	$ 0.07	$ 0.14	($0.15)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND EQUIVALENTS OUTSTANDING - DILUTED	25,008,864	19,403,298	19,070,349

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

TEAMSTAFF, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock	
	Shares	Amount	Capital	Deficit	Shares	Amount
BALANCE, September 30, 1996	18,786,609	$ 19,000	$12,857,000	($5,708,000)	-	$ -
Exercise of stock options	204,471	-	53,000	-	-	-
Exercise of stock warrants	117,347	-	181,000	-	-	-
Stock issued for employee bonus	33,333	-	100,000	-	-	-
Proceeds related to LNB settlement, net of expenses	-	-	202,000	-	-	-
Net loss	-	-	-	(2,832,000)	-	-
BALANCE, September 30, 1997	19,141,760	19,000	13,393,000	(8,540,000)	-	-
Common stock issued in connection with financing	156,250	-	250,000	-	-	-
Common stock issued	58,823	-	49,000	-	-	-
Net income	-	-	-	2,703,000	-	-
BALANCE, September 30, 1998	19,356,833	19,000	13,692,000	(5,837,000)	-	-
Common stock sold	5,336	-	9,000	-	-	-
Common stock repurchased	-	-	-	-	64,100	(75,000)
Exercise of stock options	20,000	-	16,000	-	-	-
Exercise of stock warrants	5,000	-	6,000	-	-	-
Common stock issued in connection with acquisition	8,545,344	9,000	7,302,000	-	-	-
Non-cash compensation expense related to warrants	-	-	44,000	-	-	-
Proceeds related to LNB settlement, net of expenses	-	-	4,000	-	-	-
Net income	-	-	-	1,776,000	-	-
BALANCE, September 30, 1999	27,932,513	$ 28,000	$21,073,000	($4,061,000)	64,100	($75,000)

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

TEAMSTAFF, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended September 30,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 1,776,000	$ 2,703,000	($2,832,000)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities, net of acquired business-			
Deferred income taxes	600,000	(1,402,000)	0
Depreciation and amortization	1,124,000	661,000	1,010,000
Provision for doubtful accounts	27,000	(247,000)	1,120,000
Stock issued for employee bonus	0	0	100,000
Non-cash compensation expense	44,000	0	0
Changes in operating assets and liabilities-			
Increase in accounts receivable	(4,016,000)	(824,000)	(602,000)
Decrease (increase) in other current assets	458,000	(289,000)	(106,000)
Decrease (increase) in other assets	225,000	(249,000)	0
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	3,325,000	(1,139,000)	1,855,000
(Increase) decrease in restricted cash	(362,000)	738,000	417,000
Net cash provided by (used in) operating activities	3,201,000	(48,000)	962,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of equipment and leasehold improvements	(249,000)	(184,000)	(347,000)
Acquisition of TeamStaff Companies, net of cash acquired	(4,509,000)	0	0
Net cash used in investing activities	(4,758,000)	(184,000)	(347,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings on line of credit	$ 1,015,000	$ 1,103,000	$ 410,000
Proceeds from borrowings on long-term debt	2,500,000	2,500,000	0
Principal payments on long-term debt	(792,000)	(167,000)	0
Payments on revolving line of credit	(663,000)	(2,697,000)	(620,000)
Repayments on capital leases obligations	(45,000)	(117,000)	0
Net proceeds from issuance of common stock, net of expenses	9,000	299,000	0
Net proceeds from the exercise of stock options and warrants	22,000	0	234,000
Repurchase of common shares	(75,000)	0	0
Proceeds from LNB settlement, net of expenses	4,000	0	202,000
Net cash provided by financing activities	1,975,000	921,000	226,000
Net increase in cash and cash equivalents	418,000	689,000	841,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,530,000	841,000	0
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,948,000	$ 1,530,000	$ 841,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for-			
Interest	$ 790,000	$ 439,000	$ 363,000
Taxes	$ 374,000	$ 80,000	$ 31,000

During 1999 the Company issued common stock valued at $7.3 million in connection with the acquisition of the TeamStaff Companies.

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

TEAMSTAFF, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 and El Paso, Texas; and Clearwater and Tampa, Florida and sales service centers in New York, New York; El Paso and Houston, Texas; Tampa, Orlando and Clearwater, Florida; Atlanta, Georgia; and Somerset, New Jersey.

Effective January 25, 1999, the Company acquired the ten entities operating under the trade name, the TeamStaff Companies. In conjunction with the acquisition, the Company changed its name from Digital Solutions, Inc., to TeamStaff, Inc.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION-

The accompanying consolidated financial statements include those of TeamStaff, Inc., and its wholly-owned subsidiaries. The results of operations of acquired companies within the period reflected 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.

USE OF ESTIMATES-

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION-

The Company recognizes revenue in connection with its professional employer organization program ("PEO") and its temporary placement service program when the services have been provided. Revenues represent the Company's billings to customers, with the corresponding cost of providing those services reflected as direct expenses. Payroll services, commissions and other fees for administrative services are recognized as revenue as the related service is provided.

CONCENTRATIONS OF CREDIT RISK-

The Company's customer base consists of over 2,150 client companies, representing approximately 42,000 employees (including payroll services) as of September 30, 1999. The Company's client base is broadly distributed throughout a wide variety of industries; however, more than 70% of the customers in the payroll processing area are in the construction industry and substantially all of TeamStaff-RX customers are in the healthcare industry.

CASH EQUIVALENTS-

For purposes of the statements of cash flows, the Company considers all liquid investments purchased with a maturity of three months or less to be cash equivalents.

EQUIPMENT AND IMPROVEMENTS-

Equipment and improvements are stated at cost. Depreciation and amortization are provided using straight-line method over the estimated useful asset lives (3 to 5 years) and the shorter of the lease term or estimated useful life for leasehold improvements.

INTANGIBLE ASSETS-

Intangible assets consist of the following:

	1999	1998
Trade Name	$ 4,700,000	$ 0
Goodwill	13,778,000	5,178,000
	18,478,000	5,178,000
Accumulated Amortization	(1,680,000)	(1,082,000)
	$ 16,798,000	$ 4,096,000

Goodwill represents the excess of the cost of companies acquired over the fair value of their net assets at the acquisition date and is being amortized on a straight line basis over 20 to 25 years. Trade name is being amortized on a straight line basis over 25 years. Amortization expense charged to operations was approximately $598,000 for fiscal year 1999, $247,000 for fiscal year 1998 and $434,000 for fiscal year 1997. Amortization expense for 1997 includes a $261,000 provision for goodwill impairment associated with the Company's decision not to remain in the insurance business.

LONG-LIVED ASSETS-

The Company reviews it long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management of the Company believes that no such events or changes in circumstances have occurred. If such events or changes in circumstances are present, a loss is recognized to the extent that the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition.

INCOME TAXES-

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and the tax basis of assets and liabilities using enacted tax rates currently in effect.

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 (loss) and share amounts used to calculate basic earnings per share and diluted earnings per share:

	Fiscal Years Ended September 30, 1999	1998	1997
Numerator:			
Net income (loss)	$ 1,776,000	$ 2,703,000	($ 2,832,000)
Denominator:			
Weighted average number of common shares outstanding - Basic	24,947,321	19,271,897	19,070,349
Incremental shares for assumed conversions of stock options/warrants	61,543	131,401	0
Weighted average number of common and equivalent shares outstanding-Diluted	25,008,864	19,403,298	19,070,349
Earnings (loss) per share - Basic and Diluted	$ 0.07	$ 0.14	($ 0.15)

Stock options and warrants outstanding at September 30, 1999 to purchase 883,379 shares of common stock were not included in the computation of Diluted EPS as they were antidilutive.

RECENTLY ISSUED ACCOUNTING STANDARDS-

In March 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP 98-1), "Accounting for the Costs of Computer Software Development or Obtained for Internal Use." SOP 98-1 requires that computer software costs that are incurred in the preliminary project stage be expensed as incurred and that criteria be met before capitalization of costs to develop or obtain computer software for internal use. Adoption of SOP 98-1 is required for fiscal years beginning after December 15, 1998. The Company does not believe that the new standard will have a material impact on the Company's consolidated financial statements. In April 1998, the Accounting Standards Executive Committee issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 is required for fiscal years beginning after December 15, 1998. The Company does not believe that the new standard will have a material impact on the Company's consolidated financial statements.

RECLASSIFICATIONS-

Certain amounts in the prior years financial statements have been reclassified to conform to the current year presentation.

(3) INCOME TAXES:

At September 30, 1999, the Company had available operating loss carryforwards of approximately $4,654,000 to reduce future periods' taxable income. The carryforwards expire in various years beginning in 2004 and extending through 2012.

The Company has recorded a $1,792,000 and a $2,162,000 deferred tax asset at September 30, 1999 and 1998, respectively. This represents management's estimate of the income tax benefits to be realized upon utilization 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. During 1999 and 1998 the Company reduced its valuation allowance by $400,000 and $2,280,000, respectively. In order for the Company to realize a $1,792,000 deferred tax asset, the Company would have to generate approximately $5,000,000 in future taxable income. 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's operations in prior years.

An analysis of the Company's deferred tax asset is as follows-

	1999	1998
Net operating loss carryforwards	$ 1,675,000	$ 2,350,000
Allowance for doubtful accounts	75,000	102,000
Other items, net	42,000	110,000
Gross deferred income tax asset	1,792,000	2,562,000
Valuation allowance	-	(400,000)
Deferred income tax asset	$ 1,792,000	$ 2,162,000

The components of the income tax expense (benefit) for income taxes are summarized as follows-

	Fiscal Years Ended September 30,		
	1999	1998	1997
Current expense	$ 249,000	$ 106,000	$ 0
Deferred expense (benefit)	600,000	(1,402,000)	0
Total expense (benefit)	$ 849,000	($1,296,000)	$ 0

The following table indicates the significant elements contributing to the difference between the Federal statutory rates and the Company's effective tax rate-

	Fiscal Years Ended September 30,		
	1999	1998	1997
Federal statutory rate	34%	34%	(34%)
State taxes net of federal income tax benefit	7	5	0
Valuation allowance	0	0	34
Reversal of valuation allowance	(15)	(134)	0
Goodwill amortization	4	0	0
Other	2	3	0
	32%	(92%)	0%

(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 term loan for $2,500,000, with a five year amortization, and a balloon payment at the end of three years at prime plus 3% (11.25% as of September 30, 1999) and a $2 million revolving line of credit secured by certain accounts receivable of the Company at prime plus 1% (9.25% as of September 30, 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. The credit facility was 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. On April 27, 1999, the Company remitted the first annual success fee of $200,000.

On January 25, 1999, 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% (11.25% as of September 30, 1999) and the bridge loan bears an interest rate of 12%. 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 revised 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. On May 27, 1999 the Company retired the bridge loan by a cash payment of $500,000 and a $250,000 increase in TeamStaff's revolving credit line.

Long-term debt at September 30, 1999 and 1998 consists of the following-

	1999	1998
Revolving Loan	$ 1,455,000	$ 1,103,000
Term Loan	4,041,000	2,333,000
Capital leases	40,000	85,000
	5,536,000	3,521,000
Less- Current portion	(1,034,000)	(540,000)
	$ 4,502,000	$ 2,981,000

Maturities of long-term debt as of September 30, 1999 are as follows-

Year Ending September 30,	
2000	$1,034,000
2001	3,294,000
2002	1,208,000
	$5,536,000

(5) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

Accrued expenses and other current liabilities at September 30, 1999 and 1998 consist of the following-

	1999	1998
Payroll and payroll taxes	$ 8,626,000	$ 2,415,000
Worker's compensation insurance	1,006,000	403,000
Other	1,325,000	643,000
	$10,957,000	$ 3,461,000

(6) COMMITMENTS AND CONTINGENCIES:

LEASES-

Minimum payments under noncancellable lease obligations at September 30, 1999 are as follows-

Year Ending September 30,	
2000	$730,000
2001	776,000
2002	742,000
2003	729,000
2004	742,000
Thereafter	1,246,000
	$4,965,000

Rent expense under all operating leases was $794,000 in 1999, $630,000 in 1998 and $537,000 in 1997.

WORKERS' COMPENSATION POLICY-

Generally accepted accounting principles require that all incurred, but not paid claims, as well as an estimate for claims incurred, but not reported ("IBNR"), be accrued on the balance sheet as a current liability, although a portion of the claims may not be paid in the following 12 months. In September 1998, the Company negotiated and settled with Liberty Mutual Insurance Company for its liability on all workers' compensation claims incurred during the three year period 1995, 1996 and 1997. In return for terminating all future exposure under the Liberty Mutual workers' compensation policy, the Company agreed to make a one-time payment of approximately $919,000. The settlement was funded by allocating $738,000 of the Company's restricted cash, which had been used to collateralize a portion of the letter of credit to Liberty Mutual and by internal funds of $181,000.

On April 1, 1997, the Company entered into a workers' compensation policy with a new carrier. Under the terms of the new workers' compensation insurance program the Company is required to fund the anticipated loss reserves on a current basis. On April 1, 1999, the Company terminated its program with the insurance carrier and consolidated its workers' compensation program under a new carrier who had been the carrier for the TeamStaff Companies.

LEGAL PROCEEDINGS-

In October 1995, the Company entered into a note and finance agreement with LNB Investment Corporation ("LNB") providing for the loan to the Company of up to $3,000,000. The loan was for a term of 15 months and was to be secured by shares of the Company's common stock having a market value of no less than four times the outstanding balance of the loan. LNB agreed not to sell or otherwise liquidate the shares unless the Company were to default under the loan agreement and failed to cure such default after notice. A maximum of 7,500,000 shares were pledged as collateral.

The Company issued 1,783,334 shares in the name of LNB and delivered the shares to a depository to secure the first portion of the loan of $1,000,000. In January 1996, the Company determined that the shares pledged as collateral had been transferred and sold in violation of the loan and finance agreement. As a result, the financing agreement was terminated and never funded. Through the efforts of the Company, 1,258,334 of these shares were recovered and the Company received proceeds of $229,000 for a partial payment on the 525,000 shares not recovered.

In March 1996, the Company commenced action against LNB, Donaldson, Lufkin & Jenrette Securities Corporation and other individuals to recover damages on account of the wrongful sale of the Company's common stock. On July 2, 1997, the Company settled the action. Without admitting or denying the allegations in the complaint, the defendants agreed to pay $676,000 of which $426,000 ($202,000, net of expenses) has been paid with the balance of $250,000 to be paid by LNB on or before August 4, 1997. The payment was not made by LNB as of December 28, 1998 and as a result, the Company has commenced collection proceedings. The amount due is secured by a confession of judgment and a mortgage in the amount of $625,000. The payments under the settlement agreement are in addition to $229,000 previously received from LNB bringing the total recovered to approximately $905,000, assuming LNB complies with the terms of the settlement and remits the last payment of $250,000. The agreement also provides that upon payment of all sums due under the settlement agreement, LNB shall be deemed to have made full restitution to the Company for the claims alleged in the action.

The Company's subsidiary, DSI Staff Connxions-Southwest, Inc., is the defendant in a lawsuit 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 was a defendant in a lawsuit 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 denied the material allegations of the complaint. The plaintiffs had submitted a calculation of damages of $300,000 for the claims identified in the lawsuit which included damages for clients which never became clients of the Company. To avoid further costs of litigation and without admitting any claims of the plaintiff, the Company paid $21,500 to settle this case in 1999.

As previously disclosed, several of the entities operating under the trade name "The TeamStaff Companies", which were acquired by the Company in January 1999, were part of a class of defendants in a proceeding stemming from the failure of the United States Employer Consumer Self Insurance Fund of Florida ("USEC") in 1995. Several of the TeamStaff Companies had been members of USEC, which was a self-insurance fund for workers' compensation. USEC was declared insolvent in 1995. The action was entitled in Re: The Receivership of United States Employer Consumer Self Insurance Fund of Florida, Case No. 95-2359 (FLA 2nd Cir Ct) and was brought by the Florida Department of Insurance, (the "Department") as the receiver of the Fund. Because of management's knowledge of the USEC proceedings and the amount of potential assessments at the time of acquisition, the acquisition agreements governing the Company's acquisition of the TeamStaff Companies provided indemnification by the sellers in favor of the Company for damages of up to $1,222,000. The financial statements of the TeamStaff Companies at the time of acquisition included a reserve of $391,000 for which the Company would be responsible for. On October 18, 1999 the Company and the former shareholders of the TeamStaff Companies entered into an agreement with the Department that settled all claims. The Company paid $391,000 to the Department while the former shareholders of the TeamStaff Companies entered into a payment plan with the Department for the remainder of the settlement amount in excess of $391,000. On December 2, 1999 the receivership court, which had jurisdiction over the lawsuit, approved the settlement agreement. There is no remaining liability on this matter against the Company.

At September 30, 1999 the Company is involved in various other legal proceedings incurred in the normal course of business. In the opinion of management, after consultation with its counsel, none of these proceedings would have a material effect, if adversely decided, on the consolidated financial position or results of operations of the Company.

(7) SHAREHOLDERS' EQUITY:

On December 1, 1997, as a requirement of the extension of its bank line of credit, the Company raised $250,000. These funds were an equity investment provided by its directors, a former director and executive officers.

During 1999, the Company purchased 64,100 shares of its common stock for $75,000.

STOCK WARRANTS-

The following is a summary of the outstanding warrants to purchase the Company's common stock at September 30, 1999 as a result of various debt and equity offerings that have occurred since the Company's inception:

Exercise Period From	Exercise Period To	Exercise Price Per Common Share	Number of Shares of Common Stock Reserved
October 1991	October 2001	0.75	100,000
October 1995	October 2000	2.25	25,000
December 1995	December 2000	1.56	5,000
June 1996	June 2001	2.70	219,879
February 1998	February 2003	2.06	25,000
January 1999	January 2004	1.50	75,000
			449,879

For warrants issued to third parties for services, the Company utilizes the Black-Scholes option pricing model to determine fair value and compensation expense.

STOCK OPTION PLANS -

In April 1990 the Company adopted three stock option plans, the 1990 Employees Stock Option Plan, the Non-Executive Director Stock Option Plan, and the Senior Management Incentive Plan (collectively the "1990 Plans"). The 1990 Plans will remain in effect until April 2000 or unless terminated sooner by the Board of Directors.

The 1990 Employees Stock Option Plan (the "Employee Plan") provides for options to be granted to employees, including certain officers of the Company, for the purchase of up to 1,000,000 shares of common stock. Some of the options granted under the Employee Plan are intended to qualify as incentive stock options under the Internal Revenue Code. The exercise price of incentive stock options granted may not be less than the fair market value of the shares on the date of grant, or in certain circumstances, an option price at least equal to 110% of the fair market value of the stock at the time the option is granted. Options granted under the plan

may not be exercised more than ten years from the date of the grant
(or in certain circumstances, five years from the date of grant).

The Non-Executive Director Stock Option Plan (the "Director Plan"), provides for the issuance of options for the purchase of up to 500,000 shares of common stock. Eligible participants are directors of the Company who are not employees of the Company and non-employee directors of any advisory board established by the Company. Under the terms of the Director Plan, the exercise price of options granted will equal 100% of the fair market value of the common stock at the date the options are granted. Options will be granted to eligible participants as follows: 5,000 upon becoming non-executive directors and 5,000 each September 1, commencing September 1, 1990 provided such person had been eligible for the preceding 12 months. The term of each option commences on the date it is granted and expires five years from grant date unless terminated sooner as provided in the Director Plan. The Directors' Plan also provides that directors, upon joining the Board, and for one (1) year thereafter, will be entitled to purchase restricted stock from the Company at a price equal to 80% of the closing bid price on the date of purchase up to an aggregate purchase price of $50,000. The Company expenses the 20% discount as compensation expense.

The Senior Management Incentive Plan (the "Management Plan") provides for the issuance of stock, options and other stock rights to executive officers and other key employees who render significant services to the Company. Under the terms of the Management Plan, the exercise price of options granted will equal 100% of the fair market value of the common stock at the date the options are granted. A total of 5,000,000 shares of common stock have been reserved for issuance under the Management Plan. Awards made under the Management Plan are generally subject to three-year vesting periods (subject to the discretion of the Board of Directors), but may become exercisable in full upon certain "change of control" events as defined in the Management Plan.

The following tables summarizes the activity in the Company's stock option plans for the years ended September 30, 1999, 1998 and 1997:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE FAIR VALUE
Options outstanding, September 30, 1996	1,297,348	$2.73	
Granted	105,000	$1.88	$1.12
Exercised	(204,471)	$1.79	
Cancelled	(353,502)	$3.41	
Options outstanding, September 30, 1997	844,375	$2.72	
Granted	260,000	$1.95	$1.05
Cancelled	(98,250)	$2.79	
Options outstanding, September 30, 1998	1,006,125	$2.52	
Granted	409,000	$1.10	$.60
Exercised	(20,000)	$.81	
Cancelled	(503,625)	$3.09	
Options outstanding, September 30, 1999	891,500	$1.59	

As of September 30, 1999 and 1998, 470,500 and 768,125 options, respectively, were exercisable.

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING AT 9/30/99	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE AT 9/30/99	WEIGHTED AVERAGE EXERCISE PRICE
$0.75 - 1.25	495,500	3.9	$1.11	126,500	$1.18
$1.53 - 2.32	343,000	3.2	$1.93	291,000	$1.93
$2.43 - 4.00	25,000	.1	$2.54	25,000	$2.54
$4.43 - 6.50	28,000	1.9	$5.04	28,000	$5.04

In accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), which was effective October 1, 1996, the fair value of option grants is estimated on the date of grant using the Black-Scholes option-pricing model for proforma footnote purposes with the following assumptions used for options granted subsequent to October 1, 1996; dividend yield of 0%, risk-free interest rate of 5.73%, 5.73% and 6.31% in 1999, 1998 and 1997, and expected option life of 4 years. Expected volatility was assumed to be 68%, 64% and 73% in 1999, 1998 and 1997, respectively.

As permitted by SFAS 123, the Company has chosen to continue to account for its employee stock-based compensation at their intrinsic value in accordance with Accounting Principle Board Opinion No. 25. Accordingly no compensation expense has been recognized for its stock option compensation plans. Had the fair value method of accounting been applied to the Company's stock option plans, the tax-effected impact would be as follows:

(Thousands of dollars except per share amounts)	1999	1998	1997
Net income (loss) as reported	$ 1,776	$ 2,703	($2,832)
Estimated fair value of option grants, net of tax	(153)	(82)	(76)
Net income (loss) adjusted	$ 1,623	$ 2,621	($2,908)
Adjusted earnings (loss) per share - Basic	$ 0.07	$ 0.14	($0.15)
Adjusted earnings (loss) per share - Diluted	$ 0.06	$ 0.14	($0.15)

(8) ACQUISITION OF THE TEAMSTAFF COMPANIES:

On January 25, 1999 TeamStaff, Inc., completed the acquisition of 10 entities operating as TeamStaff Companies through the issuance of 8,233,334 shares of common stock and $3.2 million in cash in exchange for all capital stock of the TeamStaff Companies and for the repayment of debt. The Company 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 operations of the acquired companies have been included in the consolidated financial statements appearing in this form 10-K since the date of the acquisition. The purchase price has been 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. The application of the purchase method of accounting resulted in approximately $13.3 million in excess of purchase price over net tangible assets acquired. The excess of the purchase price over the net tangible assets acquired has been allocated to trade name ($4.7 million) and goodwill ($8.6 million) which are being amortized over 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, 1996.

	Fiscal Years Ended September 30, 1999	1998
Net sales	$279,421,000	$252,936,000
Net income	$ 1,487,000	$ 1,722,000
Earnings per common share - basic	$ 0.05	$ 0.06
Earnings per common share - diluted	$ 0.05	$ 0.06

(9) SEGMENT REPORTING:

During fiscal 1999, the Company adopted the provisions of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information: ("SFAS No. 131"). SFAS No. 131 establishes standards for reporting information about operating segments and related disclosures about products, geographic information and major customers.

The Company operates three different lines of business: Professional Employer Organization(PEO), temporary staffing and payroll services. Each business is managed by individual executives.

The PEO segment provides services such as payroll processing, personnel and administration, benefits administration, workers' compensation administration, and tax filing services to small business owners. Essentially, in this business segment, the Company provides services that function as the human resource department for small to medium sized companies wherein the Company becomes a co-employer.

The Company provides two distinctive forms of temporary staffing: one for technical employees such as engineers, information systems specialists and project managers and another for medical specialists, such as radiologic technologists, diagnostic sonographers, cardiovascular technologists, radiation therapists and other medical professionals with hospitals, clinics and therapy centers. Temporary staffing enables clients to attain management and productivity goals by matching highly trained professionals and technical personnel to specific project requirements.

Through its payroll services business segment, the Company provides basic payroll services to its clients, 70% of whom are in the construction industry. Services provided include the preparation of payroll checks, filing of taxes, government reports, W-2's, remote processing directly to the client's offices and certified payrolls.

Corporate is a separate unit which reflects all corporate expenses, amortization of recently acquired goodwill, interest expense on all debt as well as depreciation on corporate assets and miscellaneous charges.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The company evaluates the performance of its business lines based on pre-tax income.

The following table represents the financial results for each of the Company's segments:

1999	PROFESSIONAL EMPLOYER SERVICES	TEMPORARY STAFFING	PAYROLL SERVICES	CORPORATE	CONSOLIDATED
REVENUES	204,797,000	36,421,500	3,611,500	-	244,830,000
DEPRECIATION & AMORTIZATION	265,000	208,000	122,000	529,000	1,124,000
INCOME/(LOSS) FROM OPERATIONS	2,641,000	3,324,000	1,477,500	(4,211,500)	3,231,000
INTEREST INCOME	77,000	350,000		65,000	492,000
INTEREST EXPENSE		-		(1,133,000)	(1,133,000)
OTHER INCOME	35,000	-			35,000
INCOME/(LOSS) BEFORE INCOME TAXES	2,753,000	3,674,000	1,477,500	(5,279,500)	2,625,000
CAPITAL SPENDING	10,000	72,000	2,000	165,000	249,000
TOTAL ASSETS	11,371,000	6,651,000	660,500	17,699,500	36,382,000
1998					
REVENUES	104,193,000	31,706,000	3,536,000	-	139,435,000
DEPRECIATION & AMORTIZATION	165,000	184,000	121,000	191,000	661,000
INCOME/(LOSS) FROM OPERATIONS	1,338,500	2,011,000	1,444,500	(3,156,000)	1,638,000
INTEREST INCOME	35,000	240,000		48,000	323,000
INTEREST EXPENSE		-		(554,000)	(554,000)
OTHER INCOME		-			-
INCOME/(LOSS) BEFORE INCOME TAXES	1,373,500	2,251,000	1,444,500	(3,662,000)	1,407,000
CAPITAL SPENDING	-	87,000	19,000	78,000	184,000
TOTAL ASSETS	4,500,000	4,559,000	598,000	6,991,000	16,648,000
1997					
REVENUES	93,858,000	25,277,000	3,424,000	-	122,559,000
DEPRECIATION & AMORTIZATION	169,000	226,000	107,000	508,000	1,010,000
INCOME/(LOSS) FROM OPERATIONS	(454,000)	484,000	1,460,000	(4,141,000)	(2,651,000)
INTEREST INCOME	13,000	136,000		47,000	196,000
INTEREST EXPENSE		-		(377,000)	(377,000)
OTHER INCOME		-			-
INCOME/(LOSS) BEFORE INCOME TAXES	(441,000)	620,000	1,460,000	(4,471,000)	(2,832,000)
CAPITAL SPENDING	25,000	117,000	-	205,000	347,000
TOTAL ASSETS	3,205,000	2,106,000	604,000	8,248,000	14,163,000

The Company has no revenue derived outside of the United States.

SCHEDULE I

TEAMSTAFF, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED SEPTEMBER 30, 1999, 1998 AND 1997

(a) Description	(b) Balance at Beginning of Year	(c) Additions Charged to (reversed from) Costs and Expenses	(d) Deductions - Net Write-Offs	(e) Balance at End of Year
Allowance for doubtful accounts, year ended-				
September 30, 1999	$ 284,000	$ 27,000	($ 102,000)	$ 209,000
September 30, 1998	$ 862,000	($ 247,000)	($ 331,000)	$ 284,000
September 30, 1997	$ 339,000	$ 1,120,000	($ 597,000)	$ 862,000

EXHIBIT INDEX

Exhibit No.		Description
21.0	--	Subsidiaries of Registrant.
23.1	--	Consent of Arthur Andersen, LLP to the incorporation of its report on the Company's financial statements into the Company's previously filed Registration Statements on Form S-3 file number 33-85526, 33-70928, 33-91700 and 33-09313.
27.0	--	Financial Data Schedule.

EXHIBIT 21

TEAMSTAFF, INC.
SUBSIDIARIES OF REGISTRANT

DSI-Staff ConnXions-Northeast, Inc.

DSI-Staff ConnXions-Southwest, Inc.

TeamStaff Rx, Inc.

TeamStaff Solutions, Inc.

TeamStaff I, Inc.

TeamStaff II, Inc.

TeamStaff III, Inc.

TeamStaff IV, Inc.

TeamStaff V, Inc.

TeamStaff VI, Inc.

TeamStaff VII, Inc.

TeamStaff VIII, Inc.

TeamStaff Insurance, Inc.

TeamStaff IX, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into TeamStaff, Inc.'s previously filed Registration Statements on Form S-3 File No. 33-85526, 33-70928, 33-91700, and 33-09313.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
January 11, 2000

YEAR
SEP-30-1999
OCT-01-1998
SEP-30-1999
2,310,000
0
13,348,000
(209,000)
0
17,883,000
3,848,000
(3,023,000)
36,382,000
14,915,000
0
0
0
(28,000)
(16,937,000)
36,382,000
0
244,830,000
0
228,294,000
0
(27,000)
(1,133,000)
2,625,000
849,000
0
0
0
0
1,776,000
.07
.07

* Amount reflects EPS - Basic