SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2000

OR

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

For the transition period from ______________________ to _____________________

Commission File No. 0-18492

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

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

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

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

Yes X No --

27,848,913 shares of Common Stock, par value $.001 per share, were outstanding as of May 10, 2000.

TEAMSTAFF, INC. AND SUBSIDIARIES
FORM 10-Q

March 31, 2000

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TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	MARCH 31, 2000 (unaudited)	SEPTEMBER 30, 1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,202,000	$ 1,948,000
Restricted cash	362,000	362,000
Accounts receivable, net of allowance	14,518,000	13,557,000
Current deferred tax asset	1,373,000	1,464,000
Other current assets	545,000	552,000
Total current assets	21,000,000	17,883,000
EQUIPMENT AND IMPROVEMENTS		
Equipment	3,899,000	3,748,000
Leasehold improvements	132,000	100,000
	4,031,000	3,848,000
Accumulated depreciation and amortization	3,251,000	3,023,000
	780,000	825,000
DEFERRED TAX ASSET	-	328,000
INTANGIBLE ASSETS, net of amortization	16,427,000	16,798,000
OTHER ASSETS	579,000	548,000
TOTAL ASSETS	$ 38,786,000	$ 36,382,000

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

TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2000	SEPTEMBER 30, 1999
	(unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,027,000	$ 1,034,000
Accounts payable	3,786,000	2,924,000
Accrued expenses and other current liabilities	12,136,000	10,957,000
Total current liabilities	16,949,000	14,915,000
LONG-TERM DEBT	4,026,000	4,502,000
Total Liabilities	20,975,000	19,417,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock, $.001 par value; authorized 40,000,000 shares; issued 27,932,513 and 27,932,513; outstanding 27,848,913 and 27,868,413 at March 31, 2000 and September 30, 1999	28,000	28,000
Additional paid-in capital	21,312,000	21,073,000
Treasury stock	(94,000)	(75,000)
Accumulated deficit	(3,435,000)	(4,061,000)
Total shareholders' equity	17,811,000	16,965,000
TOTAL LIABILITIES AND EQUITY	$ 38,786,000	$ 36,382,000

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

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

	FOR THE THREE MONTHS ENDED MARCH 31, 2000	1999
REVENUES	$ 79,602,000	$ 55,248,000
DIRECT EXPENSES	75,105,000	51,638,000
Gross profit	4,497,000	3,610,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	3,580,000	2,868,000
DEPRECIATION AND AMORTIZATION	310,000	295,000
Income from operations	607,000	447,000
OTHER INCOME (EXPENSE)		
Interest and other income	141,000	101,000
Interest expense	(310,000)	(297,000)
	(169,000)	(196,000)
Income before tax	438,000	251,000
INCOME TAX (EXPENSE) BENEFIT	(240,000)	276,000
NET INCOME	$ 198,000	$ 527,000
BASIC EARNINGS PER COMMON SHARE	$ 0.01	$ 0.02
WEIGHTED AVERAGE SHARES OUTSTANDING	27,848,913	24,620,265
DILUTED EARNINGS PER COMMON SHARE	$ 0.01	$ 0.02
DILUTED SHARES OUTSTANDING	28,252,867	24,783,175

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

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

	FOR THE SIX MONTHS MARCH 31,	
	2000	1999
REVENUES	$ 161,824,000	$ 94,947,000
DIRECT EXPENSES	152,443,000	88,343,000
Gross profit	9,381,000	6,604,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,249,000	5,018,000
DEPRECIATION AND AMORTIZATION	620,000	471,000
Income from operations	1,512,000	1,115,000
OTHER INCOME (EXPENSE)		
Interest and other income	287,000	205,000
Interest expense	(614,000)	(463,000)
	(327,000)	(258,000)
Income before tax	1,185,000	857,000
INCOME TAX (EXPENSE) BENEFIT	(559,000)	5,000
NET INCOME	$ 626,000	$ 862,000
BASIC EARNINGS PER COMMON SHARE	0.02	$ 0.04
WEIGHTED AVERAGE SHARES OUTSTANDING	27,851,399	21,958,982
DILUTED EARNINGS PER COMMON SHARE	0.02	$ 0.04
DILUTED SHARES OUTSTANDING	28,068,031	22,117,982

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

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

	FOR THE SIX MONTHS ENDED MARCH 31,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 626,000	$ 862,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	419,000	(110,000)
Depreciation and amortization	620,000	471,000
Provision for doubtful accounts	108,000	96,000
Noncash consulting expense	188,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,069,000)	190,000
Decrease in other current assets	8,000	568,000
Increase in other assets	(39,000)	-
Increase in restricted cash	-	(350,000)
Increase in accounts payable, accrued expenses and other current liabilities	2,040,000	83,000
Net cash provided by operating activities	2,901,000	1,810,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of TeamStaff Companies	(13,000)	(4,282,000)
Purchase of equipment and improvements	(183,000)	(53,000)
Net cash used in investing activities	(196,000)	(4,335,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on long-term debt	-	2,500,000
Proceeds from revolving line of credit	38,000	765,000
Proceeds from borrowings on bridge loan	-	750,000
Repayments on long-term debt	(508,000)	(291,000)
Repayments on revolving line of credit	-	(663,000)
Repayments on capital lease obligations	(13,000)	(21,000)
Repurchase of common shares	(19,000)	-
Proceeds from issuance of common stock and exercise of common stock options and warrants - net	51,000	43,000
Net cash (used in) provided by financing activities	(451,000)	3,083,000
Net increase in cash and cash equivalents	2,254,000	558,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,948,000	1,530,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,202,000	$ 2,088,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest;	$ 500,000	$ 237,000

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

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

(1) ORGANIZATION AND BUSINESS

TeamStaff, Inc. (the "Company"), formerly Digital Solutions, Inc., a New Jersey Corporation, provides a broad spectrum of human resource services including professional employer organization ("PEO"), payroll processing, human resource administration and placement of temporary and permanent employees.

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.

Effective April 8, 2000, the Company acquired substantially all of the assets of the professional employer organization ("PEO") business of Outsource International, Inc. ("Outsource") which has operated under the trade name "Synadyne". The assets were acquired through one of TeamStaff's wholly-owned subsidiaries, of which Outsource had indirectly held a 20% ownership interest. The 20% ownership interest was subsequently purchased by TeamStaff.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION-

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

The accompanying consolidated financial statements include those of TeamStaff Inc., and its wholly-owned subsidiaries. The results of operations of acquired companies have been included in the consolidated financial statements from the date of acquisition. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

EARNINGS PER SHARE-

In February 1997, the FASB issued Statement on Financial Accounting Standards Number 128, "Earnings Per Share" ("SFAS 128"), which requires the presentation of basic earnings per share ("Basis EPS") and diluted earnings per share ("Diluted EPS"). Basic EPS is calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period adjusted to reflect potentially dilutive securities.

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

	Three Months Ended March 31, 2000	1999
Numerator:		
Net income	$198,000	$527,000
Denominator:		
Weighted average number of common shares Outstanding- basic	27,848,913	24,620,265
Incremental shares for assumed conversions of stock options/warrants	403,954	162,910
Weighted average number of common and equivalent shares outstanding-diluted	28,252,867	24,783,175
Earnings per share-basic	$0.01	$0.02
Earnings per share-diluted	$0.01	$0.02

	Six Months Ended March 31, 2000	1999
Numerator:		
Net income	$626,000	$862,000
Denominator:		
Weighted average number of common shares Outstanding- basic	27,851,399	21,958,982
Incremental shares for assumed conversions of stock options/warrants	216,632	159,000
Weighted average number of common and equivalent shares outstanding-diluted	28,068,031	22,117,982
Earnings per share-basic	$0.02	$0.04
Earnings per share-diluted	$0.02	$0.04

Stock options and warrants outstanding at March 31, 2000 to purchase 852,779 shares of common stock were not included in the computation of Diluted EPS for the six months ended March 31, 2000 as they were antidilutive.

(3) INCOME TAXES:

At March 31, 2000 the Company had available operating loss carryforwards of approximately $3,274,000 to reduce future periods' taxable income. The carryforwards expire in various years beginning in 2004 and extending through 2012.

The Company has a $1,373,000 and a $1,792,000 deferred tax asset at March 31, 2000 and September 30, 1999, 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. Management believes the Company's operations can generate sufficient taxable income to realize this deferred tax asset as a result of recent business developments as well as its ability to meet its operating plan.

(4) DEBT:

The Company has a long-term credit facility from FINOVA Capital Corporation totaling $12.5 million. Substantially all assets of the Company secure the credit facility. The facility is comprised of (i) two three-year term loans each for $2.5 million, with a five-year amortization, at prime plus 3% (12.00% at March 31, 2000); (ii) a three-year term loan for $4.0 million, with a five-year amortization, at prime plus 3% (12.00% at March 31, 2000) and (iii) a $3.5 million revolving line of credit at prime plus 1% (10.00% at March 31, 2000) secured by certain accounts receivable of the Company. The credit facility is subject to success fees for each of the $2.5 million term loans in the amounts of $200,000, $225,000 and $250,000 due on the anniversary dates of the loan. In addition the $4.0 million term loan is subject to annual success fees at the beginning of each loan year in the amount of $500,000. 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 April 27, 2000 the Company remitted success fees in the amount of $225,000.

In connection with the Synadyne acquisition the two three-year term loans each for $2.5 million has been extended to April 30, 2003 and March 1, 2003. The $4.5 million term loan consists of no principal payments for the first six months and expires on April 30, 2003, with a balloon payment at the end of the three years. The revolving line of credit expires on April 30, 2003.

Total outstanding debt as of April 30, 2000 and March 31, 2000 was $8,568,000 and $5,053,000, respectively.

(5) ACQUISITION OF THE TEAMSTAFF COMPANIES:

On January 25, 1999 TeamStaff, Inc., completed the acquisition of 10 entities operating as the 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-Q 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 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, 1998.

	Six Months Ended March 31, 1999
Net Sales	$129,538,000
Net Income	$688,000
Earnings per common share	$0.03

(6) ACQUISITION OF SYNADYNE:

On April 7, 2000 TeamStaff, Inc. entered into a definitive Asset Purchase Agreement to acquire substantially all of the assets of the professional employer organization ("PEO") business of Outsource International, Inc. ("Outsource") which had operated under the tradename "Synadyne". The assets were acquired through one of TeamStaff's wholly-owned subsidiaries, of which Outsource indirectly held a 20% ownership interest. The 20% ownership interest was subsequently purchased by TeamStaff. The transaction was effective April 8, 2000. TeamStaff acquired the tradename "Synadyne" as part of the transaction, as well as all of the customer contracts of the PEO business. Under the terms of the asset purchase agreement, TeamStaff paid an aggregate purchase price of $3,500,000. The agreement also provides for an additional potential payment in one year of up to $1,250,000 provided that the former clients of Outsource have at least 9,500 worksite employees as of March 31, 2001. In the event there are less than 9,500 employees, the amount of the earnout will be reduced by a pre-determined formula.

(7) SEGMENT REPORTING:

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 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 imaging 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 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 condensed financial results for the second quarter and six months ended March 31, 2000 and 1999 for each of the Company's segments:

	Net Sales			
	Three Months Ended March 31,		Six Months Ended March 31,	
($ in thousands)	2000	1999	2000	1999
Professional Employer Services	$67,185	$46,343	$137,304	$77,683
Temporary Staffing	11,540	8,065	22,607	15,380
Payroll Services	877	840	1,913	1,884
	79,602	55,248	161,824	94,947
Corporate	-	-	-	-
Consolidated	$79,602	$55,248	$161,824	$94,947

	Income Before Taxes			
	Three Months Ended March 31,		Six Months Ended March 31,	
($ in thousands)	2000	1999	2000	1999
Professional Employer Services	$ 230	$ 53	$ 609	$ 484
Temporary Staffing	1,215	678	2,517	1,257
Payroll Services	225	300	688	825
	1,670	1,031	3,814	2,566
Corporate	(1,232)	(780)	(2,629)	(1,709)
Consolidated	$ 438	$ 251	$ 1,185	$ 857

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

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

RESULTS OF OPERATIONS

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

The Company's revenues for the three months ended March 31, 2000 and 1999 were $79,602,000 and $55,248,000, respectively, which represents an increase of $24,354,000 or 44.1%. Of this increase, $8,527,046 was due to the acquisition of the TeamStaff Companies with the balance due to internal growth. For the six months ended March 31, 2000 and 1999, the Company's revenues were $161,824,000 and $94,947,000, respectively, which represents an increase of $66,877,000 or 70.4%. Of this increase, $37,517,353 was due to the acquisition of the TeamStaff Companies with the balance due to internal growth.

Direct expenses were $75,105,000 for the three months ended March 31, 2000 and $51,638,000 for the comparable period last year, representing an increase of $23,467,000 or 45.4%. As a percentage of revenue, direct expenses for the three months ended March 31, 2000 and 1999 were 94.4% and 93.5%. For the six months ended March 31, 2000 and 1999, direct expenses increased $64,100,000 or 72.6% from 88,343,000 to $152,443,000, respectively. These increases represent the higher direct expenses associated with the increased PEO business. As a percentage of revenue, direct expenses for the six months ended March 31, 2000 and 1999 were 94.2% and 93.0%.

Gross profits were $4,497,000 and $3,610,000 for the quarters ended March 31, 2000 and 1999, respectively, an increase of $887,000 or 24.6%. Gross profits, as a percentage of revenue, were 5.6% and 6.5% for the quarters ended March 31, 2000 and 1999, respectively. Gross profits were $9,381,000 and $6,604,000 for the six months ended March 31, 2000 and 1999, respectively, representing an increase of $2,777,000 or 42.1%. Gross profits, as a percentage of revenue, were 5.8% and 7.0% for the six months ended March 31, 2000 and 1999. The gross profit as a percentage of revenue declined because a substantial portion of our revenue growth occurred in the PEO line of business, which has lower margins but generates higher dollars of gross profit.

Selling, general and administrative("SG&A") expenses for the quarters ended March 31, 2000 and 1999 were $3,580,000 and $2,868,000, respectively, representing an increase of $712,000 or 24.8%. This increase is primarily attributed to the TeamStaff Companies acquisition and the significant increase in the PEO sales force. SG&A expenses for the six months ended March 31, 2000 and 1999 were $7,249,000 and $5,018,000, respectively, representing an increase of $2,231,000 or 44.5%. This increase is similarly attributed to the TeamStaff Companies acquisition, the significant increase in the PEO sales force and a $175,000 charge for noncash consulting expenses associated with the issuance of 350,000 warrants to Donald & Company. Without the non-cash consulting expense, SG&A for the six months ended March 31, 2000 would have increased 41.0% over the similar period last year.

Depreciation and amortization for the quarters ended March 31, 2000 and 1999 increased to $310,000 from $295,000 respectively, or $15,000. The increase is reflective of the amortization of goodwill and intangibles related to the acquisition of the TeamStaff Companies. Depreciation and amortization for the six months ended March 31, 2000 and 1999 increased to $620,000 from $471,000 respectively, or $149,000. The increase is primarily attributed to the additional amortization expense related to the acquisition of the TeamStaff Companies.

Interest expense for the quarter ended March 31, 2000 increased $13,000 to $310,000 from $297,000 in the corresponding period in 1999 due to the additional debt associated with the TeamStaff acquisition. Interest expense for the six months ended March 31, 2000 increased $151,000 to $614,000 from $463,000 in the six months ended March 31, 1999, due to the same reason as the increase in the three month period.

The income tax expense for the quarter ended March 31, 2000 was $240,000 versus a tax benefit of $276,000 for the similar period last year. For the six months ended March 31, 2000 the tax expense was $559,000 versus a tax benefit of $5,000 for the similar period last year. Included in the second quarter of fiscal 1999 was a $400,000 net tax benefit reflecting the elimination of a deferred tax valuation allowance. After eliminating the tax benefit, the income tax expense for the six months ended March 31, 1999 would have been $395,000 and the effective income tax rate would have been 46% versus 47% for the six months ended March 31, 2000.

Net income for the quarter ended March 31, 2000 was $198,000 versus net income of $527,000 for the similar period in 1999. After adjusting for the reversal of the deferred tax valuation allowance of $400,000 in the prior year, net income would have been $127,000, which makes the earnings increase for the quarter ending March 31, 2000 $71,000 or 56% over the same period last year. Net income for the six months ended March 31, 2000 was $626,000 as compared to $862,000 in the prior period. After adjusting for the Donald & Company non-cash consulting charge and the elimination of the deferred tax valuation allowance, net income for the six months ended March 31, 2000 would have been $729,000 and $462,000. This represents an increase of $267,000 or 57.8%.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities improved in the first six months of fiscal 2000 to $2,901,000 from net cash provided of $1,810,000 in the same period of fiscal 1999. The increase in cash flows from operations is attributable to the continued earnings improvement of the Company adjusted for non-cash charges such as depreciation and amortization, non-cash consulting expense, an increase in accounts payable, accrued expenses and other current liabilities offset by an increase in accounts receivable. Cash outflow for the purchase of equipment and improvements was $183,000 in the six months ended March 31, 2000 compared to $53,000 in the six months ended March 31, 1999. The net cash used in financing activities increased in the six months ended March 31, 2000, compared to the six months ended March 31, 1999 due to limited borrowings and repayments on long-term debt whereas last year the Company completed various borrowings and made repayments on long-term debt. At March 31, 2000, the Company had cash of $4,202,000, restricted cash of $362,000 and net accounts receivable of $14,518,000.

The Company has a long-term credit facility from FINOVA Capital Corporation totaling $12.5 million. The facility is comprised of (i) two three-year term loans each for $2.5 million, with a five-year amortization, at prime plus 3% (12.00% at March 31, 2000); (ii) a three-year term loan for $4.0 million, with a five-year amortization, at prime plus 3% (12.00% at March 31, 2000) and (iii) a $3.5 million revolving line of credit at prime plus 1% (10.00% at March 31, 2000) secured by certain accounts receivable of the Company. The credit facility is subject to success fees for each of the $2.5 million term loans in the amounts of $200,000, $225,000 and $250,000 due on the anniversary dates of the loan. In addition the $4.0 million term loan is subject to annual success fees at the beginning of each loan year in the amount of $500,000. On April 27, 2000 the Company remitted success fees in the amount of $225,000.

In connection with the Synadyne acquisition the two three-year term loans each for $2.5 million has been extended to April 30, 2003 and March 01, 2003. The $4.5 million term loan consists of no principal payments for the first six months and expires on April 30, 2003, with a balloon payment at the end of the three years. The revolving line of credit expires on April 30, 2003.

Total outstanding debt as of April 30, 2000 and March 31, 2000 was $8,568,000 and $5,053,000, respectively.

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 March 31, 2000 the Company repurchased 83,600 shares at an average cost of $1.10.

Management of the Company believes that its existing cash and available borrowing capacity will be sufficient to support cash needs for the next twelve months.

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.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 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's financial conditions or results of operations.

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Reports on Form 8-K

Date of Report	Item Reported
April 21, 2000	Item 2 - Acquisition of Synadyne Assets. Filed to report the acquisition of the Synadyne assets of Outsource International, Inc.
	Item 5 - Other events. Report of results of annual meeting.

SIGNATURES

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

TEAMSTAFF, INC.
(Registrant)

/s/ Donald W. Kappauf

Donald W. Kappauf
Chief Executive Officer

/s/ Donald T. Kelly

Donald T. Kelly
Chief Financial Officer

Date: May 15, 2000

3-MOS
SEP-30-2000
JAN-01-2000
MAR-31-2000
4,202,000
0
14,626,000
(108,000)
0
21,000,000
4,031,000
(3,251,000)
38,786,000
16,949,000
0
0
0
28,000
17,783,000
38,786,000
0
79,602,000
0
75,105,000
0
0
310,000
438,000
240,000
0
0
0
0
198,000
.01
.01