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 June 30, 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 _____

7,952,261 shares of Common Stock, par value $.001 per share, were outstanding as of August 11, 2000.

TEAMSTAFF, INC. AND SUBSIDIARIES
FORM 10-Q

June 30, 2000

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TEAMSTAFF, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2000	SEPTEMBER 30, 1999
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,409,000	$ 1,948,000
Restricted cash	375,000	362,000
Accounts receivable, net of allowance	17,776,000	13,557,000
Current deferred tax asset	1,536,000	1,464,000
Other current assets	539,000	552,000
Total current assets	23,635,000	17,883,000
EQUIPMENT AND IMPROVEMENTS		
Equipment	3,990,000	3,748,000
Leasehold improvements	132,000	100,000
	4,122,000	3,848,000
Accumulated depreciation and amortization	3,329,000	3,023,000
	793,000	825,000
DEFERRED TAX ASSET	-	328,000
INTANGIBLES, net of amortization	19,785,000	16,798,000
OTHER ASSETS	616,000	548,000
TOTAL ASSETS	$ 44,829,000	$ 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

	JUNE 30, 2000	SEPTEMBER 30, 1999
	(unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,550,000	$ 1,034,000
Accounts payable	6,758,000	2,924,000
Accrued expenses and other current liabilities	11,711,000	10,957,000
Total current liabilities	20,019,000	14,915,000
LONG-TERM DEBT	6,703,000	4,502,000
Total Liabilities	26,722,000	19,417,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock, $.001 par value; authorized 11,429,000 shares; issued 7,980,718 and 7,980,718; outstanding 7,952,260 and 7,962,403 at June 30, 2000 and September 30, 1999	8,000	8,000
Additional paid-in capital	21,337,000	21,093,000
Treasury Stock	(113,000)	(75,000)
Accumulated deficit	(3,125,000)	(4,061,000)
Total shareholders' equity	18,107,000	16,965,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 44,829,000	$ 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 JUNE 30,	
	2000	1999
REVENUES	$ 137,316,000	$ 70,747,000
DIRECT EXPENSES	131,691,000	65,971,000
Gross profit	5,625,000	4,776,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,751,000	3,227,000
DEPRECIATION AND AMORTIZATION	353,000	353,000
Income from operations	521,000	1,196,000
OTHER INCOME (EXPENSE)		
Interest and other income	142,000	84,000
Interest expense	(480,000)	(340,000)
	(338,000)	(256,000)
Income before income tax benefit (expense)	183,000	940,000
INCOME TAX BENEFIT (EXPENSE)	127,000	(451,000)
NET INCOME	$ 310,000	$ 489,000
BASIC EARNINGS PER COMMON SHARE	$ 0.04	$ 0.06
BASIC SHARES OUTSTANDING	7,954,141	7,980,046
DILUTED EARNINGS PER COMMON SHARE	$ 0.04	$ 0.06
DILUTED SHARES OUTSTANDING	7,985,417	8,005,046

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 NINE MONTHS JUNE 30,	
	2000	1999
REVENUES	$ 299,140,000	$ 165,694,000
DIRECT EXPENSES	284,134,000	154,314,000
Gross profit	15,006,000	11,380,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	12,000,000	8,245,000
DEPRECIATION AND AMORTIZATION	973,000	824,000
Income from operations	2,033,000	2,311,000
OTHER INCOME (EXPENSE)		
Interest and other income	429,000	289,000
Interest expense	(1,094,000)	(803,000)
	(665,000)	(514,000)
Income before income tax expense	1,368,000	1,797,000
INCOME TAX EXPENSE	(432,000)	(446,000)
NET INCOME	$ 936,000	$ 1,351,000
BASIC EARNINGS PER COMMON SHARE	0.12	$ 0.20
BASIC SHARES OUTSTANDING	7,956,413	6,842,679
DILUTED EARNINGS PER COMMON SHARE	0.12	$ 0.20
DILUTED SHARES OUTSTANDING	8,008,002	6,896,080

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 NINE MONTHS ENDED JUNE 30, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 936,000	$ 1,351,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	256,000	440,000
Depreciation and amortization	973,000	824,000
Provision for doubtful accounts	105,000	144,000
Disposal of equipment	(35,000)	-
Noncash consulting expense	193,000	-
Changes in operating assets and liabilities, net of businesses acquired:		
(Increase) decrease in accounts receivable	(4,324,000)	164,000
Decrease in other current assets	13,000	415,000
(Increase) decrease in other assets	(77,000)	173,000
Increase in restricted cash	(13,000)	(350,000)
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	4,587,000	(765,000)
Net cash provided by operating activities	2,614,000	2,396,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of businesses	(3,609,000)	(4,331,000)
Purchase of equipment and improvements	(274,000)	(96,000)
Net cash used in investing activities	(3,883,000)	(4,427,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on long-term debt	4,000,000	2,500,000
Proceeds from revolving line of credit	-	1,015,000
Proceeds from borrowings on bridge loan	-	750,000
Repayments on bridge loan	-	(750,000)
Repayments on long-term debt	(780,000)	(541,000)
Repayments on revolving line of credit	(478,000)	(663,000)
Repayments on capital lease obligations	(25,000)	(33,000)
Repurchase of common shares	(38,000)	-
Proceeds from issuance of common stock and exercise of common stock options and warrants - net	51,000	47,000
Net cash provided by financing activities	2,730,000	2,325,000
Net increase in cash	1,461,000	294,000
CASH AT BEGINNING OF PERIOD	1,948,000	1,530,000
CASH AT END OF PERIOD	$ 3,409,000	$ 1,824,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 976,000	$ 469,000
Cash paid during the period for taxes	$ 478,000	$ 260,000

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 subsidiaries.

Effective June 2, 2000 the Company effected a reverse stock split at a rate of one (1) new share for each existing 3.5 shares of TeamStaff common stock. All common shares and per share amounts in the accompanying financial statements have been adjusted retroactively to effect the reverse stock split.

(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-

Basic earnings per share ("Basis 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 earnings per share ("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.

The following table reconciles net income and share amounts used to calculate basic earnings per share and diluted earnings per share:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2000	1999	2000	1999
Numerator:				
Net income	$310,000	$489,000	$936,000	$1,351,000
Denominator:				
Weighted average number of common shares Outstanding- basic	7,954,141	7,980,046	7,956,413	6,842,679
Incremental shares for assumed conversions of stock options/warrants	31,276	25,000	51,589	53,401
Weighted average number of common and equivalent shares outstanding-diluted	7,985,417	8,005,046	8,008,002	6,896,080
Earnings per share-basic	$0.04	$0.06	$0.12	$0.20
Earnings per share-diluted	$0.04	$0.06	$0.12	$0.20

Stock options and warrants outstanding at June 30, 2000 to purchase 242,120 shares of common stock were not included in the computation of diluted earnings per share for the nine months ended June 30, 2000 as they were antidilutive.

(3) INCOME TAXES:

At June 30, 2000 the Company had available operating loss carryforwards of approximately $3,081,000 to reduce future periods' taxable income. The carryforwards expire in various years beginning in 2004 and extending through 2012.

The Company has a $1,536,000 and a $1,792,000 deferred tax asset at June 30, 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% (12.50% at June 30, 2000); (ii) a three-year term loan for $4.0 million, with a five-year amortization, at prime plus 3% (12.50% at June 30, 2000) and (iii) a $3.5 million revolving line of credit at prime plus 1% (10.50% at June 30, 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, have been extended to April 30, 2003 and March 1, 2003. The $4.0 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 July 31, 2000 and June 30, 2000 was $8,647,000 and $8,253,000 respectively.

(5) 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 subsidiaries. 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.

(6) FARIAS JUDGEMENT:

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 $95,000 in compensatory damages, $200,000 in punitive damages and $20,000 in pre-trial interest. The Company has posted a bond for the full amount of the judgment plus accrued interest and is appealing the judgement. On May 31, 2000 the Company was notified that is has lost its initial appeal. The Company has filed an appeal to the Texas Supreme Court. To reflect this potential judgement, the Company's financial statements include a charge against earnings of $381,000 which approximates the full cost of the judgement to include post-judgement interest.

(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 third quarter and nine months ended June 30, 2000 and 1999 for each of the Company's segments:

Net Sales				
	Three Months Ended June 30,		Nine Months Ended June 30,	
($ in thousands)	2000	1999	2000	1999
Professional Employer Services	$123,242	$60,175	$260,546	$137,858
Temporary Staffing	13,170	9,732	35,777	25,112
Payroll Services	904	840	2,817	2,724
	137,316	70,747	299,140	165,694
Corporate	-	-	-	-
Consolidated	$137,316	$70,747	$299,140	$165,694

Income Before Taxes				
	Three Months Ended June 30,		Nine Months Ended June 30,	
($ in thousands)	2000	1999	2000	1999
Professional Employer Services	$ (478)*	$ 1,079	$ 131*	$ 1,563
Temporary Staffing	1,569	964	4,086	2,222
Payroll Services	355	294	1,043	1,118
	1,446	2,337	5,260	4,903
Corporate	(1,263)	(1,397)	(3,892)	(3,106)
Consolidated	$ 183	$ 940	$ 1,368	$ 1,797

*Included in these numbers is a $600,000 workers' compensations charge and a $381,000 settlement claim explained in the Management's Discussion and Analysis.

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 risks undertaken in connection with acquisitions, risks from potential workers' compensation claims and required payments, risks from employer/employee suits such as discrimination or wrongful termination, 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, the Company's ability to implement its internet based business and technological changes and dependence upon key personnel.

The Company's revenues for the three months ended June 30, 2000 and 1999 were $137,316,000 and $70,747,000, respectively, which represents an increase of $66,569,000 or 94.1%. Of this increase, $52,910,000 was due to the acquisition of Synadyne with the balance due to internal growth. This later growth reflects a 19% increase over last year. For the nine months ended June 30, 2000 and 1999, the Company's revenues were $299,140,000 and $165,694,000, respectively, which represents an increase of $133,446,000 or 80.5%. Of this increase, $37,517,000 was due to the acquisition of the TeamStaff Companies and $52,910,486 was due to the acquisition of Synadyne with the balance due to internal growth. This later growth reflects a 26% increase over last year.

Direct expenses were $131,691,000 for the three months ended June 30, 2000 and $65,971,000 for the comparable period last year, representing an increase of $65,720,000 or 99.6%. As a percentage of revenue, direct expenses for the three months ended June 30, 2000 and 1999 were 95.9% and 93.2%. These increases represent the higher direct expenses associated with the increased PEO business as well as a $600,000 charge to increase the Company's workers' compensation reserves. Approximately $300,000 of the charge is the result of a recent audit of the Company's workers' compensation program for the two-year period ended March 31, 1999.

This adjustment amounts to less than 5 percent of the workers' compensation revenue during this two-year period. The Company is still in the process of reviewing the audit but has elected to record the charge. The remaining $300,000 charge pertains to the workers' compensation year ended August 1, 1999. The management of the workers' compensation program, as of April 1, 1999, was shifted to the then newly acquired TeamStaff Companies' Risk Management Department, which significantly reduced the old DSI incurred claims immediately. However, based upon the different mix of business DSI had versus the TeamStaff Companies, and the slower reserve development experienced on these claims, the losses developed higher in 2000 than had historically been the case for the TeamStaff Companies. Accordingly, the Company elected to increase these reserves by an additional $300,000. For fiscal 2000, the Company has implemented a program to develop loss reserves on an accelerated basis. After adjusting for these items, direct expenses for the third quarter of 2000 would have been $131,091,000 versus $66,421,000 for the third quarter of 1999, representing an increase of 97.4%. For the nine months ended June 30, 2000 and 1999, direct expenses increased $129,820,000 or 84.1% from 154,314,000 to $284,134,000, respectively. As a percentage of revenue, direct expenses for the nine months ended June 30, 2000 and 1999 were 95.0% and 93.1%. After adjusting for the workers' compensation items previously discussed, direct expenses for the nine months ended June 30, 2000 would have increased 83.2% from $154,764,000 to $283,534,000

Gross profits were $5,625,000 and $4,776,000 for the quarters ended June 30, 2000 and 1999, respectively, an increase of $849,000 or 17.8% despite a $600,000 charge to increase the Company's workers' compensation reserves. Gross profits, as a percentage of revenue, were 4.1% and 6.8% for the quarters ended June 30, 2000 and 1999, respectively. After adjusting for the workers' compensation charge previously discussed, gross profit for the third quarter of 2000 would have been $6,225,000 versus $4,326,000 for the third quarter of 1999, representing an increase of 43.9%. As a percentage of revenue, and as adjusted for the workers' compensation items, gross profit for this quarter was 4.5% versus 6.2% for the same period in fiscal 1999. Gross profits were $15,006,000 and $11,380,000 for the nine months ended June 30, 2000 and 1999, respectively, representing an increase of $3,626,000 or 31.9%. Gross profits, as a percentage of revenue, were 5.0% and 6.9% for the nine months ended June 30, 2000 and 1999. Adjusting for the workers' compensation items previously discussed, gross profit for the nine months ended June 30, 2000 would have increased 42.8% from $10,930,000 to $15,606,000. As a percentage of revenue, and as adjusted for the workers' compensation items, gross profit for the nine months ended June 30, 2000 would have been 5.2% versus 6.6% for the same period in fiscal 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 June 30, 2000 and 1999 were $4,751,000 and $3,227,000, respectively, representing an increase of $1,524,000 or 47.2%. This increase is primarily attributed to $954,000 of SG&A expenses related to the newly acquired Synadyne operation and a $381,000 charge associated with the Farias judgement, leaving the remaining net increase of 5.1% attributed to the build-up in the PEO sales force offset by the reduction in other costs. SG&A expenses for the nine months ended June 30, 2000 and 1999 were $12,000,000 and $8,245,000, respectively, representing an increase of $3,755,000 or 45.5%. This increase is similarly attributed to the Synadyne and TeamStaff acquisitions, the significant increase in the PEO sales force, a $175,000 charge for noncash consulting expenses associated with the issuance of 350,000 warrants to Donald & Company and a $381,000 charge associated with the Farias settlement. After adjusting for the Farias judgement, the $175,000 non-cash consulting expenses reflected in the first quarter of fiscal 2000, and to account for the SG&A from the Synadyne and TeamStaff acquisitions, selling, general and administrative expenses increased $671,000, or 8.2% over the same period last year.

Depreciation and amortization for the quarters ended June 30, 2000 and 1999 remained flat over the similar period last year. Depreciation and amortization for the nine months ended June 30, 2000 and 1999 increased to $973,000 from $824,000 respectively, or $149,000. The increase is primarily attributed to the additional amortization of goodwill related to the acquisitions of the TeamStaff Companies and Synadyne.

Interest expense for the quarter ended June 30, 2000 increased $140,000 to $480,000 from $340,000 in the corresponding period in 1999 due to the additional debt associated with the Synadyne acquisition. Interest expense for the nine months ended June 30, 2000 increased $291,000 to $1,094,000 from $803,000 in the nine months ended June 30, 1999, due to the TeamStaff and Synadyne acquisitions.

Income taxes for the quarter ended June 30, 2000 reflected a tax benefit of $127,000 versus a tax expense of $451,000 for the similar period last year. The third quarter of fiscal 2000 includes $185,000 tax credit earned on certain employees' wages. Income tax expense for the nine months ended June 30, 2000 and 1999 were $432,000 and $446,000, respectively. Included in the second quarter of fiscal 1999 was a $400,000 net tax benefit reflecting the elimination of a deferred tax valuation allowance.

Net income for the quarter ended June 30, 2000 was $310,000, or $0.04 per fully-diluted share, as compared to $489,000, or $0.06 per fully-diluted share for the quarter ended June 30, 1999. After all the adjustments previously discussed, only the $300,000 charge to increase the Company's workers' compensation reserves for the covered year ending August 1, 1999, affected the Company's bottom line performance this quarter. After adjusting both quarters for the workers' compensation adjustments, June 30, 2000 and June 30, 1999, net income would have been $484,000, or $0.06 per fully-diluted share for 2000, and $315,000, or $0.04 per fully-diluted share for 1999. This represents an increase of 53%. Net income for the nine months ended June 30, 2000 was $936,000, or $0.12 per fully-diluted share, versus $1,351,000, or $0.20 per fully-diluted share. After adjusting for the first quarter 2000 non-cash consulting expenses and the workers' compensation adjustments, as previously discussed, net income for the nine months ended June 30, 2000 would have been $1,212,000, or $0.15 per fully-diluted share. After adjusting for the same workers' compensation adjustments and the deferred tax item, as previously discussed, net income for the nine months ended June 30, 1999 would have been

$777,000, or $0.11 per fully-diluted share. Net income for the nine months ended June 30, 2000 increased 56% over the same period in 1999 based upon these numbers.

In July 2000, the Company made claims for indemnification against the selling shareholders of the TeamStaff Companies which were acquired by the Company in January 1999. The claims consist of various liabilities and expenses incurred based on breaches of representations and warranties contained in the acquisition agreement. The Sellers have disputed these claims and have attempted to assert claims of their own. Under the terms of the acquisition agreements, the Sellers secured their indemnification obligation by depositing 420,000 shares of the Company's common stock in escrow. The Company believes that it has good and meritorious claims against the Sellers and good and meritorious defenses to any of the Sellers' claims against the Company. However, there can be no assurance that the Company will obtain a successful resolution of all of its claims. In the event that the Company is obligated to pay third parties in respect of breaches for which it cannot obtain indemnification from the former shareholders (or reimbursement of previously paid sums) the Company's financial condition may be adversely impacted. Failure to successfully resolve the Company's claims against the Sellers may have a material adverse effect on the Company's financial condition and results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities improved in the first nine months of fiscal 2000 to $2,614,000 from $2,396,000 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 $274,000 in the nine months ended June 30, 2000 compared to $96,000 in the nine months ended June 30, 1999. The net cash provided by financing activities increased in the nine months ended June 30, 2000, compared to the nine months ended June 30, 1999 due to additional borrowings for the Synadyne acquisition. At June 30, 2000, the Company had cash of $3,409,000, restricted cash of $375,000 and net accounts receivable of $17,776,000.

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% (12.50% at June 30, 2000); (ii) a three-year term loan for $4.0 million, with a five-year amortization, at prime plus 3% (12.50% at June 30, 2000) and (iii) a $3.5 million revolving line of credit at prime plus 1% (10.50% at June 30, 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 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 July 31, 2000 and June 30, 2000 was $8,647,000 and $8,253,000, 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 June 30, 2000 the Company repurchased 28,500 shares at an average cost of $3.96

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 $95,000 in compensatory damages, $200,000 in punitive damages and $20,000 in pre-trial interest. The Company has posted a bond for the full amount of the judgment plus accrued interest and is appealing the judgement. On May 31, 2000 the Company was notified that is has lost its initial appeal. The Company has filed an appeal to the Texas Supreme Court. To reflect this potential judgement, the Company's financial statements include a charge against earnings of $381,000 which approximates the full cost of the judgement to include post-judgement interest.

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

(a) TeamStaff held a Special Meeting of its Shareholders on May 31, 2000 to authorize the Board of Directors of the Company to effect a 1:3.5 reverse split of the common stock of the Company. Out of the 27,932,513 shares outstanding on the record date, holders of 22,001,119 shares approved the reverse stock split. The Board of Directors implemented the reverse split on June 2, 2000. Represents pre-split shares of common stock.

(b) TeamStaff held its Annual Meeting of shareholders on April 13, 2000. As of the record date of March 7, 2000, there were 27,932,513 shares outstanding and eligible to vote at the Annual Meeting. Represents pre-split shares of common stock. At the Annual Meeting shareholders approved the following actions:

1. Election Of Directors

Shareholders were requested to vote on the election of two Class 3 directors

Nominee Name	Votes Against	Votes in Favor	% in Favor
Kirk Scoggins	145,339	25,554,907	99%
Martin J. Delaney	153,939	25,546,307	99%

2. Adoption of 2000 Employee Stock Option Plan

Shareholders were requested to approve adoption of the 2000 Employee Stock Option Plan to provide for the grant of options to purchase up to 6,000,000 shares of the Corporation's common stock.

Votes Cast in Favor	% In Favor	Votes Against	Votes Abstaining
15,307,440	89%	1,749,275	460,406

3. Adoption of 2000 Non-Executive Director Stock Option Plan

Shareholders were requested to approve adoption of the 2000 Non-Executive Director Stock Option Plan to provide for the issuance of options to purchase common stock to non-employee directors.

Votes Cast in Favor	% in Favor	Votes Against	Votes Abstaining
15,420,070	90%	1,707,012	390,039

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: August 15, 2000

9-MOS
SEP-30-2000
OCT-01-1999
JUN-30-2000
3,784,000
0
17,881,000
(105,000)
0
23,635,000
4,122,000
(3,329,000)
44,829,000
20,019,000
0
0
0
(8,000)
(18,099,000)
44,829,000
0
299,140,000
0
284,134,000
0
0
(1,094,000)
1,368,000
432,000
0
0
0
0
936,000
.12
.12