

As filed with the Securities and Exchange Commission on November 3, 1995.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-3
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

DIGITAL SOLUTIONS, INC.
(Exact name of Registrant as specified in charter)

New Jersey
(State or other jurisdiction
of incorporation or organization)

22-1899798
(I.R.S. Employer
Identification Number)

4041-F Hadley Road
South Plainfield, New Jersey 07080
(908) 561-1200
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

Raymond J. Skiptunis
Chief Executive Officer
4041-F Hadley Road
South Plainfield, New Jersey 07080
(908) 561-1200
(Name and address, including zip code, and telephone number,
including area code, of agent for service)

With copies to:

VICTOR J. DiGIOIA, ESQ.
GOLDSTEIN, AXELROD & DiGIOIA
369 Lexington Avenue
New York, New York 10017
Telephone (212) 599-3322
Facsimile (212) 557-0295

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered, only in connection with dividend or interest reinvestment plans, check the following box. /x/

If the registrant elects to deliver its latest report to security holders, or a complete and legible facsimile thereof, pursuant to 11(a)(1) of this Form, check the following box. / /

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, \$.001 par value (2)	7,500,000	\$1.875	\$14,062,500	\$4,850.00
Total.....				\$4,850.00

(1) Estimated solely for the purpose of determining the registration fee, based on a share price of \$1.875, the average of the closing bid and asked prices as quoted by the Nasdaq SmallCap Market on September 8, 1995.

(2) Shares of Common Stock to be sold by certain Selling Security Holders.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SECTION 8(A) MAY DETERMINE.

DIGITAL SOLUTIONS, INC.

CROSS REFERENCE SHEET
Pursuant to Item 501(b) of Regulation S-K
Between Registration Statement and Form of Prospectus

Item Number and Heading -----	Caption in Prospectus -----
1. Forepart of the Registration Statement and Outside Front Cover of Prospectus	Outside Front Cover of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages of Prospectus
3. Summary Information, Risk Factors, and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; The Company; Risk Factors; Summary Consolidated Financial Information
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Outside Front Cover Page of Prospectus
6. Dilution.....	Not Applicable
7. Selling Security Holders.....	Selling Security Holders
8. Plan of Distribution.....	Inside Front Cover; Plan of Distribution
9. Description of Securities to be Registered.....	Description of Securities
10. Interests of Names Experts and Counsel.....	Not Applicable
11. Material Changes.....	Recent Developments
12. Incorporation of Certain Information by Reference.....	Incorporation of Certain Information by Reference
13. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Not Applicable

P R O S P E C T U S

7,500,000 Shares of Common Stock

DIGITAL SOLUTIONS, INC.

This Prospectus covers 7,500,000 shares of common stock, \$.001 par value (the "Shares") of Digital Solutions, Inc. (the "Company"), which Shares are being sold by certain selling shareholders (the "Selling Shareholders").

The Common Stock is traded in the over-the-counter market and is included in the SmallCap Market of the Nasdaq Stock Market ("NASDAQ") under the symbol "DGSI". On September __, 1995, the closing bid and asked prices for the Common Stock as reported by NASDAQ were \$_____ and \$_____ respectively. See "Price Range of Common Stock and Certain Market Information."

The Shares may be sold from time to time by the Selling Shareholders, or by their transferees. No underwriting arrangements have been entered into by the Selling Shareholders. The distribution of the Shares by the Selling Shareholders may be effected in one or more transactions that may take place on the over the counter market, including ordinary brokers transactions, privately negotiated transactions or through sales to one or more dealers for resale of the Shares as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Shareholders in connection with such sales. The Selling Shareholders and intermediaries through whom such Shares are sold may be deemed "underwriters" with in the meaning of the Act, with respect to the Shares offered.

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK.
SEE "RISK FACTORS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is November __, 1995

AVAILABLE INFORMATION

The Company is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy and information statements and other information filed by the Company with the Commission pursuant to the informational requirements of the Exchange Act may be inspected and copies at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the Commission: New York Regional Office, 7 World Trade Center, 13th Floor, New York, New York 10048; and Chicago Regional Office, Everett McKinley Dirksen Building, 210 South Dearborn Street, Room 1204, Chicago, Illinois 60604. Copies of such material may be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, heretofore filed by the Company with the Commission pursuant to the Exchange Act, are hereby incorporated by reference, except as superseded or modified herein:

1. The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994.
2. The Company's Registration on Form 8-A filed April 27, 1990.
3. The Company's Form 8-K dated November 28, 1994.
4. The Company's Form 10-Q for the quarter ended December 31, 1994.
5. The Company's Form 10-Q for the quarter ended March 31, 1995.
6. The Company's Form 10-Q for the quarter ended June 30, 1995.

Each document filed subsequent to the date of this Prospectus pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering shall be deemed to be incorporated by reference in this Prospectus and shall be part hereof from the date of filing of such document.

The Company will provide without charge to each person to whom a copy of this Prospectus is delivered, upon the written or oral request of any such person, a copy of any document described above (other than exhibits). Requests for such copies should be directed to Digital Solutions, Inc., 4041-F Hadley Road, South Plainfield, New Jersey 07080, telephone (908) 561-1200.

PROSPECTUS SUMMARY

The following summary is intended to set forth certain pertinent facts and highlights from material contained in the body of this Prospectus. The summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Prospectus, the Company's annual report on Form 10-K for the Fiscal year ended September 30, 1994 (the "Form 10-K") and the Company's quarterly reports on Form 10-Q for the quarters ended December 31, 1994, March 31, 1995 and June 30, 1995 (the "Forms 10Q").

THE COMPANY

The Company was founded in 1969 and has expanded into a broad based employer service company offering a wide range of services including payroll processing, personnel administration, placement of temporary and permanent employees, benefits administration and employee leasing. The Company is currently in a program of expansion through acquisition of compatible businesses and internal development of its existing business and client base. The Company believes that by offering services which will relieve small and medium size businesses of the ever increasing burden of administration of employee related record keeping, payroll, benefits and other "Human Resource" functions, such as hiring of temporary and permanent specialized employees, the Company will be positioned to take advantage of major growth opportunities during this and the next decade.

The Company also provides temporary or contract personnel on an as needed basis to businesses, industries, hospitals and therapeutic centers. Providing these temporary services fulfills the needs of companies requiring temporary professional personnel such as engineers, project managers, radiologists, and nurses on a short-term basis. The Company also functions as a permanent placement agency for professional personnel similar to those mentioned above. Additionally, the Company provides a full administrative human resource service, sometimes known as "employee leasing", which provides a client with all of the services normally associated with the personnel functions of major corporations, including benefits administration.

In summary the Company provides various employer services which include payroll processing, placement of permanent and temporary personnel, employee leasing, benefits administration, insurance services, human resource consulting and outsourcing. The Company currently markets and sells its services in approximately 40 states. The company has three hubs operating in South Plainfield, New Jersey, Houston, Texas and Tampa, Florida. Additionally, the Company has sales service centers in New York City, Jackson, Mississippi, Dallas, El Paso and Houston, Texas, Orlando and Tampa, Florida, and South Plainfield, New Jersey.

Digital Solutions, Inc. (the "Company") was organized under the laws of the State of New Jersey on November 25, 1969 and maintains executive offices at 4041-F Hadley

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Road, South Plainfield, New Jersey 07080 where its telephone number is (908)
561-1200.

THE OFFERING

Common Stock Outstanding	14,166,629
Risk Factors	This Offering involves a high degree of risk. See "Risk Factors."
Use of Proceeds	All of the proceeds of this offering will be paid to the respective Selling Shareholders and none of the proceeds will be received by the Company.
Nasdaq SmallCap.....	DGSI

- (1) Does not include: (i) 1,000,000 Shares reserved under the Company's Stock Option Plan, (ii) 5,000,000 Shares reserved under the Company's Senior Management Plan, (iii) 500,000 Shares reserved under the Company's Non-Executive Director Plan and (iv) up to approximately 1,119,833 Shares reserved for issuance upon exercise of outstanding warrants, and (v) up to approximately 1,428,571 shares of Common Stock reserved for issuance upon conversion of outstanding promissory notes, assuming a \$2.00 bid price of the Company's Common Stock.

RISK FACTORS

An investment in the securities offered hereby involves a high degree of risk. The following factors, in addition to those discussed elsewhere in this memorandum, should be considered carefully in evaluating the Company and its business. An investment in the Securities is suitable only for those investors who can bear the risk of loss of their entire investment.

1. Previous Losses. The Company experienced a net loss of \$695,000 for fiscal year 1992. The Company realized a net profit for the fiscal year ended September, 1993 of \$301,000 and a net profit of \$720,000 for the fiscal year ended September 30, 1994. However, due to fourth quarter charges of approximately \$2,800,000, the Company projects a net loss for the fiscal year ended September 30, 1995. There can be no assurance the Company will be able to continue to operate profitably in the future. See "RECENT DEVELOPMENTS." See also "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" in the Form 10-K for the fiscal year ended September 30, 1994 and the Forms 10-Q incorporated by reference herein.

2. Need for Additional Funds. The Company shall not receive any proceeds from this Offering. There can be no assurance that cash generated from operations will be sufficient to meet the Company's working capital requirements or finance further Company development. The Company, in the future, may need additional funds from loans and/or the sale of equity or debt securities. No assurance can be given that such funds will be available or, if available, will be on commercially reasonable terms satisfactory to the Company.

3. Risks of Acquisitions. The Company may at times become involved in discussions with potential acquisition candidates. However, there can be no assurance that the Company will identify and/or consummate an acquisition, or that such acquisitions, if completed, will be profitable. In addition, should the Company consummate an acquisition, such acquisition could have an adverse affect on the Company's liquidity and earnings. The Company has recently entered into an agreement to acquire Turnkey Services Inc. In the event the Company consummates an acquisition, or obtains additional capital through the sale of debt or equity to finance such acquisition, current shareholders may experience dilution in their shareholder's equity. In addition, should the Company consummate an acquisition, such acquisition could have an adverse affect on the Company's liquidity and earnings.

4. Competition. The payroll, temporary employee placement and the employee leasing industries are characterized by vigorous competition. The principal competitive factors are price and service. The Company believes that its major competitors with respect to its payroll and accounting services are Automated Data Processing, Inc., Ceridian Corporation and Paychex, Inc. and with respect to employee placement (including temporary placements and employee leasing), Volt Information,

Tech Aid, Inc., Staff Leasing, Inc. and Administraff. These companies may have greater financial and marketing resources than the Company. The Company competes with numerous small and mid-sized companies in the employee leasing area. The Company also competes with manual payroll systems and computerized payroll services including banks, and smaller independent companies. There are no assurances that the Company in its existing or future lines of business will be able to compete effectively against its competitors in these industries.

5. Need for Temporary Personnel. The Company's subsidiary, DSI Contract Staffing, Inc., is a temporary employment agency which depends on a pool of qualified temporary employees willing to accept assignments for the Company's clients. The business of this subsidiary is materially dependent upon the continued availability of such qualified temporary personnel, but there can be no assurance that such personnel will be available to the Company in the future. The inability of the Company to secure temporary personnel would have a material adverse effect on the Company's business.

6. Restrictions on Payment of Dividends. The Company has not paid any dividends on its Common Stock since its inception and does not contemplate or anticipate paying any dividends on its Common Stock in the foreseeable future. Earnings, if any, will be retained and used to finance the development and expansion of the Company's business. The Company may not pay dividends on its Common Stock unless the Company has earnings or capital surplus. Therefore, there can be no assurance whether or to what extent dividends will be paid on the Shares. See "DIVIDEND POLICY" and the financial statements and notes contained in the Form 10-K and Form 10-Q's thereto incorporated by reference in this Memorandum.

7. NASDAQ Eligibility and Maintenance Requirements; Possible Delisting of Securities from Nasdaq SmallCap Market System. The Board of Governors of the National Association of Securities Dealers, Inc. (the "NASD") has established certain standards for the continued listing of a security on the SmallCap Market of the Nasdaq Stock Market. The maintenance standards require, among other things, that an issuer have total assets of at least \$2,000,000 and capital and surplus of at least \$1,000,000; that the minimum bid price for the listed securities be \$1.00 per share; and that the minimum market value of the "public float" be at least \$1,000,000. A deficiency in either the market value of the public float or the bid price maintenance standard will be deemed to exist if the issuer fails the individual stated requirement for ten consecutive trading days. If an issuer falls below the bid price maintenance standard, it may remain on the Nasdaq SmallCap Market if the market value of the public float is at least \$1,000,000 and the issuer has \$2,000,000 in equity. Upon completion of this Offering, the Company anticipates that it will continue to meet all maintenance requirements for the Nasdaq SmallCap Market. There can be no assurance that the Company will continue to satisfy the requirements for maintaining a Nasdaq SmallCap Market listing. If the Company's securities were excluded from the Nasdaq SmallCap Market, it would adversely affect the prices of such securities and the ability of holders to sell them, and

the Company would be required to comply with the initial listing requirements to be relisted on the Nasdaq SmallCap Market.

In the event that the Company is unable to satisfy the SmallCap Market's maintenance requirements for the Nasdaq SmallCap Market trading would be conducted in the "pink sheets" or the NASD's Electronic Bulletin Board. In the absence of the Common Stock being quoted on the Nasdaq SmallCap Market, or the Company having \$2,000,000 in net tangible assets, trading in the Common Stock would be covered by Rule 15c2-6 promulgated under the Securities Exchange Act of 1934 for non-Nasdaq and non-exchange listed securities (otherwise known as "penny stock" securities). Under such rule, broker/dealers who recommend such securities to persons other than established customers and accredited institutional investors must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to a transaction prior to sale. Securities are exempt from this rule if the market price is at least \$5.00 per share.

The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. Such exceptions include an equity security listed on Nasdaq and an equity security issued by an issuer that has (i) net tangible assets of at least \$2,000,000, if such issuer has been in continuous operation for three years, (ii) net tangible assets of at least \$5,000,000, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least \$6,000,000 for the preceding three years. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

If the Company's Common Stock was subject to the regulations on penny stocks, the market liquidity for the Common Stock would be severely affected by limiting the ability of broker/dealers to sell the Common Stock in the public market. There is no assurance that trading in the Company's securities will not be subject to these or other regulations that would adversely affect the market for such securities.

8. Rule 144 Sales; Selling Shareholders Registration. Of the 15,166,629 issued and outstanding shares of the Company's Common Stock prior to this Offering, approximately 7,509,283 shares may be deemed "restricted shares" and, in the future, may be sold in compliance with Rule 144 under the Act. Rule 144 provides that a person holding restricted securities which have been outstanding for a period of two years after the later of the issuance by the Company or sale by an affiliate of the Company, may sell in brokerage transactions an amount equal to 1% of the Company's outstanding Common Stock every three months. A person who is a "non-affiliate" of the Company and who has held restricted securities for over three years is not subject to the aforesaid volume limitations as long as the other conditions of the Rule are met. Possible or actual sales of the Company's Common Stock by certain of the Company's present shareholders under Rule 144 may, in the future, have a depressive effect on the price of the

Company's Common Stock in the open market. In addition, the Company has registered 6,500,000 shares reserved under its stock option plans and approximately 6,700,000 shares on behalf of selling stockholders. The sale of these shares may have a depressive effect on the market for the Company's Common Stock. See "DESCRIPTION OF SECURITIES."

9. Effect of Health Care Proposal. The Clinton Administration and Congress have proposed certain changes to the nation's health care system. Since the form of proposal which may be eventually adopted, if any, is not known at this time, there can be no assurance that the proposal adopted would not have a material adverse effect on the business of the Company.

10. Authorization and Discretionary Issuance of Preferred Stock; Possible Anti-takeover Effects. The Company's Certificate of Incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors up to an aggregate of 5,000,000 shares of Preferred Stock. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which would adversely affect the voting power or other rights of the holders of the Company's Common Stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company, which could have the effect of discouraging bids for the Company and thereby prevent stockholders from receiving the maximum value for their shares. The Company has no present intention to issue any additional shares of its preferred stock in order to discourage or delay a change of control of the Company. However, there can be no assurance that preferred stock of the Company will not be issued at some time in the future. See "DESCRIPTION OF SECURITIES--Preferred Stock."

RECENT DEVELOPMENTS

ACQUISITIONS

A. Staff Acquisition. On November 21, 1994, pursuant to an Asset Purchase Agreement, the Company acquired certain business assets of Staff-Rx and its subsidiaries, RADS Radiography Service, Inc., Relief Services, Inc., Primedical Physician Services, Inc. and SkillMaster Management, Inc. (collectively "Staff") through DSI Staff Rx, Inc., a newly formed subsidiary of DSI Contract Staffing, Inc., a subsidiary of the Company. The assets acquired include the customer accounts (the "Customer Accounts") of Staff-Rx, and all books and records related thereto, and all owned and leased fixed assets utilized by Staff-Rx in its business operations subject to the interest of equipment lessors and the right to use the names Skillmaster, Staff RX, RADS and Primedical (collectively the "Assets"). The Assets also include the leasehold interest of Staff-Rx in all offices

excluding the office located in Houston, Texas. Staff-Rx has offices in Houston, Texas; Clearwater, Florida; Dallas, Texas and Orlando, Florida and conducts business in approximately 35 states.

Certain principals and/or key managerial personnel of Staff-Rx deemed essential have entered into employment agreements which contain negative and restrictive covenants for the term of the agreement and continuing for a period of two years thereafter (one year in the event Employee is terminated without cause), which will prohibit competitive conduct. Non-employee shareholders of Staff-Rx and certain other persons entered into three (3) year noncompetition agreements with the Company, which contain restrictive covenants during the term of the agreement prohibiting competitive conduct (collectively the "Noncompetition Agreements").

In exchange for the Assets and the Noncompetition Agreements, the Company paid to Staff-Rx (i) \$200,000 in cash; (ii) a convertible promissory note in the principal amount of \$1,300,000; (iii) an earnout payment (the "Earnout") as defined below; and (iv) a profit payment (the "Profit Payment"), as defined below (together, the "Purchase Price"). The Company also paid approximately \$445,000 representing expenses incurred by Staff in operating the business from October 3, 1994 to the closing.

The Purchase Price between the Assets and the Noncompetition Agreement was allocated \$1,400,000 to goodwill and \$50,000 each to the Non-Competition Agreements and to the fixed assets acquired.

The Earnout, payable quarterly commencing on the date of the end of the first calendar quarter that the cumulative gross margin of DSI Staff RX, Inc., since the closing, exceeds \$5,000,000, will be equal to 50% of the gross margins derived from the customer accounts in excess of \$5,000,000 during the two (2) year period commencing as of October 3, 1994 (the "Earnout Period"). Gross margins of DSI Staff RX, Inc. shall be equal to gross revenues less cost of sales and certain investments made by the Company into the business. The Profit Payment, payable quarterly commencing on the date of the end of the first calendar quarter that the cumulative earnings before taxes ("EBT") since the closing exceeds \$600,000, shall be equal to 50% of the amount of Staff-Rx, computed in accordance with generally accepted accounting principles as modified by the agreement of the parties, in excess of \$600,000 in each of the two (2) year periods commencing on October 3, 1994 following the Closing Date, up to a cumulative aggregate maximum Profit Payment of \$600,000.

B. Turnkey Acquisition. In May, 1995, the Company announced that it had consummated the acquisition, through its subsidiary, DSI Staff Connxions-Southwest, Inc., of certain employee leasing assets and related liabilities of Turnkey Services Inc., a Texas corporation ("Turnkey") with operations in Texas and New Mexico. Additionally, certain principals of Turnkey entered into non-competition agreements with the Company. The Company acquired the Turnkey assets for an aggregate purchase price of \$950,000, payable through a combination of \$783,750 in cash and 68,205 shares of

common stock. One-half of the purchase price was paid at closing and one-half will be subject to certain earnout provisions, and will not be payable by the Company until one year after the closing.

CREDIT LINE

In February, 1995, the Company obtained a revolving line of credit of up to \$3,500,000 from United Jersey Bank secured by the Company's accounts receivable. The amount available for borrowing is based on the eligible accounts receivable, as well as other financial requirements. The Company has agreed, in connection with the loan, not to create, form or acquire any subsidiary, merge with or acquire another entity, make capital expenditures in excess of \$100,000, sell all or substantially of its assets, or loan money in excess of \$100,000 without the consent of the bank. The Company must also maintain certain financial standards.

LNB INVESTMENT CORPORATION LOAN

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 at an annual interest rate equal to the greater of 9.875% or prime plus 1%. The loan is due 15 months after issuance and is 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 has agreed not to sell or otherwise liquidate the shares unless the Company defaults under the loan agreement and fails to cure such default after notice. The shares pledged as collateral are being registered under this Registration Statement.

INCREASE IN AUTHORIZED SHARES

In July 1995, the shareholders of the Company approved an amendment to the Certificate of Incorporation to increase the authorized shares of Common Stock from 20,000,000 shares to 40,000,000 shares. This increase was effected, in part, to enable the Company to complete certain additional financial transactions including the Keystone transaction described above.

OTHER DEVELOPMENTS

In October 1994, George J. Eklund was appointed by the Board of Directors of the Company as President and Chief Operating Officer and in March, 1995 was elected to the Board of Directors by the shareholders of the Company.

From 1992 to 1994, Mr. Eklund was the President of the Human Resource Information Services Division of FISERV, Inc. From 1977 to 1992, Mr. Eklund was employed by Automatic Data Processing in various capacities, eventually serving as Corporate Vice President and Division President of the Eastern Division. From 1974 to 1977, Mr. Eklund was the Vice President of Operations of Bucilla, Inc. Mr. Eklund

obtained a B.B.A. in Marketing in 1964 from St. John's University. He received an M.B.A. from New York University in Finance and Economics in 1969.

In connection with the appointment of Mr. Eklund, Donald W. Kappauf, formerly the Company's President and Chief Operating Officer, assumed the position of Executive Vice-President of the Company and Chief Operating Officer of the Company's subsidiary, DSI Contract Staffing, Inc.

SELLING SHAREHOLDERS AND
TRANSACTIONS WITH SELLING SHAREHOLDERS

NAME AND ADDRESS OF SECURITY HOLDER	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING	SHARES OFFERED	SHARES OWNED AFTER OFFERING	PERCENTAGE OF SHARES OWNED AFTER OFFERING
Keystone Financial, Inc.(1)	7,500,000	7,500,000	0	0

1. This Registration Statement has been filed to register up to 7,500,000 shares of Common Stock issued to Keystone Financial, Inc. ("Keystone") as security for a loan of \$3,000,000. In the event the loan is repaid without default, the shares will be surrendered to the Company for cancellation upon payment of the loan in full. In addition, one or more lenders may be substituted for Keystone, or added in addition to Keystone. Further, the shares may be utilized to secure additional loans from Keystone and/or other affiliated or unaffiliated lenders.
2. Represents shares issuable upon exercise of warrants granted pursuant to consulting agreements between the Company and the named individuals.

DESCRIPTION OF SECURITIES

The Company's authorized capitalization consists of 40,000,000 shares of Common Stock, par value \$.001 per share and 5,000,000 shares of Preferred Stock, par value \$.10 per share, which may be issued in one or more series. The following summary description of the Common Stock, Preferred Stock, Series A Stock and Shares, are qualified in their entirety by reference to the Company's Articles of Incorporation.

Common Stock

Each share of Common Stock entitles its holder to one non-cumulative vote per share and, subject to the preferential rights of the Preferred Stockholders, the holders of more than fifty percent (50%) of the shares voting for the election of directors can elect all the directors if they choose to do so, and in such event the holders of the remaining shares will not be able to elect a single director. Holders of shares of Common Stock are entitled to receive such dividends as the Board of Directors may, from time to time, declare out of Company funds legally available for the payment of dividends. Upon any liquidation, dissolution or winding up of the Company, holders of shares of Common Stock are entitled to receive pro rata all of the assets of the Company available for distribution to shareholders after the satisfaction of the liquidation preference of the Preferred Stockholders.

Shareholders do not have any pre-emptive rights to subscribe for or purchase any stock, warrants or other securities of the Company. The Common Stock is not convertible or redeemable. Neither the Company's Certificate of Incorporation nor its By-laws provide for pre-emptive rights.

Preferred Stock

The Preferred Stock may be issued in one or more series, to be determined and to bear such title or designation as may be fixed by resolution of the Board of Directors prior to the issuance of any shares thereof. Each series of the Preferred Stock will have such voting powers (including, if determined by the Board of Directors, no voting rights), preferences, and other rights as determined by the Board of Directors, with such qualifications, limitations or restrictions as may be stated in the resolutions of the Board of Directors adopted prior to the issuance of any shares of such series of Preferred Stock.

Purchasers of the Shares offered hereby should be aware that the holders of any series of the Preferred Stock which may be issued in the future could have voting rights, rights to receive dividends or rights to distribution in liquidation superior to those of holders of the Common Stock, thereby diluting or negating the voting rights, dividend rights or liquidation rights of the holders of the Common Stock.

Because the terms of each series of Preferred Stock may be fixed by the Company's Board of Directors without shareholder action, the Preferred Stock could be issued with terms calculated to defeat a proposed takeover of the Company, or to make the removal of the Company's management more difficult. Under certain circumstances, this could have the effect of decreasing the market price of the Common Stock. Management of the Company is not aware of any such threatened transaction to obtain control of the Company.

PLAN OF DISTRIBUTION

The Shares may be sold from time to time by the Selling Shareholders, or by their transferees. No underwriting arrangements have been entered into by the Selling Shareholders. The distribution of the Shares by the Selling Shareholders may be effected in one or more transactions that may take place on the over the counter market, including ordinary brokers transactions, privately negotiated transactions or through sales to one or more dealers for resale of the Shares as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Shareholders in connection with such sales. The Selling Shareholders and intermediaries through whom such Shares are sold may be deemed "underwriters" with in the meaning of the Act, with respect to the Shares offered.

REPORTS TO SHAREHOLDERS

The Company distributes annual reports to its stockholders, including financial statements examined and reported on by independent public accountants, and will provide such other reports as management may deem necessary or appropriate to keep stockholders informed of the Company's operations.

LEGAL MATTERS

The legality of the offering of the Shares will be passed upon for the Company by Goldstein, Axelrod & DiGioia, 369 Lexington Avenue, New York, New York 10017.

EXPERTS

The financial statements of the Company as of September 30, 1994 and for the fiscal year ended September 30, 1993 have been included in the Company's Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein and in the Registration Statement by reference, in reliance upon the report of Arthur Andersen LLP, independent public accountants, appearing in the Form 10-K, and upon the authority of said firm as experts in accounting and auditing.

The financial statements and schedules of the Company as of and for the fiscal year ended September 30, 1992 have been included in the Company's Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein and in the Registration Statement by reference, in reliance upon the report of M.R. Weiser & Co. LLP, independent public accountants, appearing in the Form 10-K, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed a Registration Statement under the Act with the Securities and Exchange Commission (the "Commission"), with respect to the securities offered by this Prospectus. This Prospectus does not contain all of the information set forth in the Registration Statement. For further information with respect to the Company and such securities, reference is made to the Registration Statement and to the exhibits and schedules filed therewith. Each statement made in this Prospectus referring to a document filed as an exhibit to the Registration Statement is qualified by reference to the exhibit for a complete statement of its terms and conditions. The Registration Statement, including exhibits thereto, may be inspected without charge to anyone at the office of the Commission, and copies of all or any part thereof may be obtained from the Commission's principal office in Washington, D.C. upon payment of the Commission's charge for copying.

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Expenses in connection with the issuance and distribution of the securities being registered herein are estimated.

	Amount

Securities and Exchange Commission	
Registration Fee	\$ 4,850
Printing and Engraving Expenses	2,000
Accounting Fees and Expenses	1,000
Legal Fees and Expenses	5,000
Blue Sky Fees and Expenses	-
Transfer Agent and Registrar Fees	-
Miscellaneous Fees and Expenses	2,150

Total	\$15,000
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's By-Laws require the Company to indemnify, to the full extent authorized by Section 14A:3-5 of the New Jersey Business Corporation Act, any person with respect to any civil, criminal, administrative or investigative action or proceeding instituted or threatened by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Company or any predecessor of the Company is or was serving at the request of the Company or a predecessor of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Section 14A:3-5 of the New Jersey Business Corporation Act authorized the indemnification of directors and officers against liability incurred by reason of being a director or officer and against expenses (including attorneys fees) in connection with defending any action seeking to establish such liability, in the case of third-party claims, if the officer or director acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and if such officer or director shall not have been adjudged liable for negligence or misconduct, unless a court otherwise determines. Indemnification is also authorized with respect to any criminal action or proceeding where the officer or director had no reasonable cause to believe his conduct was unlawful.

In accordance with Section 14A:2-7 of the New Jersey Business Corporation Act, the Company's Certificate of Incorporation eliminates the personal liability of officers and directors to the Company and to stockholders for monetary damage for violation of a director's duty owed to the Company or its Shareholders, under certain circumstances.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such Act and is therefore unenforceable.

ITEM 16. EXHIBITS

The exhibits designated with an asterisk (*) are filed herewith and those designated with two asterisks (**) were previously filed. All other exhibits have been previously filed with the Commission and, pursuant to 17 C.F.R. Secs. 201.24 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**	Asset Purchase Agreement, dated September 1, 1994, as amended, between DSI Staff ConnXions, Inc., Digital Solutions, Inc. and M & B Staff Management, Inc.
2.2**	Asset Purchase Agreement dated November 21, 1994, by and among Registrant, Staff-RX, Inc., RADS Radiography, Inc., Skillmaster Management, Inc., Relief Services, Inc., DSI Staff-Rx, Inc. and DSI Contract Staffing, Inc. (Exhibit 2.2 to Form 8-K dated November 21, 1994).
2.3**	Asset Purchase Agreement between DSI Staff ConnXions-Southwest, Inc. and The Alternative Source, Inc. (Exhibit 2.1 to Form 8K dated February 3, 1994).
2.4**	Stock Purchase Agreement between MLB Medical Staffing, Inc. and DSI Contract Staffing, Inc., and Digital Solutions, Inc. with DBRM Investment Corporation and Rick A. McMinn (Exhibit 2.2 to Form 8K dated February 3, 1994).
2.5**	Stock Purchase Agreement of RAM Technical Services, Inc., DSI Contract Staffing, Inc. and Digital Solutions, Inc. with Rick A. McMinn (Exhibit 2.3 to Form 8K dated Febraury 3, 1994).
4**	Form of Common Stock Purchase Warrant (Exhibit 10.9.1 to Form 10-K for fiscal year ended September 30, 1991).
5*	Opinion of Goldstein, Axelrod & DiGioia.

- 10.4** Agreement between Registrant and First Fidelity Bank, N.A.
- 10.5** Agreement between Registrant and Midlantic Banks, Inc. dated October 11, 1991.
- 10.6** Lease dated 10/15/91 for office space at 4041-F Hadley Road, South Plainfield, New Jersey.
- 10.7** Employment Agreement between Karl Dieckmann and the Company dated November 1, 1991.
- 21** Subsidiaries (Exhibit 21 to Form 10K for fiscal year ended September 30, 1994).
- 23.1** Consent of M.R. Weiser & Co. LLP (included in Part II).
- 23.2** Consent of Arthur Andersen LLP (included in Part II).
- 23.3** Consent of Goldstein, Axelrod & DiGioia (contained in Exhibit 5).
- 99.1** Term Note in the principal amount of \$1,300,000, dated October 3, 1994, of DSI Staff-RX, Inc. and Digital Solutions, Inc. (Exhibit 99.1 to Form 8-K dated November 21, 1994).
- 99.2** Stock Pledge Agreement, dated October 3, 1994, among DSI Contract Staffing, Inc. and Staff-RX, Inc., Skillmaster Management, Inc., RADS Radiography Service, Inc., and Primedical Physician Services, Inc. (Exhibit 99.2 to Form 8-K dated November 21, 1994).
- 99.3** Security Agreement, dated October 3, 1994, among DSI Staff Rx, Inc. and Staff-RX, Inc., Skillmaster Management, Inc., RADS Radiography Service, Inc., and

Primedical Physician Services, Inc. (Exhibit 99.3 to Form 8-K dated November 21, 1994).

- 99.4** Registration Rights Letter, dated November 21, 1994, among Digital Solutions, Inc. and Staff-RX, Inc., Skillmaster Management, Inc., RADS Radiography Service, Inc., and Primedical Physician Services, Inc. (Exhibit 99.4 to Form 8-K dated November 21, 1994).
- 99.5** Asset Purchase Agreement dated May 3, 1995, among Digital Solutions, Inc., DSI StaffConnxions-Southwest, Inc. and Turnkey Services, Inc. (Exhibit 2 to Form 10Q for quarter ended March 31, 1995).
- 99.6** Amended and Restated Loan and Security Agreement dated February 27, 1995 and Promissory Note dated February 27, 1995 among the Company, its subsidiaries and United Jersey Bank (Exhibit 99 to Form 10Q for quarter ended March 31, 1995).
- 99.7* Promissory Note issued to LNB Investment Corporation, Inc. in October 1995.
- 99.8* Finance Agreement between the Company and LNB Investment Corporation, Inc. dated October 1995.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the 3rd day of November, 1995.

DIGITAL SOLUTIONS, INC.

By: /s/Raymond J. Skiptunis

 Raymond J. Skiptunis
 Chief Executive Officer,
 Treasurer and Director, Chief
 Financial Officer and Principal
 Accounting Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature -----	Capacity -----	Date ----
/s/Raymond J. Skiptunis ----- Raymond J. Skiptunis	Chief Executive Officer and Vice-Chairman	November 3, 1995
/s/ * ----- George J. Eklund	President, Chief Operating Officer and Director	November 3, 1995
/s/ * ----- Karl Dieckmann	Chairman of the Board	November 3, 1995

/s/ * Director November 3, 1995

Senator John Ewing

/s/ * Director November 3, 1995

Steven B. Sands

/s/ * Chief Financial Officer and November 3, 1995
----- Principal Accounting Officer
Kenneth Brice

*/s/ Raymond J. Skiptunis Attorney in Fact November 3, 1995

Raymond J. Skiptunis

E X H I B I T S

REGISTRATION STATEMENT

ON FORM S-3

EXHIBIT INDEX

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- 99.8* Finance Agreement between the Company and LNB Investment Corporation, Inc. dated October 1995.

*Filed herewith

**Previously filed

Letterhead of:
GOLDSTEIN, AXELROD & DiGIOIA
369 Lexington Avenue
New York, New York 10017
Telephone: (212) 599-3322
Telecopier: (212) 557-0295

November 3, 1995

Digital Solutions, Inc.
4041-F Hadley Road
South Plainfield, New Jersey 07080

Re: Digital Solutions, Inc.
Registration Statement on Form S-3

Dear Sir/Madam:

We have acted as counsel to Digital Solutions, Inc., a New Jersey corporation (the "Company"), in connection with a certain Registration Statement on Form S-3 filed by the Company with the Securities and Exchange Commission on November 3, 1995 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"). The Registration Statement has been filed for the purpose of registering the following securities for offer and sale under the Act:

7,500,000 shares of Common Stock, \$.001 par value (the "Shares"), issuable to LNB Investment Corporation (the "Lenders") as collateral for the loan to the Company of up to \$3,000,000 pursuant to a certain Finance Agreement (the "Pledge Agreement")

In connection with this opinion, we have examined a copy of (i) the Company's Certificate of Incorporation as amended; (ii) Bylaws; (iii) the Pledge Agreement; and (iv) such documents and corporate records as we have deemed necessary solely for the purpose of rendering this opinion. On the basis of such examination, we are of the opinion that:

Digital Solutions, Inc.
November 3, 1995
Page 2

1. The Company is a corporation duly organized and validly existing and in good standing under the laws of the State of New Jersey with corporate power to conduct the business which it conducts as described in the Registration Statement.

2. The Company has an authorized capitalization consisting of 40,000,000 shares of Common Stock, \$.001 par value per share, and 5,000,000 shares of Preferred Stock, \$.10 par value per share.

3. All of the Shares have been duly authorized and upon delivery and sale in accordance with the Finance Agreement, will be validly issued, fully paid for and non-assessable with no personal liability attached.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Opinions" in the Prospectus forming a part of the Registration Statement.

Very truly yours,

/s/ Goldstein, Axelrod & DiGioia

GOLDSTEIN, AXELROD & DiGIOIA

[LNB Investment Corp LOGO]

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PROMISSORY NOTE

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PN DGSII/LNB 101
page one of three
1,000,000.00 Loan

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, the undersigned Digital Solutions, Inc. ("Borrower"), hereby promises to pay to the order of LNB Investment Corporation ("Lender") at 200 Lake Drive East, Suite 206, Cherry Hill, New Jersey 08002, or at such other place as Lender may designate in writing, the principal sum of \$1,000,000.00, together with interest on such sum as set forth below.

The unpaid principal balances outstanding under this Note shall bear a minimum interest at nine and seven eighths percent (9.875%) per annum initially. The rate will be adjusted every five (5) months, based on the Prime Index plus one percent (1%) as listed in the daily Wall Street Journal. Interest shall be computed on a daily basis using a year of 360 days and assessed for the actual number of days elapsed. Interest shall be paid monthly, in arrears, commencing on the date of funding, and on the due date of this Note fifteen months after funding, when all principal, and other sums outstanding under this note shall be due and payable in full. A 3% origination fee shall be prepaid at closing. The principal balance of this note shall be due and payable quarterly (every ninety (90) days from the date entered above) in the amount of seventy thousand (\$70,000.00) USD with a balloon payment, for the final quarter of the term, in the amount of seven hundred twenty thousand (\$720,000.00) USD.

This Note may be prepaid in full or in part after the first thirty (30) days without payment of any penalty. No partial pre-payments shall effect the obligation of the Borrower.

Any payment made by Borrower by mail will be deemed tendered and received only upon actual receipt by Lender. All payments must be made promptly on the due date for each payment as required herein, time being of the essence. Borrower hereby expressly assumes all risk of loss or liability resulting from non-delivery or delay in delivery of any payment transmitted by mail or in any other manner.

No delay or failure of Lender in exercising any right, remedy, power or privilege under this Note or pursuant to any applicable law shall be deemed to constitute a course of conduct inconsistent with Lender's right at any time, before or any default thereunder, to demand strict adherence to the terms of this Note.

In the event that Borrower shall become in default thereunder, which default shall continue for seven (7) days after written notice thereof from Lender to Borrower specifying the default, the entire unpaid principal balance and all accrued interest under this Note shall become immediately due and payable together with (to the extent permitted under applicable law) the costs and attorney fees incurred by Lender in collecting or enforcing payment.

Borrower /s/ GJE Lender /s/ BRG

 10/24/95

=====
PROMISSORY NOTE
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PN-DGSI/LNB 101
page two of three
1,000,000.00 Loan

The Borrower hereby waives presentation for payment, demand, notice of non-payment, notice of protest and protest of this Note and diligence in collecting or bringing suit. The liability of Borrower shall be absolute and unconditional without regard to the ability of any other parties hereto.

The Note is secured by certain Securities and a Finance Agreement DGSI/LNB 101) executed by the Borrower on the date hereof, as the same may be amended, modified or altered from time to time. If the value of the collateral which is the subject of such Security and Finance Agreement falls in value, (see Article III-3.1, 3.2, 3.3, 3.5 of the Finance Agreement) the Borrower agrees to provide additional collateral to the Lender. Such additional collateral will be delivered to the Lender within five (5) business days from the date of its written request for same.

The note is a junior general obligation of the Company and is fully subordinate to all "senior indebtedness" of the company now existing or hereafter incurred. Senior indebtedness is all indebtedness, liabilities and obligations of the Company for money borrowed from banks, savings and loan associations, the Small Business Administration and other financial institutions, and their affiliates, and any deferrals, renewals or extensions of any such senior indebtedness and notes or other instruments or evidences of such indebtedness issued in respect of or in exchange for any such senior indebtedness or any funding to pay or replace any such senior indebtedness or credit including all indebtedness of the Company to United Jersey Bank, its successors or assigns, unless in the instrument creating or evidencing the same, or pursuant to which it is outstanding, it is provided that such indebtedness or such deferral, renewal or extension thereof is not senior in right of payment of this Note. No payment or distribution of any kind or character on account of principal due under the loan agreement, shall be made by the Company to the Note Holder without the written consent of United Jersey Bank, its successors or assigns, which will not be unreasonably withheld, (it being understood that it would not be unreasonable for United Jersey Bank to withhold such consent if any event of default has occurred and is continuing with respect to the senior indebtedness), except that nothing contained herein shall impair the right of the Note Holder to exercise its right to sell the shares of Digital Common Stock pledged as collateral for this Note pursuant to the terms of the Note and the Loan Agreement, with such Note being deemed paid to the extent of such sale. No payment or distribution of any kind or character on account or interest on this Note shall be permitted during the continuance of any default within the meaning of any document or instrument evidencing or securing the senior indebtedness.

Although LNB agrees to subordinate to all other senior debt, it is agreed and understood LNB is to be the senior debtor in regards to the pledged collateral shares.

Borrower /s/ GJE Lender /s/ BRG

10/24/95

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PROMISSORY NOTE
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PN DCSI/LNB 101
page three of three
1,000,000.00 Loan

Upon tender of payment in full of all principal, interest and fees the Lender shall return this original Promissory Note noted paid in full.

This Note and the liability of all parties under this Note shall be governed by the laws of the State of New Jersey, where this note has been delivered for value.

BORROWER:
DIGITAL SOLUTIONS, INCORPORATED

by: GEORGE J. EKLUND
George J. Eklund, President
October 24, 1995

STATE OF NEW JERSEY
COUNTY OF MIDDLESEX

On the 24th day of October, 1995, before me personally came, George J. Eklund to me known, who, being by me duly sworn, did depose and say that the corporation described in and which executed the foregoing instrument; and the s(he) signed his/her name thereto by order of the board of directors of said corporation.

/s/ MARILYN FLOREZ MOSEL
Notary Public of New Jersey
MY COMMISSION EXPIRES AUG. 3, 1999

LENDER:
LNB INVESTMENT CORPORATION

by: BRUCE R. GOLDMAN
Bruce R. Goldman, President

STATE OF NEW JERSEY)
) ss.
COUNTY OF CAMDEN)

The foregoing document was executed before me this 26th day of October, 1995.

/s/ PHYLLIS M. NUGENT
Notary Public of Gloucester County
MY COMMISSION EXPIRES DECEMBER 4, 1997
Notary Public

[LNB INVESTMENT CORP LOGO]

FINANCE AGREEMENT

FA-DGSI/LNB 101
page one of four

This Agreement, entered into the date last executed, by and between LNB Investment Corporation (hereinafter known as "Administrator") with offices at Woodland Falls Corporate Park, 200 Lake Drive East, Suite 206, Cherry Hill, New Jersey 08002 and Digital Solutions Inc. (hereinafter known as "Borrower") with offices at 4041-F Hadley Road, South Plainfield, New Jersey 07080.

WITNESSETH

Whereas, the Borrower is legally entitled to pledge and/or use as collateral five million three hundred fifty thousand (5,350,000) shares of free-trading common Digital Solutions, Inc. stock. The approximate market value of the collateral shares is twelve million (\$12,000,000.00) U.S. Dollars (hereinafter collectively the "Stock"), and

Whereas, the Borrower and the Administrator (hereinafter jointly known as "Parties") are interested in collateralizing the Stock for the purpose of obtaining financing, through third party banking sources, and

Whereas, the Parties are desirous in entering into this Agreement in connection with said third party financing,

Whereas, the Agreement shall be in force for a period of fifteen (15) months:

Now, therefore, in consideration of the mutual covenants and representations contained herein and intending to be legally bound the Parties hereto agree as follows:

Article I - Purpose

- 1.1 The Borrower will simultaneously execute the stock powers and Powers of Attorney granting Bruce R. Goldman the ability to deposit the Stock along with the execution of this Agreement.
1.2 The Administrator shall use the Stock expressly as collateral for the funding. The Stock will be deposited with Coutts & Co., or a bank of equivalent stature (hereinafter known as the Broker"). The Stock shall remain on deposit with the Broker for the life of this Agreement. The Administrator shall acquire a margin loan utilizing its existing stock portfolio. The Broker shall bank wire the funds to the Administrator. At the end of fifteen (15) months the Administrator shall return the Stock free and clear of any liens and encumbrances, unless renewed.
1.3 Prior to the deposit of the Stock the Borrower shall submit certified copies of the Stock, intended to be deposited, to the Administrator, who will then forward the certified copies and any other required documentation to the Broker for their review. The Borrower will be given all necessary information to perform a verbal verification of the transaction with the Broker.

Article II- Loan

- 2.1 The Borrower shall receive a total loan in the amount of three million (\$3,000,000.00) U.S. Dollars over the term of this Agreement, in three (3) equal portions. For each one million (\$1,000,000.00) USD the Borrower shall deposit one million seven hundred eighty three thousand three hundred thirty four (1,783,334) shares of collateral stock. The Borrower must wait a minimum thirty (30) days before requesting the next portion of the funding. The Borrower must make a written request fifteen (15) business days prior to the date at which funding is desired. The Borrower may only obtain funding during the first twelve (12) months of this Agreement. The Borrower prior to funding will execute a Promissory Note, for each portion of the total loan borrowed, to the Administrator. As part of the terms of the Promissory Note the Borrower agrees to the following terms:
a) The term shall be for a period of fifteen months - renewable.

Borrower /s/ GJE Administrator /s/ BRG
10/24/95

FINANCE AGREEMENT

FA DGS/LNB 101
page two of four

Article II - 2.1 cont'd.

- b) If the Borrower elects to renew the loan there will be a renewal fee of two percent (2%) to be paid at the time of renewal.
- c) The initial interest rate will be a minimum 9.875% annum, adjusted every five (5) months, based on the Prime Index plus one percent (1%) as listed in the daily Wall Street Journal. The interest will be paid monthly in arrears.
- d) A thirty (30) day restriction on loan prepayment. The Borrower may prepay the loan at the end of the 30 day restriction with the following conditions:
 - (i) All applicable terms and conditions are satisfied.
 - (ii) The Borrower must notify the Administrator with its intentions and details of remuneration within five (5) days prior to prepayment.

2.2 The Borrower shall be responsible for the principal repayment, of three million (\$3,000,000.00) USD, and interest and fees (see Article II - 2.1.b, c,2.4), if the Borrower has exercised the entire funding capacity of this Agreement. The Borrower shall only be responsible for the actual principal amount borrowed, plus fees and interest respectively (see Article II - 2.1.b,c,2.4)

2.3 The funding will be held within five (5) business days of the receipt of Stock by the Broker.

2.4 The Borrower shall be responsible for all fees associated with the funding. The fees based on percentages will be deducted directly from the gross loan and distributed by the Administrator at the loan closing. The fees will be deducted respectively from each portion of the funding at the time of each funding. The fee schedule is as follows:

- Michael E. Heitz (hereinafter "Agent") - receives one percent (1%) of the gross loan
- Administrator - receives a fee of three percent (3%) of the gross loan
 - at the end of 12 months one-half percent (1/2%) of the outstanding balance
 - 25,000 warrants at the initial funding, based on the current bid price on the day of funding

2.5 The Borrower may request a renewal of the term thirty (30) days prior to maturity. The renewal shall cause the terms of this Agreement to remain in full force for an additional period of fifteen (15) months. The Borrower shall pay to the Administrator a two percent (2%) renewal fee.

Article III - Warranties & Guarantees

3.1 The Administrator will instruct the Broker, in the event the loan is not funded, the Broker will voluntarily return the securities to the Borrower and additionally instruct the Broker that the Stock can not be sold and/or traded, except in the event of a default on the loan and/or failure to maintain the margin (as prescribed in Article III - 2.3, 3.3). The Administrator will provide written acknowledgement from the Broker on the above instructions.

3.2 In the event of a default on the loan the Borrower will remunerate the entire balance of the loan, inclusive of interest and any costs incurred by the Administrator to cure the loan default.

- a) The loan will be considered in default by any number and/or combination, but not limited to the following:
 - (i) principal and/or interest payments are not made in a timely manner
 - (ii) failure to fund a margin call

b) In the event of default the Stock will be sold, the proceeds from the sale of the Stock shall be applied to the outstanding amount of the loan. A five percent (5%) penalty will be charged against the outstanding balance and deducted from any remaining proceeds after the loan has been satisfied. After the loan and penalties are satisfied any remaining proceeds and/or stock will be given to the Borrower within five business days of said satisfaction.

Borrower /s/ GJE Administrator /s/ BRG

10/24/95

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FINANCE AGREEMENT

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FA-DGSI/LNB,101
page three of four

- 3.3 In the event the market value of the Stock should drop twenty-five percent (25%), the margin is based on the market value of the Stock at the time of funding, per share the Borrower will be notified of a margin call. The Borrower will be required by the Broker to fund the margin by depositing enough shares of free-trading stock as to maintain the 25% margin maintenance level. Upon written notification the Borrower will have five (5) business days to cover the margin call. If the Borrower does not cover the margin in the time allotted the loan will be considered in default, and a demand for immediate remuneration of the full balance of the loan will be made.
- 3.4 The Administrator will not at any time sell or trade the Stock on deposit, except in the event of default.
- 3.5 The Stock will be returned to the Borrower within five (5) business days of the full balance of the loans repayment, inclusive of interest and fees. The Administrator shall return the Stock free and clear of all liens and encumbrances.
- 3.6 The Borrower shall indemnify the Administrator against a bankruptcy filing. The Borrower agrees this entire Agreement is bankruptcy exempt.
- 3.7 In the event the Administrator changes the Broker venue, the Borrower will be notified in writing fifteen (15) days in advance.

Article IV -- Non-Circumvention -- Non-Disclosure

- 4.1 The Parties acknowledge in the course of the activities of this Agreement the Parties may receive from the other party hereto certain confidential business and technical information, without limitations. Each party further acknowledges the information to be furnished by the other party hereto is valuable property belonging to the disclosing party and the improper disclosure of such information would irrevocably damage the business and property of the circumvented party. All Parties hereto agree to abide by the rules of non-circumvention and non-disclosure during the period of this Finance Agreement and for five (5) years from the termination date hereof. This covenant and Agreement shall survive termination of this Agreement for any reason whatsoever. That in the event of circumvention by either party, directly or indirectly, the circumvented party shall be entitled to a legal monetary penalty equal to the maximum service it should realize from such transaction(s) plus all expenses, including legal, that would involve the recovery of these funds.

Article V -- Miscellaneous

- 5.1 Confidentiality is an expressed term of this Agreement and all dealings between the Parties to this Agreement. The Parties agree to keep confidential all aspects of this Agreement, except as required by law.
- 5.2 The Agreement together with all Attachments and Powers of Attorney constitutes the entire Agreement between the Parties and except as may be expressly set forth in this Agreement, any representations, warranties, agreements, covenants whether written or verbal, not contained herein are null and void.
- 5.3 A copy of this Agreement, or any other documents executed and/or signed by any of the Parties hereto and sent to another party hereto by facsimile transmission (fax) carries the full force and effect as if it were the hand delivered originals.
- 5.4 All questions arising thereunder and the rights of the Parties shall be construed in accordance with the laws of the United States of America.

Borrower /s/ GJE Administrator /s/ BRG

10/24/95 -----

FINANCE AGREEMENT

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- 5.5 In the event any provision of this Agreement is deemed unenforceable...
5.6 This Agreement may not be terminated or changed orally...
5.7 Each Party acknowledges that they have had adequate time and opportunity...

In Witness Whereof, this Agreement has been executed by the Parties hereto the last date executed below.

DIGITAL SOLUTIONS INCORPORATED

by: /s/ Gearge J. Eklund
Gearge J. Eklund, President 10/24/95

STATE OF New Jersey) ss.:
COUNTY OF Middlesex)

On the 24th day of October, 1995, before me personally came Gearge J. Eklund, to be known, who, being by me duly sworn, did depose and say that the corporation described in and which executed the foregoing instrument; and the s(he) signed his/her name thereto by order of the board of directors of said corporation.

/s/ Marilyn Florez Mosel
Notary Public of New Jersey
My commission expires Aug. 3, 1999

LNB INVESTMENT CORPORATION

by: /s/ Bruce R. Goldman
Bruce R. Goldman, President

The foregoing document was executed before me this 26th day of October 1995.

/s/ Phyllis M. Nugent
Notary Public
Print Name PHYLIS M. NUGENT
My Commission Expires: 12-4-97
NOTARY PUBLIC

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RENEWAL AGREEMENT
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RA-DGSI/LNB, 101
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I/We _____ do hereby formally request LNB Investment Corp. to
renew Finance Agreement documents (FA/PA-DGSI/LNB 101), account number
_____, which was originated on _____, in the amount of
\$_____.

I/We do hereby agree to the renewal fee of ___% of the gross loan amount.

I/We do hereby agree to accept the terms and conditions of the original loan
documents as one in the same for this renewal.

The interest rate will be based on the Prime Index at the time of renewal, plus
one percent, and adjusted semi annually.

IN WITNESS WHEREOF, this agreement has been executed on the dates set forth
next to the signatures below.

By: _____
George J. Eklund, President

STATE OF)
) ss.:
COUNTY OF)

On the ____th day of _____, 19 ____, before me personally came,
_____ to me known, who, being by me duly sworn, did depose and
say that the corporation described in and which executed the foregoing
instrument; and the s(he) signed his/her name thereto by order of the board of
directors of said corporation.

Notary Public

Print Name
My Commission Expires:

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POWERS OF ATTORNEY

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PA-DGSI/LNB,101
page one of one

I, the undersigned, George J. Eklund, on behalf of Digital Solutions, Inc. with full legal responsibility, confirms and declares that LNB Investment Corp. represented by Mr. Bruce R. Goldman is fully authorized by me and on my behalf to negotiate the necessary arrangements for the opening and managing of a stock account with Coutts & Co., or another bank of equivalent stature, for the deposit of 5,350,000 shares of free-trading stock. This Powers of Attorney allows Mr. Bruce R. Goldman to manage the stock account. This Powers of Attorney is specifically for the handling and compliance of the Finance Agreement, between LNB Investment Corp. and Digital Solutions, Inc. concerning the deposit of Digital Solutions, Inc. stock shares, excluding any other events affair or transactions and goods which belong to or refer to George J. Eklund and Digital Solutions, Inc.

This Power of Attorney does not allow the attached listed assets to be sold and/or be traded.

This document is an operable instrument and will remain in force and effect for one (1) year and one (1) month from the issuing date.

By: /s/George J. Eklund

George J. Eklund, President

The foregoing instrument was acknowledged before me this 24th day of October, 1995.

/s/ Marilyn Florez Mosel

Notary Public

MARILYN FLOREZ MOSEL
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES AUG. 3, 1999

Marilyn Florez Mosel

Notary Name
My Commission Expires: 8/3/99