

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

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 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.

/TABLE

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 September __, 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

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.

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. Although the Company is currently operating profitably, 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.

KEYSTONE FINANCIAL LOAN

In September 1995, the Company entered into a Note and Security and Pledge Agreement with Keystone Financial, Inc. ("Keystone") providing for the loan to the Company of \$3,000,000 at an annual interest rate equal to the greater of 9% or prime. The loan is due 24 months after issuance and is secured by shares of the Company's Common Stock having a market value of no less than two times the outstanding balance of the loan. Keystone 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 February 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.

- 10.1 Employment Agreements with Anthony Insalaco and Jack Safran (Exhibit 10.1 to Form 8-K dated March 21, 1990).
- 10.2 Employment Agreement with Donald Kappauf (Exhibit 3 to Form 8-K dated May 17, 1990).
- 10.3 Financing Agreement with First Transcapital Corp. (Exhibit 10.3 to Form 10-K for fiscal year ended September 30, 1991).
- 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.
- 10.9 Form of Loan Agreement, August 1991 (Exhibit 10.9 to form 10-K for fiscal year ended September 30, 1991).
- 16.1 Letter from M. R. Weiser & Co. LLP changing certified accountant (Exhibit 16.1 to form 8-K/A Amendment No. 1 dated October 25, 1993).
- 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 Keystone Financial, Inc. in September 1995.
- 99.8* Security and Pledge Agreement between the Company and Keystone Financial, Inc. dated September 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 18th day of September, 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

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below substitutes and appoints Raymond J. Skiptunis and George Eklund, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitute, may lawfully do or cause to be done by virtue hereof.

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	September 18, 1995
/s/George J. Eklund ----- George J. Eklund	President, Chief Operating Officer and Director	September 18, 1995
/s/Karl Dieckmann ----- Karl Dieckmann	Chairman of the Board	September 18, 1995

/s/John Ewing Director September 18, 1995

Senator John Ewing

/s/Steven B. Sands Director September 18, 1995

Steven B. Sands

/s/Kenneth Brice Chief Financial Officer and
----- Principal Accounting Officer September 18, 1995
Kenneth Brice

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement of Digital Solutions, Inc. on Form S-3 of our report dated January 8, 1993 on our audit of the consolidated statements of operations, shareholders' equity and cash flows of Digital Solutions, Inc. for the year ended September 30, 1992, which report is included in the Company's Annual Report on Form 10K for the fiscal year ended September 30, 1994; such Annual Report is incorporated herein by reference. We also consent to the reference to our firm under the caption "Experts" in Form S-3.

We performed no audits and have issued no audit or review reports relating to the financial statements of Digital Solutions, Inc. as at or for any period subsequent to September 30, 1992.

/s/ M.R. WEISER & CO. LLP

M.R. WEISER & CO. LLP

Iselin, N.J.
September 18, 1995

ARTHUR ANDERSEN LLP

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated December 7, 1994 included in Digital Solutions, Inc. Form 10-K for the year ended September 30, 1994 and to all references to our firm, included in this registration statement.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Roseland, New Jersey
September 14, 1995

E X H I B I T S

REGISTRATION STATEMENT

ON FORM S-3

EXHIBIT INDEX

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 February 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.
10.1	Employment Agreements with Anthony Insalaco and Jack Safran (Exhibit 10.1 to Form 8-K dated March 21, 1990).
10.2	Employment Agreement with Donald Kappauf (Exhibit 3 to Form 8-K dated May 17, 1990).
10.3	Financing Agreement with First Transcapital Corp. (Exhibit 10.3 to Form 10-K for fiscal year ended September 30, 1991).
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.
10.9	Form of Loan Agreement, August 1991 (Exhibit 10.9 to form 10-K for fiscal year ended September 30, 1991).

- 16.1 Letter from M. R. Weiser & Co. LLP changing certified accountant (Exhibit 16.1 to form 8-K/A Amendment No. 1 dated October 25, 1993).
- 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 Keystone Financial, Inc. in September 1995.
- 99.8* Security and Pledge Agreement between the Company and Keystone Financial, Inc. dated September 1995.

EXHIBIT 5

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

September 19, 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 September 19, 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"), issued to Keystone Financial, Inc. (the "Lenders") as collateral for the loan to the Company of up to \$3,000,000 pursuant to a certain Security and Pledge 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:

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 in accordance with the Pledge 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

EXHIBIT 99.7

PROMISSORY NOTE

(\$3,000,000.00)

FOR VALUE RECEIVED, the sufficiency of which is hereby acknowledged, the undersigned, Digital Solutions, Inc ("Borrower"), hereby promises to pay to the order of Keystone Financial, Inc., a Delaware corporation ("Lender"), at 131 E. Columbia Avenue, Suite 114, Battle Creek, Michigan 49015, or at such other place as Lender may designate in writing, the principal sum of up to \$3,000,000.00, together with interest on such sum as set forth below.

The unpaid principal balances outstanding under this Note shall bear interest at New York Prime as quoted in the Wall Street Journal under "Money Rates" but in no event less than nine percent (9%) per annum, adjusted on the first of the month following a change in the Prime Rate. 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 payable monthly, in arrears, commencing _____, 1995, and on the 1st day of each month thereafter until maturity, when all principal, accrued interest and other sums outstanding under this note shall be due and payable in full. One month's interest shall be prepaid at closing, to be applied to the last month's interest. This Note shall mature and shall be due and payable in full upon the expiration of 24 months from the date of this Note.

All installments, when received, shall be applied on interest then due and the balance, if any, on principal. In the event that any installment shall be overdue for a period in excess of seven (7) days, a late charge of four (\$0.04) cents for each One (\$1.00) Dollar so overdue may be charged by the holder of this Note for the purpose of defraying the expense incident to handling such delinquent payment, and such charge shall be in addition to and not in lieu of reasonable fees and charges of any agents or attorneys which the holder is entitled to employ in the event of any default hereunder.

This Note may be prepaid in full or in part at any time without payment of any penalty. No partial pre-payments shall affect the obligation of the Borrower to continue to make regular payments required hereunder.

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 of pursuant to any applicable law shall be deemed to constitute a course of conduct inconsistent with Lender's right at any time, before or after any default hereunder, to demand strict adherence to the terms of this Note.

In the event that Borrower shall become in default hereunder, which default shall continue for seven (7) days after notice to borrower, 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 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 liability of any other parties hereto.

The Note is secured by a certain Security and Pledge Agreement executed by 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 Pledge Agreement falls in value such that it no longer provides the lender a market value ratio of fifty percent (50%) loan to market value or greater, the borrower agrees to provide additional collateral to Lender sufficient to maintain a market value ratio of fifty percent (50%) loan to market value or greater. Such additional collateral will be delivered to Lender within seven (7) days from the date of its written request for same in accordance with Paragraph 12 of the Security and Pledge Agreement.

Subordination of Indebtedness: This note is a junior (until the occurrence of an event of default) general obligation of the Company and is fully subordinated 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 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 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 to 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, which will not be unreasonably withheld, except that nothing contained herein shall impair the right of the Note Holder to exercise its right to convert the Note into shares of Digital Common Stock pursuant to the terms of the Note and the Loan Agreement, with such Note being deemed paid to the extent of such conversation. No payment or distribution of any kind or character on account of interest on this Note shall be permitted during the continuance of any default in the payment of principal, premium, if any, or interest on any senior indebtedness, except to the extent of Lender's rights against the share of Digital Common Stock as set forth in the loan documents.

Digital Solutions, Inc./Keystone Financial, Inc.
Promissory Note. Page 3 of 3
\$3,000,000.00 Loan

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

WITNESS:

/s/ Marilyn Mosel

BORROWER:

Digital Solutions, Inc.

By: /s/ Raymond Skiptunis

Raymond Skiptunis, Vice Chairman

Address: 4041-F Hadley Road
South Plainfield, NJ 07080

/s/ Martha Jar

LENDER:

Keystone Financial, Inc.

By: /s/ Jacqueline T. Johnson

Jacqueline T. Johnson

Address: 131 E. Columbia Avenue
Suite 114
Battle Creek, MI 49015

STATE OF NEW YORK)
)SS.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 14th day of
September 1995, by Raymond Skiptunis .

/s/ Victor J. DiGiola

Victor J. DiGiola
Notary Public State of New York
No. 31-4764366
Qualified in New York County
Commission Expires June 30, 1996

EXHIBIT 99.8

SECURITY AND PLEDGE AGREEMENT
(\$3,000,000.00)

Agreement made this _____ day of _____, 1995, by and between Digital Solutions, Inc., the undersigned ("Pledgor") and Keystone Financial, Inc., a Delaware corporation ("Lender").

WHEREAS, Lender is about to make a certain loan to Pledgor in the principal amount of up to \$3,000,000.00 pursuant to the terms and provisions as contained in a certain Promissory Note executed by Pledgor, the terms of which are incorporated herein by reference to the Promissory Note (the "Promissory Note"); and

WHEREAS, to induce Lender to make the loan, Lender has required, and Pledgor has agreed, to pledge certain stock owned by him as security for the repayment of the loan, upon the terms and conditions hereinafter set forth.

NOW THEREFORE, Pledgor and Lender agree as follows:

1. PLEDGE. In consideration of the sum of money loaned to Pledgor by Lender, the receipt of which is hereby acknowledged, Pledgor hereby assigns all of his right, title and interest and grants a security interest in and to Lender, in and to 3,000,000 free trading shares of Digital Solutions, Inc. (DGS) which shares will be duly authorized, endorsed and herewith electronically transferred to Lender by DTC or ACAT. Pledgor appoints Lender as his attorney-in-fact to arrange for the transfer of the pledged shares as security for the repayment of the loan and shall not encumber the shares except in accordance with the provisions of this Agreement.

2. DIVIDENDS. During the term of this Agreement, all dividends received by Lender will be released to the Pledgor unless this loan is in default.

3. VOTING RIGHTS. During the term of this pledge, and so long as Pledgor is not in default in the performance of any of the terms of this Agreement or in their obligations in the Promissory Note executed by him, Pledgor shall have the right to vote the pledged shares on all corporate questions, and Lender shall execute due and timely proxies in favor of Pledgor to this end.

4. REPRESENTATIONS. Pledgor warrants and represents that there are no restrictions upon the transfer of any of the pledged shares, and that Pledgor has the right to transfer such shares free of any encumbrances and without obtaining the consent of any other person or entity. In addition, Pledgor hereby warrants and represents and covenants to Lender that, as of the date of this Agreement, the fair salable value of Pledgor's assets exceeds his liabilities, that he is meeting his current liabilities as they mature, that all financial statements of Pledgor furnished to Lender are true and correct and include reference to all contingent liabilities of Pledgor, since the date of said financial statements there has been no material adverse change in the financial conditions of Pledgor, that there are not now pending any material court or administrative proceedings or undischarged judgments against Pledgor and no federal or state tax liens have been

filed or threatened against Pledgor, nor is Pledgor in default or claimed default under any agreement for borrowed money, which will not be cured by payment from the proceeds of the loan executed by Pledgor on the date hereof.

5. **WARRANTS AND RIGHTS.** In the event that, during the term of this Agreement, subscription warrants or any other rights or options shall be issued in connection with the pledged shares, such warrants, rights and options shall be immediately assigned by Lender to Pledgor, and if exercised by Pledgor, all new shares or other securities so acquired by Pledgor shall be immediately assigned to Lender, to be held under the terms of this Agreement in the same manner as the shares originally pledged hereunder.

6. **PROPERTY.** Any property belonging to Pledgor or in which Pledgor has an interest, either individually or jointly with others, held by Lender or any of its subsidiaries or affiliates or carried in any accounts shall be subject to a general lien and security interest for the discharge of Pledgor's obligations to Lender, wherever or however arising and without regard to whether or not Lender has made advances with respect to such property, and Lender is hereby authorized to sell and/or purchase any and all such property without notice to satisfy such general lien and security interest. Pledgor irrevocably appoints Lender as his attorney-in-fact with power of substitution to execute any documents for the perfection or registration of such general liens and security interest.

7. **MANAGEMENT OF PROPERTY.** In the event that Pledgor fails to deposit sufficient funds to satisfy any demands, or whenever in Lender's sole and absolute discretion Lender considers it necessary, Lender may, without prior demand or notice, when and if Lender deems appropriate, notwithstanding any rule of any exchange, liquidate the portions in Pledgor's account(s), hedge and/or affect those positions in the cash market or otherwise, sell any property belonging to Pledgor's or in which Pledgor has any interest, cancel any open orders for the purchase and sale of any property, or borrow or buy any property, or borrow or buy any property required to make delivery against any sale, including a short sale. Such sale or purchase may be public or private and may be made without advertising or notice to Pledgors and in such manner as Lender may, in Lender's sole and absolute discretion, determine, and no demands, tenders or notices which Lender may make or give shall invalidate Pledgor's aforesaid waiver. The proceeds of such transaction, if any are to be applied to reduce any indebtedness owing by Pledgor to Lender.

Notwithstanding the foregoing, the Lender shall not sell or otherwise liquidate any property belonging to the Pledgor unless (i) Pledgor defaults, as defined in the Promissory Note and Security and Pledge Agreement and fails to cure such default within the applicable cure period; or (ii) the aggregate market value of the pledged property is below 60% of the outstanding balance of the loan. In the event Lender takes action in accordance with (ii) of the previous sentence, Lender shall simultaneously give Pledgor notice of such action. Pledgor shall be entitled, at any time and at its option, to pledge additional property, which additional property shall be added to the previously pledged property when computing the loan to value ratio.

8. **ACCOUNT LOSSES.** Pledgor acknowledges that Pledgor shall be liable for all losses in Pledgor's account(s) whether or not Pledgor's account(s) are liquidated and for any debts and

deficiencies, including, but not limited to, interest, costs, expenses and attorney's fees, including all debts and deficiencies resulting from a liquidation of Pledgor's account(s).

9. DELIVERY OF PROPERTY. Pledgor acknowledges that Lender is hereby specifically authorized for Lender's account(s) and benefit, from time to time and without notice to Pledgor, either separately or with others, to lend, pledge, repledge and hypothecate any and all property held by Lender in any of Pledgor's account(s) and Lender shall not at any time be required to deliver to Pledgor such identical property, but may fulfill Lender's obligations to Pledgor by delivery of property of the same kind and amount.

10. LOAN FEE. Pledgor hereby agrees to pay (unless heretofore paid by Pledgor) to Lender a loan fee for making the loan available in the amount of \$120,000.00 due and payable on or before the funding of the loan. There will be an annual fee of \$30,000.00 for the maintenance and continuation of this loan.

11. PAYMENT OF LOAN. Upon payment at or after maturity of all principal and interest of the loan, and loan fees, less amounts theretofore received and applied by Lender in reduction thereof, Lender shall transfer to Pledgor all of the pledged shares, or property of the same kind and amount, and all rights received by Lender as a result of its record ownership thereof.

12. DEFAULT. In the event that Pledgor defaults in the performance of any of the terms of this Agreement, or if in the performance of any of his obligation under the Promissory Note executed by him, which default shall continue for seven (7) days after notice to borrower, Lender shall have the rights and remedies provided in the Uniform Commercial Code in force in the State of Michigan as of the date of this Agreement and, in connection therewith, Lender may, upon seven (7) days advance written notice to Pledgor, Pledgor's Bank (United Jersey Bank, Raitan Plaza II, Fieldcrest Avenue, Edison, New Jersey 08837), and Pledgor's Attorney, Victor J. DiGioia, Esq., Goldstein, Axelrod & DiGioia, 369 Lexington Avenue, New York, New York 10017, sent by certified mail return receipt requested, and without liability for any diminution in price which may have occurred, sell all of the pledged shares in such manner and for such price as Lender may determine, at any bona fide public sale, and Lender shall be free to purchase all or any part of the pledged shares at such sale. Out of the proceeds of any sale, Lender may retain an amount equal to the principal and interest then due on the loan, plus the expenses of sale, including reasonable attorney's fees, plus any loan fees and accrued interest and shall pay any balance of such proceeds to Pledgor.

13. WAIVER. No waiver or indulgence of Lender in enforcing the terms of this Agreement shall be considered a waiver of future performance of this Agreement in strict accordance with its terms, and Lender shall not be required to give Pledgor notice of its intent to enforce such terms in the future.

14. ARBITRATION. Any dispute or controversy arising out of or relating to this agreement shall be determined and settled by arbitration in the City of Battle Creek, Michigan, in accordance with the Rules of the American Arbitration Association then in effect.

Digital Solutions, Inc./Keystone
Security & Pledge Agreement, Page 4 of 4
\$3,000,000 Loan

15. LENDER'S RIGHT TO ASSIGN. Lender shall have the right to assign, sell or transfer this security agreement and the accompanying promissory note without prior notice or consent of Pledgor.

16. BINDING EFFECT/APPLICABLE LAW. This agreement shall be binding upon the parties hereto and their respective heirs, successors and assigns. The terms and provisions hereof shall be governed and construed in accordance with the laws of the State of Michigan.

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the day and year first above written.

WITNESS:

/s/ Marilyn Mosel

PLEDGORS:

Digital Solutions, Inc.

By: /s/ Raymond Skiptunis

Raymond Skiptunis, Vice Chairman

Address: 4041-F Hadley Road
South Plainfield, NJ 07080

/s/ Martha Jar

LENDER:

Keystone Financial, Inc.

By: /s/ Jacqueline T. Johnson

Jacqueline T. Johnson

Address: 131 E. Columbia Avenue
Suite 114
Battle Creek, MI 49015

STATE OF New York)
)SS.
COUNTY OF New York)

The foregoing instrument was acknowledged before me this 14th day of September, 1995 by Raymond J. Skiptunis.

/s/ Victor J. DiGiola

Notary Public, State of New York
No. 31-476368
Qualified in New York County
Commission Expires June 30, 1996