

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GLOBAL DIGITAL SOLUTIONS INC

Form: 8-K/A

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Corporate Issuer CIK: 1011662

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 16, 2014

Global Digital Solutions, Inc.
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction
of incorporation)

000-26361
(Commission
File Number)

22-3392051
(IRS Employer
Identification No.)

777 South Flagler Drive, Suite 800 West
West Palm Beach, Florida 33401
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (561) 515-6163

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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EXPLANATORY NOTE:

On June 19, 2014, Global Digital Solutions, Inc. (the "Company"), filed a Current Report on Form 8-K under Items 1.01, 2.01 and 3.02 (the "Initial Report") to report the completion of its acquisition of North American Custom Specialty Vehicles, LLC, an Alabama limited liability company ("NACSV") , on June 16, 2014. In response to parts (a) and (b) of Item 9.01 of the Initial Report, the Company indicated that it would file the required financial information by amendment, as permitted by Item 9.01(a)(4) and 9.01(b)(2) to Form 8-K. This Current Report on Form 8-K/A amends Items 9.01(a) and 9.01(b) of the Initial Report to provide the required financial information.

Item 9.01. Financial Statements and Exhibits.**(a) Financial statements of businesses acquired**

The audited financial statements of NACSV as of and for the years ended December 31, 2013 and 2012 and the notes related thereto are attached hereto as Exhibit 99.1 and are incorporated herein by reference.

The unaudited financial statements of NACSV as of March 31, 2014 and for the three months ended March 31, 2014 and 2013, and the notes related thereto are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro forma financial information

The unaudited pro forma condensed combined balance sheet as of March 31, 2014 has been prepared to present the Company's financial position as if the acquisition of NACSV had occurred on March 31, 2014. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2013 and the three months ended March 31, 2014 have been prepared to present the Company's results of operations as if the acquisition of NACSV had occurred on January 1, 2013 and January 1, 2014, respectively. The unaudited condensed combined pro forma financial information is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

(c) Exhibits

Exhibit No.	Description
99.1	Audited financial statements of North American Custom Specialty Vehicles, LLC as of and for the years ended December 31, 2013 and 2012
99.2	Unaudited financial statements of North American Custom Specialty Vehicles, LLC as of March 31, 2014 and for the three months ended March 31, 2014 and 2013
99.3	Unaudited pro forma condensed combined financial information

SIGNATURE

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

Global Digital Solutions, Inc.

Date: August 18, 2014

By: /s/ David A. Loppert
David A. Loppert
Chief Financial Officer

Exhibit Index

Exhibit No.	Description
99.1	Audited financial statements of North American Custom Specialty Vehicles, LLC as of and for the years ended December 31, 2013 and 2012
99.2	Unaudited financial statements of North American Custom Specialty Vehicles, LLC as of March 31, 2014 and for the three months ended March 31, 2014 and 2013
99.3	Unaudited pro forma condensed combined financial information

**NORTH AMERICAN
CUSTOM SPECIALITY VEHICLES, LLC**

**Financial Statements
and
Supplementary Information
For the Years Ended
December 31, 2013 and 2012**

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC

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INDEPENDENT AUDITORS' REPORT

Mr. David Loppert
Global Digital Solutions, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of North American Custom Specialty Vehicles, LLC (an Alabama limited liability company), which comprise the balance sheets as of December 31, 2013 and 2012, the related statements of income and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North American Custom Specialty Vehicles, Inc. as December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Crow Shields Bailey, PC
August 6, 2014
Mobile, Alabama

FINANCIAL STATEMENTS

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
BALANCE SHEETS

	December 31	
	2013	2012
Assets		
Current assets		
Cash	\$ 61,231	\$ 116,628
Accounts receivable - trade	723,215	636,164
Inventory	774,509	615,931
Prepaid expenses	5,496	11,150
Due from member	1,798	-
Costs and estimated earnings in excess of billings on uncompleted contracts	-	84,846
Total current assets	<u>1,566,249</u>	<u>1,464,719</u>
Property and equipment		
Furniture and fixtures	1,000	1,000
Office equipment	18,334	1,000
Machinery and equipment	2,879	1,500
Leasehold improvements	25,000	25,000
Vehicles	41,422	41,422
	<u>88,635</u>	<u>69,922</u>
Less accumulated depreciation	13,707	4,055
Net property and equipment	<u>74,928</u>	<u>65,867</u>
	<u>\$ 1,641,177</u>	<u>\$ 1,530,586</u>
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	\$ 7,827	\$ 81,546
Accrued expenses	5,140	5,642
Note payable - member	-	200,000
Due to member	-	20,916
Due to related party	-	58,400
Billings in excess of costs and estimated earnings on uncompleted contracts	370,015	152,226
Total current liabilities	<u>382,982</u>	<u>518,730</u>
Members' equity	<u>1,258,195</u>	<u>1,011,856</u>
	<u>\$ 1,641,177</u>	<u>\$ 1,530,586</u>

See notes to financial statements

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
STATEMENTS OF INCOME AND MEMBERS' EQUITY

	Years Ended December 31	
	2013	2012
Contract revenues earned	\$ 5,172,955	\$ 4,623,966
Cost of revenues earned	<u>3,381,638</u>	<u>2,835,899</u>
Gross profit	<u>1,791,317</u>	<u>1,788,067</u>
Expenses		
General and administrative	1,339,546	944,186
Interest	11,713	24,567
Depreciation	9,652	4,055
Total expenses	<u>1,360,911</u>	<u>972,808</u>
Income from operations	<u>430,406</u>	<u>815,259</u>
Other income		
Interest	99	283
Management fee	218,604	-
Other	47,230	3,807
Total other income	<u>265,933</u>	<u>4,090</u>
Net income	696,339	819,349
Members' equity, beginning of year	1,011,856	192,507
Distributions	<u>450,000</u>	<u>-</u>
Members' equity, end of year	<u>\$ 1,258,195</u>	<u>\$ 1,011,856</u>

See notes to financial statements

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 696,339	\$ 819,349
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,652	4,055
Changes in assets and liabilities (Increase) decrease in:		
Receivables	(87,051)	(540,977)
Prepaid expenses	31,825	9,450
Inventory	(158,578)	(465,931)
Costs and estimated earnings in excess of billings on uncompleted contracts	84,846	262,360
Increase (decrease) in:		
Accounts payable	(73,719)	(354,909)
Accrued expenses	(502)	5,642
Due to (from) member	(22,714)	(12,106)
Due to related party	(58,400)	29,500
Billings in excess of costs and estimated earnings on uncompleted contracts	217,789	152,226
Net cash provided by (used in) operating activities	<u>639,487</u>	<u>(91,341)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(18,713)	(8,000)
Net cash used in investing activities	<u>(18,713)</u>	<u>(8,000)</u>
Cash flows from financing activities:		
Principal payments on short-term debt	(26,171)	(20,600)
Proceeds of loans from member	-	1,741,088
Repayment of loans from member	(200,000)	(1,541,088)
Distributions	(450,000)	-
Net cash provided by (used in) financing activities	<u>(676,171)</u>	<u>179,400</u>
Net increase (decrease) in cash	(55,397)	80,059
Cash - beginning of year	<u>116,628</u>	<u>36,569</u>
Cash - end of year	<u>\$ 61,231</u>	<u>\$ 116,628</u>

See notes to financial statements

	Years Ended December 31	
	2013	2012
Supplemental cash flow disclosures:		
Interest paid	\$ 11,713	\$ 28,148

Schedule of non-cash investing and financing transactions:

During 2013 and 2012, the Company financed the cost of certain insurance premiums with a note payable in the amount of \$26,079 and \$20,600, respectively.

During 2012, the Company purchased furniture, equipment, and leasehold improvements totaling \$28,500 from a related entity by increasing the amount due to that entity.

During 2012, a member transferred a vehicle to the Company for \$33,422. The Company increased balance due to member by the same amount.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 1 - Nature of operations

North American Custom Specialty Vehicles, LLC was organized on October 27, 2011, under the laws of the State of Alabama. The Company operates principally in the homeland security and public safety industries in the United States whereby the Company builds mobile command units for military, law enforcement, emergency management, and private sector companies.

The terms of the Organizational Agreement provide that Brian A. Dekle serves as the Manager and owns 75% of the membership interests and that John Ramsay owns 25% of the membership interests. The Agreement also dictates that John Ramsay has no right to vote on any matters and that the Company's net profits or net losses shall be allocated to the members in proportion to their membership interests. Generally, the liability of the members of the Company is limited to the members' total capital contributions.

Note 2 - Summary of significant accounting policies

Revenue and cost recognition

Revenues from fixed-price and modified fixed-price construction contracts are recognized using the percentage-of-completion method of revenue recognition, measured by the percentage of cost incurred to date to the estimated total cost for each contract. This method is used because management considers it to be the best available measure of progress on these contracts. Because of inherent uncertainties in estimating costs, it is possible that the estimates used will change within the near-term.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as payroll taxes and worker's compensation insurance premiums. Operating expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of revenues recognized.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

Allowance for doubtful accounts

Accounts receivable is stated at cost, net of any allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of customers to meet their obligations. Based on management's evaluation of each customer, the Company considers all remaining accounts receivable to be fully collectible and, therefore, did not provide for an allowance for doubtful accounts.

Inventory

Inventory consists of the shells and components to be added to the mobile command units and is stated at the lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment are carried at cost. Expenditures which materially increase values or extend useful lives are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged against income as incurred. The net gain or loss on items retired or otherwise disposed of is credited or charged to operations and the cost and accumulated depreciation are removed from the accounts.

Depreciation

A provision for depreciation of property and equipment is made on a basis considered adequate to amortize the related costs (net of salvage value) over their estimated useful lives using the straight-line method. Estimated useful lives are principally as follows: vehicles, 5 years; furniture and fixtures and office equipment, 5-10 years; leasehold improvements, 40 years; machinery and equipment 5-10 years.

Income taxes

North American Custom Specialty Vehicles, LLC, with consent of the members, has elected to be taxed as an S Corporation. In general, this election provides that income of the corporation passes through and is taxed directly to the members and not to the North American Custom Specialty Vehicles, LLC. Therefore, no provision or liability for income taxes is presented in these financial statements.

The Company is no longer subject to U.S. Federal and State of Alabama income tax examinations by the tax authorities for years before 2010.

Advertising

All advertising costs are expensed as incurred.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

Shipping and handling

Shipping and handling costs are charged to the contract cost when incurred and are included in the costs of revenues earned.

Note 3 - Concentrations of credit risk

The Company maintains deposit accounts in two financial institutions. Deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At times, deposit accounts may be in excess of limits insured by the FDIC. However, there were no uninsured amounts at December 31, 2013 and 2012.

Although the Company's construction contracts are made with various customers, revenues from contracts with two major customers totaled \$4,607,580 or approximately 91 percent of total revenues for the year ended December 31, 2013. Revenues from contracts with two major customers totaled \$4,334,348 or approximately 94 percent of total revenues for the year ended December 31, 2012. Total balances due from these customers included in receivables as of December 31, 2013 and 2012 was \$365,679 and \$623,925, respectively.

At December 31, 2013, one customer individually accounted for 49% of the Company's outstanding trade receivables and another customer, 51%. At December 31, 2012, one customer individually accounted for 98% of the Company's outstanding trade receivables.

Note 4 - Contracts in progress

Contracts in progress consisted of the following at December 31:

	2013	2012
Costs incurred on uncompleted contracts	\$ 268,088	\$ 989,834
Estimated earnings	194,580	514,833
	462,668	1,504,667
Less billings to date	(832,683)	(1,572,047)
	<u>\$ (370,015)</u>	<u>\$ (67,380)</u>

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

Included in the accompanying balance sheet under the following captions:

	2013	2012
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ -	\$ 84,846
Billings in excess of costs and estimated earnings on uncompleted contracts	(370,015)	(152,226)
	<u>\$ (370,015)</u>	<u>\$ (67,380)</u>

Note 5 – Inventory

Inventory consisted of the following at December 31:

	2013	2012
Materials inventory	\$ 49,367	\$ 3,927
Truck and trailer inventory	725,142	612,004
	<u>\$ 774,509</u>	<u>\$ 615,931</u>

Note 6 - Operating leases

The Company leases two buildings under a year-to-year operating lease. The lease was renewed on January 1, 2014 with future monthly rental payments of \$6,749.

Total rent expense under this lease for the years ended December 31, 2013 and 2012 was \$80,984 and \$67,487, respectively.

Note 7 - Related parties

During 2013, the Company was paid a management fee in the amount of \$218,604 for maintenance and operation of an airplane owned by North American Catastrophe Services, Inc., a company related through common ownership.

During 2012, a member made periodic advances to the LLC under a personal line of credit in the amount of \$1,741,088. As of December 31, 2012, repayments of the loan had been made in the amount of \$1,541,088. The outstanding balance of \$200,000 at December 31, 2012 was paid during 2013 with interest, accrued at a rate of 5% per annum. For the years ending December 31, 2013 and 2012, the LLC made interest payments to the member of \$10,856 and \$23,135, respectively.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013 AND 2012

At December 31, 2012, the Company had outstanding advances from a member totaling \$20,916. These advances were paid in full during 2013.

On February 1, 2012, the Company signed a bill of sale for purchase of furniture, equipment, and leasehold improvements of \$28,500, and inventory of \$29,500 from North American Catastrophe Services, Inc. These amounts were paid in full during 2013.

Note 8 - Backlog

The following schedule summarizes changes in backlog on construction contracts during the year ended December 31, 2013. Backlog represents the amount of estimated revenues the Company expects to realize from uncompleted contracts in progress at year end and from signed contractual agreements on work which has not yet begun.

Balance, December 31, 2012	\$ 1,098,164
New contracts and adjustments	4,977,793
	<u>6,075,957</u>
Less contract revenues earned	5,172,955
Balance, December 31, 2013	<u>\$ 903,002</u>

During 2014, the Company has entered into new construction contracts totaling \$1,138,346.

Note 9 - Contingencies

The Company is involved in certain litigation in the ordinary course of business. Management does not anticipate these claims to have a significant adverse impact on the Company's financial position.

Note 10 - Subsequent events

On June 16, 2014, the Company's members executed an agreement to sell their membership interests. The sales agreement stipulates that the final purchase price, to be remunerated to the sellers in cash and shares of stock issued by the purchaser, is dependent upon numerous future financial events. Additionally, the selling members have agreed to certain covenants to protect the key assets involved in the purchase. The Company will continue operations as a subsidiary entity of the purchaser.

Subsequent events were evaluated through August 1, 2014, which is the date the financial statements were available to be issued.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
SCHEDULES OF COST OF REVENUES EARNED

	Years Ended December 31	
	2013	2012
Labor	\$ 439,095	\$ 385,536
Material	2,622,535	2,249,964
Contract labor	107,879	86,347
Freight	35,659	27,982
Payroll taxes	37,833	30,843
Insurance	52,106	33,303
Transport/delivery	86,531	21,924
	<u>\$ 3,381,638</u>	<u>\$ 2,835,899</u>

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	Years Ended December 31	
	2013	2012
Advertising	\$ 149,884	\$ 52,267
Automobile	3,962	4,306
Bad debt	627	-
Bonding	-	101
Bank/finance charges	1,394	509
Contributions	77,705	3,851
Computer and internet	1,043	1,120
Dues and subscriptions	590	722
Expense reimbursement	-	3,246
Insurance	50,397	46,572
Legal and accounting	52,861	10,166
Meals and entertainment	10,661	7,647
Miscellaneous	6,796	9,972
Officer salary	611,000	447,500
Payroll taxes	19,351	24,539
Postage and delivery	2,552	4,082
Rent	80,984	67,487
Repairs and maintenance	16,066	33,443
Salaries	147,216	147,255
Security	582	582
Supplies	8,434	14,704
Taxes and licenses	13,091	11,224
Telephone	8,102	4,313
Travel	60,826	36,094
Uniforms	7,174	5,098
Utilities	8,248	7,386
	<u>\$ 1,339,546</u>	<u>\$ 944,186</u>

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
FINANCIAL STATEMENTS
MARCH 31, 2014
(unaudited)

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NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
BALANCE SHEET
MARCH 31, 2014
(unaudited)

Assets

Current assets:

Cash and cash equivalents	\$	206,664
Accounts receivable, net		369,539
Inventory		835,246
Prepaid expenses and other		12,132
Costs end estimates in excess of billings on uncompleted contracts		121,115
Total current assets		1,544,696
Property and equipment, net		72,151
Total assets	\$	<u>1,616,847</u>

Liabilities and Members' Equity

Current Liabilities:

Accounts payable	\$	7,212
Accrued expenses		14,766
Billings in excess of costs and estimated earnings on uncompleted contracts		331,965
Total current liabilities		353,943
Members' equity		1,262,904
Total liabilities and members' equity	\$	<u>1,616,847</u>

See the accompanying notes to financial statements.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
STATEMENTS OF INCOME AND MEMBER'S EQUITY
(unaudited)

	Three Months Ended March 31,	
	2014	2013
Contract revenue earned	\$ 566,737	\$ 1,549,440
Cost of revenue earned	364,687	806,111
Gross profit	<u>202,050</u>	<u>743,329</u>
Expenses:		
General and administrative	194,564	223,265
Depreciation and amortization	2,777	2,341
Total expenses	<u>197,341</u>	<u>225,606</u>
Net income	4,709	517,723
Member's equity, beginning of period	1,258,195	1,011,856
Member's equity, end of period	<u>\$ 1,262,904</u>	<u>\$ 1,529,579</u>

See the accompanying notes to financial statements.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,	
	2014	2013
Operating Activities		
Net income	\$ 4,709	\$ 517,723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,777	2,341
Changes in operating assets and liabilities:		
Accounts receivable, net	353,676	(779,038)
Inventory	(60,737)	(15,313)
Prepaid expenses and other	(4,838)	-
Costs and estimates in excess of billings on uncompleted contracts	(121,115)	(146,174)
Accounts payable	(615)	(53,032)
Accrued expenses	9,626	-
Billings in excess of costs and estimated earnings on uncompleted contracts	(38,050)	533,681
Net cash provided by operating activities	<u>145,433</u>	<u>60,188</u>
Financing Activities		
Repayment of loans from member	-	(50,000)
Net cash used for financing activities	<u>-</u>	<u>(50,000)</u>
Net increase in cash and cash equivalents	145,433	10,188
Cash and cash equivalents at beginning of year	61,231	116,628
Cash and cash equivalents at end of period	<u>\$ 206,664</u>	<u>\$ 126,816</u>

See the accompanying notes to financial statements.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014
(unaudited)

Note 1 - Nature of operations

North American Custom Specialty Vehicles, LLC (the "Company" or "NACSV") was organized on October 27, 2011, under the laws of the State of Alabama. The Company operates principally in the homeland security and public safety industries in the United States whereby the Company builds mobile command units for military, law enforcement, emergency management, and private sector companies.

The terms of the Organization Agreement provide that Brian A. Dekle serves as the Manager and owns 75% of the membership interests and that John Ramsay owns 25% of the membership interests. The Agreement also dictates that John Ramsay has no right to vote on any matters and that the Company's net profits or net losses shall be allocated to the members in proportion to their membership interests. Generally, the liability of the members of the Company is limited to the members' total capital contributions.

Note 2 - Summary of significant accounting policies

Revenue and cost recognition

Revenues from fixed-price and modified fixed-price construction contracts are recognized using the percentage-of-completion method of revenue recognition, measure by the percentage of cost incurred to date to estimated total cost for each contract. This method is used because management considers it to be the best available measure of progress on these contracts. Because of inherent uncertainties in estimating costs, it is possible that the estimates used will change within the near-term.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as payroll taxes and worker's compensation insurance premiums. Operating expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of revenues recognized.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Allowance for doubtful accounts

Accounts receivable is stated at cost, net of any allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of customers to meet their obligations. Based on management's evaluation of each customer, the Company considers all remaining accounts receivable to be fully collectible and, therefore, did not provide for an allowance for doubtful accounts.

Inventory

Inventory consists of the shells and components to be added to the mobile command units and is stated at the lower of cost (first-in, first-out) or market.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014
(unaudited)

Property and equipment

Property and equipment are carried at cost. Expenditures which materially increase values or extend useful lives are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged against income as incurred. The net gain or loss on items retired or otherwise disposed of is credited or charged to operations and the cost and accumulated depreciation are removed from the accounts.

Depreciation

A provision for depreciation of property and equipment is made on a basis considered adequate to amortize the related costs (net of salvage value) over their estimated useful lives using the straight-line method. Estimated useful lives are principally as follows: vehicles, 5 years; furniture and fixtures and office equipment, 5-10 years; leasehold improvements, 40 years; machinery and equipment 5-10 years.

Income taxes

The Company, with the consent of its members, has elected to be taxed as an S Corporation. In general, this election provides that income of the corporation passes through and is taxed directly to the members and not to the Company. Therefore, no provision or liability for income taxes is presented in these financial statements.

The Company is no longer subject to U.S. Federal and State of Alabama income tax examinations by the tax authorities for years before 2011.

Advertising

All advertising costs are expensed as incurred.

Shipping and handling

Shipping and handling costs are charged to the contract cost when incurred and are included in the costs of revenues earned.

Note 3 - Concentrations of credit risk

The Company maintains deposit accounts in two financial institutions. Deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At times, deposit accounts may be in excess of limits insured by the FDIC. There were no uninsured amounts at March 31, 2014.

The credit risk for trade accounts receivable is concentrated because the balance due from the one of the Company's largest customers comprises substantially the entire carrying amount. However, customer accounts typically are collected within a short period of time, and, based on its assessment of current conditions, management believes realization of losses on amounts outstanding as of March 31, 2014 will be immaterial. At March 31, 2014, one customer individually accounted for 96% of the Company's outstanding trade receivables. As of March 31, 2014, revenue recognized from one customer accounted for 89% of total revenue at March 31, 2014.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014
(unaudited)

Note 4 - Contracts in progress

Contracts in progress consisted of the following at March 31, 2014:

Costs incurred on uncompleted contracts	\$ 572,166
Estimated earnings	439,451
	<u>1,011,617</u>
Less billings to date	(1,222,467)
	<u>\$ (210,850)</u>
Included in the accompanying balance sheet under the following captions:	
Costs and estimates in excess of billings on uncompleted contracts	\$ 121,115
Billings in excess of costs and estimated earnings on uncompleted contracts	(331,965)
	<u>\$ (210,850)</u>

Note 5 - Inventory

Inventory consists of the following at March 31, 2014:

Materials inventory	\$ 65,767
Truck and trailer inventory	769,479
	<u>\$ 835,246</u>

Note 6 - Operating leases

On January 1, 2013 and again on January 1, 2014, the Company renewed a lease agreement for two buildings under a year-to-year operating lease with monthly rent payments totaling \$6,749. Total rent expense under this agreement for the three-month periods ended March 31, 2014 and 2013 was \$20,247 in both periods.

Note 7 - Backlog

The following schedule summarizes changes in backlog on construction contracts during the period ended March 31, 2014. Backlog represents the amount of estimated revenues the Company expects to realize from uncompleted contracts in progress at March 31, 2014 and from signed contractual agreements on work which has not yet begun.

Balance, December 31, 2013	\$ 903,002
New contacts and adjustment	1,140,630
	<u>2,043,632</u>
Less contract revenue earned	(551,927)
Balance, March 31, 2014	<u>\$ 1,491,705</u>

The Company has not entered into any new construction contracts since March 31, 2014.

NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014
(unaudited)

Note 8 - Subsequent events

On June 16, 2014, the Company's members executed an agreement to sell their membership interests. The sales agreement stipulates that the final purchase price, to be remunerated to the sellers in cash and shares of stock issued by the purchaser, is dependent upon numerous future financial events. Additionally, the selling members have agreed to certain covenants to protect the key assets involved in the purchase. The Company will continue operations as a subsidiary of the purchaser.

Subsequent events were evaluated through August 13, 2014, which is the date the financial statements were available to be issued.

GLOBAL DIGITAL SOLUTIONS, INC.
Unaudited Pro Forma Condensed Combined Financial Information

Basis of Pro Forma Presentation

On June 16, 2014 Global Digital Solutions, Inc. a New Jersey Corporation (the “Company”) acquired all of the outstanding membership interests of North American Custom Specialty Vehicles LLC, an Alabama limited liability company (“NACSV”) (the “Acquisition”). Effective with the closing of the transaction, NACSV became a wholly-owned subsidiary of the Company.

Under the purchase method of accounting the total estimated purchase price as described in Note 2 to this unaudited pro forma condensed combined financial information was allocated to the net tangible and intangible assets of NACSV acquired in connection with the Acquisition based on their estimated fair values. The estimated fair values of certain assets and liabilities have been determined by management and are subject to change upon the finalization of the purchase accounting.

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are directly attributable to the acquisition, factually supportable, and, with respect to the statements of operations, expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial information does not purport to be indicative of the financial position or results of operations of the Company that would have been reported had the Acquisition been completed as of the dates or for such periods presented, nor is it intended to project the Company's future financial position or results of operations. The unaudited pro forma condensed combined financial information and the accompanying notes should be read together with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2013, Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and NACSV's audited financial statements and accompanying notes for the year ended December 31, 2013 included in Exhibit 99.1 of this Current Report.

The unaudited pro forma condensed combined financial information as of and for the three months ended March 31, 2014 has been prepared from the Company's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2014 and from the unaudited financial statements of NACSV as of and for the three months ended March 31, 2014.

The unaudited pro forma condensed combined balance sheet as of March 31, 2014 has been prepared to present the Company's financial position as if the Acquisition had occurred on March 31, 2014. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2013 and for the three months ended March 31, 2014 have been prepared to present the Company's results of operations as if the Acquisition had occurred on January 1, 2013 and January 1, 2014, respectively.

The pro forma adjustments are based on preliminary estimates, available information and certain assumptions, which may be revised as additional information becomes available. The unaudited pro forma condensed combined financial information does not reflect any adjustments for nonrecurring items or anticipated synergies resulting from the Acquisition.

GLOBAL DIGITAL SOLUTIONS, INC.
Pro Forma Condensed Combined Balance Sheet
As of March 31, 2014
(Unaudited)

	GLOBAL DIGITAL SOLUTIONS, INC. HISTORICAL	NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Assets				
Current assets:				
Cash and cash equivalents	\$ 271,776	\$ 206,664	\$ 469,876(a)	\$ 948,316
Accounts receivable, net	-	369,539	-	369,539
Inventory	-	835,246	-	835,246
Notes receivable	1,494,876	-	(1,494,876)(a)	-
Prepaid expenses and other	73,055	12,132	-	85,187
Costs and estimates in excess of billings on uncompleted contracts	-	121,115	-	121,115
Total current assets	1,839,707	1,544,696	(1,025,000)	2,359,403
Property and equipment, net	-	72,151	-	72,151
Goodwill	-	-	975,848(b)	975,848
Intangibles	-	-	1,732,914(c)	1,732,914
Other assets	198	-	-	198
Total assets	<u>\$ 1,839,905</u>	<u>\$ 1,616,847</u>	<u>\$ 1,683,762</u>	<u>\$ 5,140,514</u>
Liabilities and Stockholders' Equity				
Current Liabilities:				
Accounts payable	\$ 29,643	\$ 7,212	\$ 111,241(d)	\$ 148,096
Accrued expenses	193,586	14,766	-	208,352
Convertible notes payable	535,559	-	-	535,559
Notes payable	25,000	-	-	25,000
Billings in excess of costs and estimated earnings on uncompleted contracts	-	331,965	-	331,965
Total current liabilities	783,788	353,943	111,241	1,248,972
Long-term liabilities	-	-	1,955,293(e)	1,955,293
Total liabilities	<u>783,788</u>	<u>353,943</u>	<u>2,066,534</u>	<u>3,204,265</u>
Stockholders' equity (deficit):				
Preferred stock	-	-	-	-
Common stock	101,025	-	5,078(f)	106,103
Additional paid – in capital	20,649,396	-	1,675,295(g)	22,324,691
Accumulated deficit	(19,694,304)	-	(800,241)(h)	(20,494,545)
Members' equity	-	1,262,904	(1,262,904)(i)	-
Total stockholders' equity (deficit)	<u>1,056,117</u>	<u>1,262,904</u>	<u>(382,772)</u>	<u>1,936,249</u>
Total liabilities and stockholders' equity	<u>\$ 1,839,905</u>	<u>\$ 1,616,847</u>	<u>\$ 1,683,762</u>	<u>\$ 5,140,514</u>

The accompanying notes are an integral part of this pro forma financial information.

GLOBAL DIGITAL SOLUTIONS, INC.
Pro Forma Condensed Combined Statement of Operations
For The Three Months Ended March 31, 2014
(Unaudited)

	GLOBAL DIGITAL SOLUTIONS, INC. HISTORICAL	NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Revenue	\$ -	\$ 566,737	\$ -	\$ 566,737
Cost of sales	-	364,687	-	364,687
Gross profit	-	202,050	-	202,050
Operating expenses:				
General and administrative	2,858,681	194,564	800,241(h)	3,853,486
Depreciation and amortization	-	2,777	86,646(j)	89,423
Other (income)/expense	-			
Interest income	(29,002)	-	-	(29,002)
Interest expense	6,250	-	-	6,250
Total costs and expenses	2,835,929	197,341	886,887	3,920,157
Income (loss) from operations before provision for income taxes	(2,835,929)	4,709	(886,887)	(3,718,107)
Provision for income taxes	-	-		-
Net income (loss)	\$ (2,835,929)	\$ 4,709	\$ (886,887)	\$ (3,718,107)
Loss per common share - basic and diluted:	\$ (0.03)			\$ (0.04)
Shares used in computing net loss per share - basic and diluted	98,551,895		5,078,622(k)	103,630,517

The accompanying notes are an integral part of this pro forma financial information.

GLOBAL DIGITAL SOLUTIONS, INC.
Pro Forma Condensed Combined Statement of Operations
For The Year Ended December 31, 2013
(Unaudited)

	GLOBAL DIGITAL SOLUTIONS, INC. HISTORICAL	NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, LLC HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Revenue	\$ -	\$ 5,172,955	\$ -	\$ 5,172,955
Cost of sales	-	3,381,638	-	3,381,638
Gross profit	-	1,791,317	-	1,791,317
Operating expenses:				
General and administrative	8,384,247	1,339,546	800,241(h)	10,524,034
Depreciation and amortization	-	9,652	346,583(j)	356,235
Gain on extinguishment of debt	(31,712)			(31,712)
Other (income) expense				-
Management fees	-	(218,604)	-	(218,604)
Other	-	(47,230)	-	(47,230)
Interest income	(59,701)	(99)	-	(59,800)
Interest expense	733,198	11,713	-	744,911
Total costs and expenses	9,026,032	1,094,978	1,146,824	11,267,834
Net income (loss) before provision for income taxes	(9,026,032)	696,339	(1,146,824)	(9,476,517)
Provision for income taxes	-	-	-	-
Income (loss) from continuing operations	(9,026,032)	696,339	(1,146,824)	(9,476,517)
Loss from discontinued operations	(271,221)			(271,221)
Net Income (loss)	<u>\$ (9,297,253)</u>	<u>\$ 696,339</u>	<u>\$ (1,146,824)</u>	<u>\$ (9,747,738)</u>
Loss per common share - basic and diluted:				
Loss from continuing operations	\$ (0.12)			\$ (0.12)
Loss from discontinued operations	\$ (0.00)			\$ (0.00)
Net loss	<u>\$ (0.12)</u>			<u>\$ (0.12)</u>
Shares used in computing net loss per share - basic and diluted	<u>74,484,164</u>		<u>5,078,622(k)</u>	<u>79,562,786</u>

The accompanying notes are an integral part of this pro forma financial information.

GLOBAL DIGITAL SOLUTIONS, INC.
Notes to Pro Forma Condensed Combined Financial Information
(Unaudited)

Note 1. Acquisition of NACSV

On June 16, 2014, the Company acquired all of the outstanding membership interests of NACSV in a transaction accounted for using the purchase method of accounting.

As consideration for the consummation of the Acquisition, at the closing of the Acquisition, the Company paid \$1,000,000 in cash to the selling members, and issued them shares of the Company's common stock valued at \$200,000 (the "Stock Consideration"). In connection with the Acquisition, the Company is required to make a true-up payment of the excess of total assets over \$1.2 million, estimated at \$816,373 payable in shares of the Company's common stock (the "True-Up Payment"), and additional consideration as certain events or transactions occur in the future, up to a maximum of \$2.4 million, payable in shares of the Company's common stock or in cash at the seller's option (the "Contingent Consideration").

The estimated purchase price of the Acquisition totaled \$3,971,666, comprised of \$1,000,000 in cash, the Stock Consideration of \$200,000, the True-Up Payment of \$816,373, and the fair value of the Contingent Consideration estimated at approximately \$1,955,293. The fair value of the Contingent Consideration was estimated based upon the present value of the expected future payouts of the Contingent Consideration and is subject to change upon the finalization of the purchase accounting.

Under the purchase method of accounting, the estimated purchase price of the Acquisition was allocated to NACSV's net tangible and identifiable intangible assets and liabilities assumed based on their estimated fair values as of the date of the completion of the Acquisition, as described in the introduction to this unaudited pro forma condensed combined financial information, as follows:

Assets Acquired:	
Cash and cash equivalents	\$ 206,664
Accounts receivable, net	369,539
Inventory	835,246
Prepaid expenses and other	12,132
Costs in excess of billings	121,115
Property and equipment, net	71,899
Customer relationships	1,733,076
Goodwill	975,938
	<u>4,325,609</u>
Liabilities assumed:	
Accounts payable	7,212
Accrued expenses	14,766
Billings in excess of costs	331,965
	<u>353,943</u>
Total estimated purchase price	<u>\$ 3,971,666</u>

Note 2. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined financial information are as follows:

- (a) To (i) reflect that the notes receivable have been repaid, (ii) record the \$1 million cash consideration transferred at closing of the Acquisition and (iii) record a \$25,000 due diligence fee paid.
- (b) To reflect the preliminary estimate of goodwill to be recorded in connection with the Acquisition.
- (c) To reflect the preliminary estimate of the fair value of amortizable intangible assets acquired, consisting of customer lists.
- (d) To record the professional fees payable in connection with the Acquisition.
- (e) To record a liability for the estimated fair value of the Contingent Consideration.
- (f) To record the par value of (i) the 645,161 issued to the sellers for the Stock Consideration, (ii) the estimated 2,633,461 shares to be issued to the sellers for the True-Up Payment, and (iii) the 1.8 million shares issued for acquisition services.
- (g) To record the additional paid in capital related to the shares issued or to be issued.
- (h) To expense the direct costs of the acquisition of (i) professional fees of \$111,241, (ii) due diligence fees of \$25,000 and (ii) acquisition services of \$664,000.
- (i) To reverse the historic members' equity of NACSV.
- (j) To record amortization of customer lists over an estimated 5-year useful life.
- (k) Represents (i) the 645,161 shares issued to the sellers for the Stock Consideration, (ii) the estimated 2,633,461 shares to be issued to the sellers for the True-Up Payment, and (iii) the 1.8 million shares issued for acquisition services.