SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GLOBAL DIGITAL SOLUTIONS INC

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

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2015

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

For the transition period from _____ to _____

Commission File Number: 000-26361

Global Digital Solutions, Inc.

(Exact name of registrant as specified in its charter)

New Jersey	**22-3392051**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
777 South Flagler Drive, Suite 800 West West Palm Beach, FL 33401	**(561) 515-6163**
(Address of principal executive offices, including zip code)	(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No þ

The number of shares outstanding of each of the issuer's classes of common stock as of the close of business on August 4, 2015 is as follows:

Class	Number of Shares
Common Stock: $0.001 Par Value	112,198,729

GLOBAL DIGITAL SOLUTIONS, INC.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

GLOBAL DIGITAL SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 147,840**	$ 160,102
Accounts receivable, net	**305,679**	302,400
Inventory	**226,897**	226,897
Prepaid expenses	**59,326**	81,498
Debt issuances fees, net	**29,633**	--
Total current assets	**769,375**	770,897
Property and equipment, net	**6,546**	9,040
Intangible asset	--	596,471
Deposits	**2,415**	2,882
Total assets	**$ 778,336**	$ 1,379,290
Liabilities and Stockholders' (Deficit) Equity		
Current Liabilities		
Accounts payable	**$ 36,480**	$ 281,726
Accrued expenses	**181,602**	197,578
Convertible notes payable, net of discount	**496,557**	--
Accrued interest on convertible notes	**33,326**	--
Derivative liability	**830,426**	--
Notes payable	**19,379**	58,258
Convertible notes payable to related parties, net of discount	--	40,707
Total current liabilities	**1,597,770**	578,269
Contingent consideration payable	**555,653**	648,615
Total liabilities	**2,153,423**	1,226,884
Commitments and Contingencies		
Stockholders' (deficit) equity		
Preferred stock, $0.001 par value, 35,000,000 shares authorized, none issued and outstanding	--	--
Common stock, $0.001 par value, 650,000,000 shares authorized, 111,142,278 and 108,291,855 shares issued and outstanding	**111,142**	108,292
Additional paid-in capital	**29,089,265**	28,559,677
Accumulated deficit	**(30,575,494)**	(28,515,563)
Total stockholders' (deficit) equity	**(1,375,087)**	152,406
Total liabilities and stockholders' (deficit) equity	**$ 778,336**	$ 1,379,290

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

GLOBAL DIGITAL SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Revenue	**$ 379,223**	$ 111,405	**$ 379,223**	$ 111,405
Cost of revenue	**256,841**	69,346	**256,841**	69,346
Gross profit	**122,382**	42,059	**122,382**	42,059
Operating expenses				
Selling, general and administrative expenses	**633,428**	3,834,260	**1,918,925**	6,690,676
Other (income)/expense				
Change in fair value of derivatives	**(1,575,168)**		**(456,881)**	--
(Gain) loss on extinguishment of debt	--	(387,642)	**22,170**	(387,642)
Reduction of contingent consideration for purchase price	--	--	**(280,461)**	--
Other Income	**(190,240)**	--	**(190,240)**	--
Interest income	--	(14,179)	--	(43,182)
Interest expense	**582,387**	2,931	**1,168,800**	9,181
Total (income) and expenses	**(549,593)**	3,435,370	**2,182,313**	6,269,033
Income (loss) from continuing operations before provision for income taxes	**671,975**	(3,393,311)	**(2,059,931)**	(6,226,974)
Provision for income taxes	--	--	--	--
Income (loss) from continuing operations	**671,975**	(3,393,311)	**(2,059,931)**	(6,226,974)
Loss from discontinued operations	--	(567)	--	(2,832)
Net income (loss)	**$ 671,975**	$ (3,393,878)	**$ (2,059,931)**	$ (6,229,806)
Income (loss) per common share – basic:				
Income (loss) from continuing operations	**$ 0.01**	$ (0.03)	**$ (0.02)**	$ (0.06)
Loss from discontinued operations	--	(0.00)	--	(0.00)
Net income (loss)	**$ 0.01**	$ (0.03)	**$ (0.02)**	$ (0.06)
Loss per common share – diluted:				
Loss from continuing operations	**$ (0.02)**	$ (0.03)	**$ (0.02)**	$ (0.06)
Loss from discontinued operations	--	(0.00)	--	(0.00)
Net loss	**$ (0.02)**	$ (0.03)	**$ (0.02)**	$ (0.06)
Shares used in computing net income (loss) per share:				
Basic	**111,068,179**	101,145,350	**108,781,293**	99,848,623
Diluted	**136,984,148**	101,145,350	**124,861,371**	99,848,623

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

GLOBAL DIGITAL SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2015	**2014**
Operating Activities		
Net loss	**$ (2,059,931)**	$ (6,229,806)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**35,941**	12,831
Stock- based compensation expense	**430,881**	4,521,909
Common stock & warrants issued in payment of services	**101,557**	604,168
Change in fair-value of embedded derivative liabilities of convertible notes	**(456,881)**	--
Non-cash amortization of debt issue costs	**94,487**	--
Loss (gain) on extinguishment of debt	**22,170**	(387,642)
Non-cash interest expense	**1,125,155**	9,181
Beneficial conversion feature of debt	**4,482**	--
Intangible asset impairment	**563,024**	--
Acquisition expenses settled with common stock	--	235,000
Reduction of contingent consideration for purchase price	**(280,461)**	--
Non cash acquisition expense	--	12,903
Changes in operating assets and liabilities:		
Accounts receivable	**(3,279)**	--
Inventory	--	5,000
Costs in excess of billings	--	(97,774)
Prepaid expenses and other assets	**22,639**	37,944
Accounts payable	**(245,246)**	48,162
Accrued expenses	**17,350**	507,057
Contingent consideration payable	**187,499**	--
Billings in excess of costs	--	13,631
Net cash used in operating activities	**(440,513)**	(707,436)
Investing Activities		
Repayment of loans to Airtronic	--	1,509,056
Loans to Airtronic	--	(43,182)
Payment for NACSV	--	(1,000,000)
NACSV cash acquired	--	135,425
Net cash provided by investing activities	--	601,299
Financing Activities		
Proceeds from convertible notes payable	**660,250**	--
Proceeds from notes payable	**32,735**	--
Proceeds from exercise of warrants	--	125,000
Debt issuance fees	**(124,120)**	--
Payments on other notes payable	**(71,614)**	(25,000)
Payment on convertible notes payable	**(69,000)**	(150,000)
Net cash provided by (used in) financing activities	**428,251**	(50,000)
Net decrease in cash and cash equivalents	**(12,262)**	(156,137)
Cash and cash equivalents at beginning of year	**160,102**	509,224
Cash and cash equivalents at end of period	**$ 147,840**	$ 353,087
Taxes paid	--	$ --
Interest paid	**$ 3,772**	$ --
Supplementary disclosure of non-cash investing and financing activities:		
Purchase of NACSV with common shares	**$ --**	$ 200,000

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

Note 1 – Organization and Summary of Significant Accounting Policies

We were incorporated in New Jersey as Creative Beauty Supply, Inc. ("Creative") in August 1995. In March 2004, Creative acquired Global Digital Solutions, Inc., a Delaware corporation ("Global"). The merger was treated as a recapitalization of Global, and Creative changed its name to Global Digital Solutions, Inc. Our current efforts are focused in the area of cyber arms technology and complementary security and technology solutions. From August 2012 through November 2013 we were actively involved in managing Airtronic USA, Inc. ("Airtronic"). Effective as of June 16, 2014 we acquired North American Custom Specialty Vehicles ("NACSV").

Summary of Significant Accounting Policies

Principles of Consolidation
The accompanying unaudited consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, NACSV, GDSI Florida, LLC and Global Digital Solutions, LLC, dba GDSI International. All intercompany accounts and transactions have been eliminated in consolidation. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2014, included in our Annual Report on Form 10-K (the "2014 Form 10-K"). The unaudited consolidated statements of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the entire year.

Use of Estimates
The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires us to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, including those related to include allowance for doubtful accounts receivable, provision for excess and obsolete inventory, valuation of intangible and long-lived assets, fair value of convertible debt and derivative liabilities, contingent liabilities, income taxes and share-based compensation expense, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. In the opinion of the Company's management, all adjustments (including normal recurring adjustments) considered necessary to present fairly the unaudited consolidated financial statements have been made.

Financial Condition and Liquidity
The accompanying financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. We have sustained losses and experienced negative cash flows from operations since inception, and at June 30, 2015 had an accumulated deficit of $30,575,494, cash and cash equivalents of $147,840, a working capital deficit of $828,395 and stockholders' deficit of $1,375,087. We have funded our activities to date primarily from equity and convertible debt financings. These factors raise substantial doubt about our ability to continue as a going concern.

We will continue to require substantial funds to continue development of our core business. Management's plans in order to meet our operating cash flow requirements include (i) financing activities such as private placements of common stock, and issuances of debt and convertible debt instruments, (ii) the establishment of strategic relationships which we expect will lead to the generation of additional revenue or acquisition opportunities and (iii) the acquisition of additional businesses that provide complementary security and technology solutions.

While we believe that we will be successful in obtaining the necessary financing to fund our operations, there are no assurances that such additional funding will be achieved or that we will succeed in our future operations. We expect to raise additional funds through additional convertible debt offerings in the future.

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern as a result of our history of net losses and negative cash flows from operations. Our ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to successfully execute the plans to pursue acquisitions and raise the funds necessary to complete such acquisitions as more fully described in our 2014 Form 10-K. We will need to secure additional funds to finance our operations during the next twelve months, but there are no assurances that such additional funding will be achieved or that we will succeed in our future operations.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Revenue and Cost Recognition

In accordance with GAAP, revenue under fixed-price contracts is accounted for on the percentage-of-completion method. This methodology recognizes revenue and earnings as work progresses on the contract and is based on an estimate of the revenue and earnings earned to date, less amounts recognized in prior periods. We base our estimate of the degree of completion of the contract by reviewing the relationship of costs incurred to date to the expected total costs that will be incurred on the project. Estimated contract earnings are reviewed and revised periodically as the work progresses, and the cumulative effect of any change in estimate is recognized in the period in which the change is identified. Estimated losses are charged against earnings in the period such losses are identified. We recognize revenue arising from contract claims either as income or as an offset against a potential loss only when the amount of the claim can be estimated reliably and realization is probable and there is a legal basis of the claim. 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.

Revenue for service and refurbishment work is recognized when the job is complete.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and accounts receivable.

Allowance for doubtful accounts

We record accounts receivable at the invoiced amount and we do not charge interest. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. We review the accounts receivable by customers which are past due to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. Allowance for doubtful accounts was $104,085 and $104,085 at June 30, 2015 and December 31, 2014, respectively.

Inventory

Inventory consists of the in progress mobile command unit 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 expensed 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.

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, term of lease or 15 years, whichever is less; machinery and equipment 5-10 years.

Intangible Asset

Our intangible asset at December 31, 2014, consisted of customer relationships, which arose from the acquisition of NACSV in June 2014, and were being amortized over its expected economic life of five years. The life was determined based upon the expected use of the asset, and other contractual provisions associated with the asset, the estimated average life of NACSV's products, the stability of the industry, and other factors deemed appropriate. We continually evaluated whether events or circumstances occurred that indicated the remaining estimated useful life of our customer relationships asset may warrant revision or that the remaining balance of such asset may not be recoverable. We used an estimate of the related discounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. Based on our current valuation, we determined that the value of the customer relationships was fully impaired during the six months ended June 30, 2015, as more fully discussed in Note 5 – *Intangible Asset*.

Fair Value Measurements

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and short-term debt approximate fair value due to their relatively short maturities.

Convertible Notes Payable With Fixed Conversion Options

We have entered into convertible notes payable with related parties that contain conversion options, whereby the outstanding principal and accrued interest may be converted, by the holder, into shares of our common stock. In the case of the convertible notes payable with related parties, the conversion price was a fixed price, which represented a 30% discount to the price of our common stock at the time of issuance. We measure the fair value of the notes payable at the time of issuance, which is the result of the share price conversion discount, and record the discount (beneficial conversion feature) as a reduction of debt. We then accrete the discount as interest expense utilizing the effective interest rate method over the life of the debt.

Derivative Financial Instruments

Beginning during the six months ended June 30, 2015, we have issued convertible notes payable to third parties, which contain variable conversion options allowing the holders to convert the notes payable into shares of our common stock at discounts ranging from 39% to 40%. Each of these notes is more fully described in Note 6, *Notes Payable.*

We account for these conversion options embedded in the convertible notes payable in accordance with ASC 815, *"Derivatives and Hedging"*. Subtopic ASC 815-15, *Embedded Derivatives* generally requires companies to bifurcate conversion options embedded in the convertible notes from their host instruments and to account for them as free standing derivative financial instruments. Derivative liabilities are recognized in the consolidated balance sheet at fair value as *Derivative Liabilities* and based on the criteria specified in FASB ASC 815-40, *Derivatives and Hedging – Contracts in Entity's own Equity*. The estimated fair value of the derivative liabilities is calculated using the Black-Scholes-Merton pricing model and such estimates are revalued at each balance sheet date, with changes recorded to other income or expense as *Change in Fair Value – Derivatives* in the consolidated statement of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or equity, is evaluated at the instrument origination date and reviewed at the end of each event date (i.e. conversions, payments, etc.) and the measurement period end date for financial reporting, as applicable. Derivative instrument liabilities are classified on the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument would be required within twelve months of the balance sheet date.

Convertible Securities

Based upon ASC 815-15, we have adopted a sequencing approach regarding the application of ASC 815-40 to convertible securities issued subsequent to December 31, 2014. We will evaluate our contracts based upon the earliest issuance date. In the event partial reclassification of contracts subject to ASC 815-40-25 is necessary, due to our inability to demonstrate we have sufficient shares authorized and unissued, shares will be allocated on the basis of issuance date, with the earliest issuance date receiving first allocation of shares. If a reclassification of an instrument were required, it would result in the instrument issued latest being reclassified first.

Provision for Income Taxes

Income taxes are calculated based upon the asset and liability method of accounting. Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard to allow for recognition of such an asset. In addition, realization of an uncertain income tax position must be estimated as "more likely than not" (i.e., greater than 50% likelihood of receiving a benefit) before it can be recognized in the financial statements. Further, the recognition of tax benefits recorded in the financial statements, if any, is based on the amount most likely to be realized assuming a review by tax authorities having all relevant information.

Stock Based Compensation

We adopted the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, "Compensation – Stock Compensation". Under the fair value recognition provisions, we are required to measure the cost of employee services received in exchange for share-based compensation measured at the grant date fair value of the award.

The Company's accounting policy for equity instruments issued to advisors, consultants and vendors in exchange for goods and services follows the provisions of ASC 505-50. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the advisor, consultant or vendor is reached or (ii) the date at which the advisor, consultant or vendor's performance is complete. In the case of equity instruments issued to advisors and consultants, the fair value of the equity instrument is recognized over the term of the advisor or consulting agreement. Stock-based compensation related to non-employees is accounted for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable.

Advertising

All advertising costs are expensed as incurred.

Basic and Fully Diluted Income (Loss) Per Share

Basic income (loss) per common share is computed by dividing the income (loss) by the weighted-average number of common shares outstanding for the period. Diluted income (loss) per common share gives effect to all potentially dilutive common shares that were outstanding during the period. Diluted common shares consist of incremental shares issuable upon the conversion of convertible notes payable, restricted stock, unvested stock issuable for services and the exercise of outstanding stock options and warrants to the extent that such incremental shares are dilutive.

Contingent consideration for business acquisitions

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. Contingent consideration is required to be recognized at fair value as of the acquisition date. We estimate the fair value of these liabilities based on financial projections of the acquired companies and estimated probabilities of achievement. At each reporting date, the contingent consideration obligation is revalued to its estimated fair value and changes in fair value subsequent to the acquisition are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

Deferred financing fees

We amortize the cost incurred to obtain debt financing using the straight-line method over the expected term of the underlying obligations. The amortization of deferred financing costs is included in selling, general and administrative expense. We recognized $61,020 and $25,000 of expense related to the amortization of deferred financing costs during the three months ended June 30, 2015 and 2014, respectively, and $113,845 and $100,000 during the six months ended June 30, 2015 and 2014, respectively.

Subsequent Events

We evaluate events that occur subsequent to the balance sheet date of periodic reports, but before financial statements are issued for periods ending on such balance sheet dates, for possible adjustment to such financial statements or other disclosure.

New Accounting Standards Issued But Not Yet Adopted

From time to time, new accounting pronouncements are issued by the FASB, which are adopted by the Company as of the specified date. Unless otherwise discussed, management believes the impact of recently issued standards, which are not yet effective, will not have a material impact on its consolidated financial statements upon adoption.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for us on January 1, 2016, with early adoption permitted. We do not believe that this pronouncement will have an impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03").* The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU 2015-03. ASU 2015-03 is effective for us on January 1, 2016, with early adoption permitted. We are currently evaluating the potential changes from this ASU to our future financial reporting and disclosures.

Note 2 – Acquisition of North American Custom Specialty Vehicles, LLC ("NACSV")

On June 16, 2014, we acquired all of the outstanding membership interest of NACSV in a transaction accounted for using the purchase method of accounting (the "Acquisition"). NACSV specializes in building mobile emergency operations centers ("MEOC's") and specialty vehicles for emergency management, first responders, national security and law enforcement operations.

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 645,161 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, valued 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"). Additionally, the Company issued 1.8 million shares of common stock for acquisition services rendered in conjunction with the Acquisition valued at $664,000. The Company recorded nonrecurring charges of $843,488 during the year ended December 31, 2014 related to the direct costs of the Acquisition, consisting of the $664,000 value of the shares of common stock issued for acquisition services and $179,488 of cash costs for legal, accounting fees and due diligence fees.

The purchase price of the Acquisition totaled $2,713,079, 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 of $696,706. The fair value of the Contingent Consideration was estimated based upon the present value of the expected future payouts. On October 17, 2014, we issued 2,635,074 shares of our common stock valued at $0.31 as settlement for the True-Up Payment.

Under the purchase method of accounting, the 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 follows:

Assets Acquired:	
Cash and cash equivalents	$ 135,425
Accounts receivable, net	370,481
Inventory	73,140
Prepaid expenses	26,004
Costs in excess of billings	570,787
Property and equipment, net	68,157
Customer relationships	668,940
Goodwill	1,156,192
	3,069,126
Liabilities assumed:	
Accounts payable	35,724
Accrued expenses	2,087
Notes payable	304,605
Billings in excess of costs	13,631
	356,047
Total purchase price	$ 2,713,079

The fair values of certain assets and liabilities have been determined by management. No portion of the intangible assets, including goodwill, is expected to be deductible for tax purposes. During the fourth quarter of 2014, based on the annual testing for impairment, the implied value of the goodwill acquired in the Acquisition was nil and, accordingly, we recorded a goodwill impairment charge for the full amount of the goodwill of $1,156,192 as of December 31, 2014.

The results of operations of NACSV are included in the Company's consolidated statements of operations from the date of the acquisition of June 16, 2014. The following supplemental pro forma information assumes that the Acquisition had occurred as of January 1, 2014:

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Revenue	$ 1,604,114	$ 2,170,851
Net Loss	$ (2,896,786)	$ (5,728,005)
Loss per common share - basic and diluted	$ (0.03)	$ (0.06)

The pro forma financial information presented above is not necessarily indicative of the results that would have occurred if the Acquisition had occurred on the dates indicated or that may result in the future.

Note 3 – Financial Instruments

Cash and Cash Equivalents

Our cash and cash equivalents at June 30, 2015 and December 31, 2014 consisted of the following:

	2015	2014
Cash in bank	$ 147,840	$ 160,102
Cash and cash equivalents	$ 147,840	$ 160,102

We classify highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents. We maintain cash balances at various financial institutions. Balances at US banks are insured by the Federal Deposit Insurance Corporation up to $250,000. We have not experienced any losses in such accounts and believe we have not been exposed to any significant risk for cash on deposit. While as of June 30, 2015 and December 31, 2014, we did not have uninsured cash amounts, in the past we have had deposits in excess of the insurance limit. We maintain our balances with high quality financial institutions, which we believe reduces any risk.

Note 4 – Inventory

Inventory consists of the following at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Assets:		
Trailer inventory	**$ --**	$ 187,881
Work in process	**226,897**	226,897
	226,897	414,778
Less: Reserve for inventory loss	--	(187,881)
Total	**$ 226,897**	$ 226,897

We had established a reserve for inventory loss for $187,881 of trailer inventory on hand at NACSV at December 31, 2014. Pursuant to the terms of the Equity Purchase Agreement between the Company and the NACSV sellers, all of the proceeds from the sale of this inventory were to be paid to the NACSV sellers and thus the Company's net realizable value on this inventory, which was sold during the three months ended June 30, 2015, was zero.

Note 5 – Intangible Asset

At December 31, 2014, we had an intangible asset of $596,471, which was comprised of customer relationships. During the three and six months ended June 30, 2015, amortization of the intangible asset charged against income amounted to $0 and $33,447, respectively, and during the three and six months ended June 30, 2014, amortization of the intangible asset charged against income amount to $12,322 and $12,322, respectively. The customer relationships arose from the Acquisition as more fully discussed in Note 2, *Acquisition of North American Custom Specialty Vehicles, LLC ("NACSV")*. In accordance with ASC 360-10, we continually evaluated whether events or circumstances have occurred that indicate the remaining estimated useful life of our customer relationships asset may warrant revision or that the remaining balance of such asset may not be recoverable. Based on valuation for the first quarter of 2015, we determined that the remaining value of the customer relationships of $563,024 was impaired as of March 31, 2015. Therefore, we recorded an intangible asset impairment loss of $563,024 as a component of our selling, general and administrative expenses in our unaudited consolidated statement of operations for the six months ended June 30, 2015. This was due in part to the lack of revenue from sales of NACSV's products during the three-months ended March 31, 2015, as well as to our expectations regarding future estimated discounted cash flows attributable to such asset. We have filed legal proceedings against the sellers of NACSV as more fully discussed in Note 8 – *Commitments and Contingencies*. We believe that certain misrepresentations were made to us regarding the business prospects of NACSV. In addition to the legal issue discussed in Note 8, we intend to pursue additional legal remedies related to NACSV's business prospects.

Note 6 – Notes Payable

Convertible Notes Payable with Embedded Derivative Liabilities (Conversion Options)

During the six months ended June 30, 2015, we entered into convertible notes payable with embedded derivative liabilities (conversion options). At June30, 2015, these notes consist of the following:

	June 30, 2015
Note for $78,750 to LG Capital Funding, LLC ("LG Capital") dated January 16, 2015, due January 16, 2016, net of discount of $6,491, bearing interest at the rate of 8% per annum. Note may be prepaid until 180 days after issuance subject to prepayment penalties of up to a 145% multiple of the principal, interest and other amounts owing. Note may be converted by LG Capital at any time after 180 days of the date of closing into shares of our common stock at a conversion price equal to a 40% discount of the lowest closing bid price for 20 prior trading days including the notice of conversion date. (1)(2)	$ 72,259
Note for $66,000 to JSJ Investments Inc. ("JSJ") dated January 26, 2015, due January 26, 2016, net of discount of $9,116, including an original issue discount of $6,000, bearing interest at 10% per annum. Note may be converted by JSJ at any time into shares of our common stock at a conversion price equal to the lower of (i) a 40% discount of the lowest trading price during the previous twenty (20) trading days prior to the date of conversion; or (ii) a 40% discount to the lowest trading price during the previous twenty (20) trading days before the date that the note was executed. (1)(2)	56,884
Note for $35,000 to Adar Bays, LLC ("Adar Bays") dated January 26, 2015, due January 26, 2016, net of discount of $4,836, bearing interest at the rate of 8% per annum. Note may be prepaid until 180 days following issuance subject to prepayment penalties up to a 145% multiple of the principal, interest and other amounts owing. Note may be converted by Adar Bays at any time after 180 days of issuance into shares of our common stock at a conversion price equal to a 40% discount of the lowest closing bid price for 20 prior trading days including the notice of conversion date. (1)(2)	30,164
Note for $250,000 to JMJ Financial ("JMJ") of which $82,500 was deemed funded on January 28, 2015, net of discount of $12,307, including an original issue discount of $7,500 and $27,500 was deemed funded on April 28, 2015, net of discount of $16,218 ,including an original issue discount of $2,500. The principal amount matures 24 months from the date of each funding, has a one-time 12% interest charge as it was not repaid within 90 days of the effective date, and is convertible at any time at the option of JMJ into shares of our common stock at the lesser of $0.075 per share or 60% of the average of the trade price in the 25 trading days prior to conversion. JMJ has the option to finance additional amounts up to the balance of the $250,000 during the term of the note. (1)(2)(3)	81,475
Note for $250,000 to Vista Capital Investments, LLC ("Vista") of which $55,000 was deemed funded on February 9, 2015, net of discount of $10,331, including an original issue discount of $5,000. Note matures 24 months from the date funded, has a one-time 12% interest charge as it was not repaid within 90 days following the issuance date and may be convertible at the option of Vista at any time after the issuance date into shares of our common stock at the lesser of $0.10 per share or 60% of the lowest trade occurring during the twenty five (25) consecutive trading days immediately preceding the applicable conversion date on which the holder elects to convert all or part of the note, subject to adjustment. Vista has the option to finance additional amounts, up to the balance of the $250,000, during the term of the note. (1)(2)(3)	44,669

Note for $115,000 to KBM Worldwide, Inc. (“KBM”) dated February 17, 2015, due February 17, 2016, net of discount of $29,862, including an original issue discount of $11,000, bearing interest at 8% per annum. Note can be prepaid, at redemption premiums ranging from 10% to 35%, until 180 days following the date of issuance and is convertible at a price per share equal to 61% of the average of the lowest three trading prices of our common stock during the 10 trading days prior to conversion. If, at any time the note is outstanding, we issue or sell, or are deemed to have issued or sold, any shares of our common stock in connection with a subsequent placement for no consideration or for a consideration per share based on a variable price formula that is less than the conversion price in effect on the date of such issuance of shares of our common stock, then the conversion price will be reduced to the amount of the consideration per share received for such issuance.(1) (2)	85,138
Note for $68,000 to EMA Financial, LLC (“EMA”) dated February 19, 2015, due February 19, 2016, net of discount of $18,409, including an original issue discount of $6,800, bearing interest at 10% per annum. Note can be prepaid, at a redemption premium of 50%, until 180 days following the issuance date and is convertible into shares of our common stock at a price per share equal to the lower of either (i) the closing sale price of our common stock on the day prior to the closing date, and (ii) 60% of the lowest trade price of our common stock during the twenty five (25) consecutive trading days prior to conversion.(1)(2)	49,591
Note for $220,000 to Tangiers Investment Group, LLC (“Tangiers”) of which $82,500 was deemed funded on March 10, 2015, due March 8, 2016, net of discount of $30,709, including an original issue discount of $7,500, bearing interest at the rate of 10% per annum. Note can be prepaid in whole or in part within 180 days, at redemption premiums ranging from 15% to 35% of the funded amount plus accrued interest. Note is convertible at any time into our common stock, at Tangiers's option, at a conversion price equal to the lower of $0.04 or 60% of the lowest trading price of our common stock during the twenty consecutive trading days prior to the date on which Tangiers elects conversion. Tangiers has the option to finance additional amounts, up to the balance of the $220,000, during the term of the note. (1) (2)	51,791
Note for $50,000 to Vis Vires, Group Inc. (“Vis Vires”) dated April 3, 2016 bearing interest at 8% per annum, due April 2, 2016, net of discount of $25,114. Note can be prepaid, at redemption premiums ranging from 15% to 45%, until 180 days following the issuance date. Note is convertible at a price per share equal to 60% of the average of the lowest trading price of our common stock during the 20 trading days prior to conversion.(1) (2)	24,586
Total convertible notes payable with embedded derivative liability	$ 496,557

(1) Note contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rate under the note in the event of such defaults.
(2) The embedded derivative liability associated with the conversion option of the note was bifurcated from the note and recorded at its fair value on the date of issuance and at each reporting date.
(3) We have classified this note as current due to our expectation to convert the note on a current basis.

The total estimated fair value of the embedded derivative liability associated with the conversion options of these convertible notes payable at inception was $1,287,307 of which $613,950 was discounted against the notes and is being accreted as interest expense over the term of the notes and $673,357 was recorded as interest expense upon issuance. See Note 7, *Fair Value Measurements*, for a discussion of the changes in the fair value of the embedded derivative liability during the six months ended June 30, 2015.

Convertible Notes Payable to Related Parties
Convertible notes payable to related parties at December 31, 2014 consist of the following:

	June 30, 2015	December 31, 2014
Convertible note payable to an entity controlled by our Chairman and Chief Executive Officer ("CEO"), bore interest at 8% per annum, due December 8, 2016. After June 6, 2015, at the option of the holder, principal plus accrued interest was convertible into shares of our common stock at $0.09 per share. The note was fully repaid in cash during the six months ended June 30, 2015	$ --	$ 37,500
Convertible note payable to our former Chief Financial Officer ("CFO"), bore interest at 8% per annum, due December 8, 2016. After June 6, 2015, at the option of the holder, principal plus accrued interest was convertible into shares of our common stock at $0.09 per share. The note was fully repaid in cash during the six months ended June 30, 2015.(1)	--	31,500
	--	69,000
Add: Accrued interest	--	363
Less: Unamortized debt discount	--	(28,656)
Convertible notes payable to related parties	$ --	$ 40,707

The 8% convertible notes payable to related parties was convertible into common stock at the rate of $0.09 per share. The Company determined that the conversion feature was considered a beneficial conversion feature and determined its value to be $30,667 as of December 8, 2014, which the Company recorded as a debt discount to the notes. As a result of the repayment of the notes in six months ended June 30, 2015, $22,170 of the unamortized debt discount was recorded as a loss on extinguishment of debt in the six months ended June 30, 2015.

(1) Our former CFO retired effective April 10, 2015.

Other Note Payable
In September 2014 we entered into a premium finance agreement bearing interest at 5.35% with 10 equal monthly payments of principal and interest of $9,862, no payments remain owing on the note as of June 30, 2015. In January 2015, we entered into a second premium finance agreement bearing interest at 9.250% with 10 equal monthly payments of principal and interest of $3,414, of which six payments remain owing as of June 30, 2015.

Interest Expense
We recorded interest expense of $582,387 and $2,931 during the three months ended June 30, 2015 and 2014, respectively, including $545,996 and $2,931 of non-cash interest expense, respectively. We recorded interest expense of $1,168,800 and $9,181 during the six months ended June 30, 2015 and 2014, respectively, including $1,125,155 and $9,181 of non-cash interest expense, respectively. Given the significant amount of non-cash interest expense associated with the amortization of debt discount and the embedded derivative conversion option fair value of the convertible notes payable, the weighted average effective interest rate for the three and six months ended June 30, 2015 was not a meaningful number.

Note 7 - Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable directly or indirectly.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

We had no Level 1, Level 2 or Level 3 assets at June 30, 2015 and December 31, 2014 and no Level 1 or Level 2 liabilities at June 30, 2015 and December 31, 2014. The following table sets forth our Level 3 liabilities measured at fair value, whether recurring or non-recurring, at June 30, 2015 and December 31, 2014.

	June 30, 2015	December 31, 2014
Liabilities:		
Recurring: Embedded derivative liabilities of convertible notes	$ 830,426	$ --
Recurring: Contingent Consideration	$ 555,653	$ 648,615

The following is a summary of activity of Level 3 liabilities for the six months ended June 30, 2015:

	Embedded Derivative Liabilities of Convertible Notes	Contingent Consideration
Balance at December 31, 2014	$ --	$ 648,615
Initial fair value of embedded derivative liabilities of convertible notes payable issued during the six month	1,287,307	--
Change in fair value during the six months	(456,881)	(92,962)
Balance at June 30, 2015	$ 830,426	$ 555,653

Embedded Derivative Liabilities of Convertible Notes

The initial fair value of the bifurcated embedded derivative liabilities of convertible notes was estimated using the Black Scholes Merton ("BSM") pricing model with the following weighted-average inputs: risk free interest rate – 0.08%; expected life -.49 years: volatility - 339%; dividend rate – 0%. At June 30, 2015, the fair value of the bifurcated embedded derivative liabilities of convertible notes was estimated using the BSM pricing model with the following weighted-average inputs: risk free interest rate – .01%; term - .25 years; volatility - 165%; dividend rate – 0%.

Contingent Consideration

ASC Topic 805 requires that contingent consideration be recognized at fair value on the acquisition date and be re-measured each reporting period with subsequent adjustments recognized in the consolidated statement of operations. We estimate the fair value of contingent consideration liabilities based on financial projections of the acquired companies and estimated probabilities of achievement and discount the liabilities to present value using a weighted-average cost of capital. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. We believe our estimates and assumptions are reasonable, however, there is significant judgment involved. At each reporting date, the contingent consideration obligation is revalued to its estimated fair value, and changes in fair value subsequent to the acquisitions are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to, and volatility in, our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

As of June 30, 2015 and December 31, 2014, contingent consideration included in liabilities on the consolidated balance sheet totaled $555,653 and $648,615, respectively. The reduction in the value of contingent consideration of $92,262 during the six month ended June 30, 2015 was due in part to the lack of revenue from sales of NACSV's products during the first quarter of 2015, our current expectations regarding future revenue and earnings estimates associated with NACSV as well as the reversal of a liability to NACSV of $190,240 related to equipment held by NACSV and that we believe we no longer owe. We have filed legal proceedings against the sellers of NACSV as more fully discussed in Note 8 – *Commitments and Contingencies*.

Carrying Value of Other Current Assets and Other Current Liabilities

The Company's management considers the carrying values of other current assets and other current liabilities to approximate fair values primarily due to their short-term nature.

Note 8 – Commitments and Contingencies

Legal Proceedings

Dekle, et. al. v. Global Digital Solutions, Inc. et. al.

Brian A. Dekle and John Ramsay filed suit against the Company and its wholly owned subsidiary, North American Custom Specialty Vehicles, Inc. ("NACSV"), in the Circuit Court of Baldwin Alabama, on January 14, 2015, case no. 05-CV-2015-9000050.00, relating to our acquisition of NACSV (the "Dekle Action"). Prior to instituting the Dekle Action, in June 2014, the Company had entered into an equity purchase agreement with Dekle and Ramsay to purchase their membership interest in North American Custom Specialty Vehicles, LLC. The Dekle Action originally sought payment for $300,000 in post-closing consideration Dekle and Ramsay allege they are owed pursuant to the equity purchase agreement.

On February 9, 2015, the Company and NACSV removed the Dekle Action to federal court in the United States District Court in and for the Southern District of Alabama, case no. 1:15-CV-00069. The Company and NACSV subsequently moved to dismiss the complaint for (1) failing to state a cause of action, and (2) lack of personal jurisdiction. Alternatively, the Company and NACSV sought a transfer of the case to the United States District Court in and for Middle District of Florida.

In response to the Company's and NACSV's motion to dismiss, Dekle and Ramsay filed an amended complaint on March 2, 2015 seeking specific performance and alleging breach of contract, violations of Security and Exchange Commission ("SEC") Rule 10b-5, and violations of the Alabama Securities Act. The amended complaint also names the Company's Chairman, President, and CEO, Richard J. Sullivan ("Sullivan"), as a defendant. On March 17, 2015, the Company, NACSV and Sullivan filed a motion to dismiss the amended complaint seeking dismissal for failure to state valid causes of action, for lack of personal jurisdiction, or alternatively to transfer the case to the United States District Court in and for Middle District of Florida. Dekle and Ramsay's responded on March 31, 2015, and the Company filed its response thereto on April 7, 2015.

On June 2, 2015, Dekle passed away. On June 5, 2015, the Court denied the Company's motion to transfer the case to Florida. On June 10, 2015, the Company filed a motion to reconsider the Court's denial of its motion to transfer the case to Florida. The renewed motion to transfer case to Florida is currently pending before the Court.

On June 15, 2015, Ramsay filed a second amended complaint. On June 25, 2015, the Company filed a motion to dismiss the second amended complaint. Dekle and Ramsay were due to respond to the Company's motion to dismiss on or before July 10, 2015. On July 17, 2015, Ramsay filed a motion for extension of time to respond to the motion to dismiss or alternatively to stay the proceedings in light of Dekle's death. Ramsay's motion for extension of time or to stay proceedings is currently pending before the court.

Global Digital Solutions, Inc. et. al. v. Communications Laboratories, Inc., et. al.
On January 19, 2015 the Company and NACSV filed suit against Communications Laboratories, Inc., ComLabs Global, LLC, Roland Lussier, Brian Dekle, John Ramsay and Wallace Bailey for conversion and breach of contract in a dispute over the payment of a $300,000 account receivable that ComLabs owed to NACSV but sent payment directly to Brian Dekle. The case was filed in the Eighteenth Judicial Circuit in and for Brevard County Florida, case no. 05-2015-CA-012250-XXXX. On February 18, 2015 (i) defendants Communications Laboratories, Inc., ComLabs Global, LLC and Roland Lussier and (ii) defendant Wallace Bailey filed their respective motions to dismiss seeking, among other things, dismissal for failure to state valid causes of action, lumping and failure to post a non-resident bond. On February 26, 2015, defendants Dekle and Ramsay filed their motion to dismiss, or stay action, based on already existing litigation between the parties. NACSV filed its required bond on March 2, 2015.

Note 9 - Stockholders' Equity and Stock Based Compensation

Preferred Stock
We are authorized to issue 35,000,000 shares of preferred stock, $0.001 par value per share, at June 30, 2015. At June 30, 2015 and December 31, 2014, no shares of preferred stock were outstanding.

Common Stock
Effective May 18, 2015, we increased the number of authorized shares of our common stock from 450,000,000 to 650,000,000 shares. At June 30, 2015, of the 650,000,000 authorized shares of our common stock, 111,142,278 were issued and outstanding.

During the six-month period ended June 30, 2015, we granted 1,500,000 restricted shares of our common stock valued at $60,000 to two advisors. These restricted shares vested over an 85 day period and were fully vested at June 30, 2015. At June 30, 2015, the Company recorded $60,000 for advisory services, representing the value of the 1,500,000 shares vested. During the six months ended June 30, 2015, 687,500 shares of restricted common stock granted during the year ended December 31, 2014, vested and the Company recorded $244,787 for advisory services, representing the value of the shares vested. During the six months ended June 30, 2015, we recorded $25,872 of advisory services expense related to 1 million restricted stock units granted during the year ended December 31, 2014, and vesting over a three-year period commencing on January 1, 2015. In addition, 250,000 restricted common shares granted during the year ended December 31, 2014, vested and the Company recorded $75,000 as investor relations fees. During the six months ended June 30, 2015, the Company issued 362,926 shares of restricted common stock for services related to debt financing and recorded $21,558 as debt issue fees and the Company vested 50,000 shares of restricted common stock for legal fees valued at $4,999.

Common Stock Warrants
We have issued warrants, which are fully vested and available for exercise, as follows:

Class of Warrant	Issued in connection with or for	Number Outstanding	Exercise Price	Date of Issue	Date Vest	Date of Expiration
A-1	Debt	1,750,000	$ 0.10	December 2012	December 2013	December 2015
A-2	Services	1,000,000	$ 0.15	May 2013	May 2014	May 2018
A-3	Services	500,000	$ 0.50	June 2013	June 2014	June 2018
A-4	Services	1,000,000	$ 1.00	October 2013	October 2013	October 2016
Total		4,250,000				

As of December 31, 2014 the fair value of warrants had been fully amortized. All such warrants are exercisable at any time through the date of expiration. All related agreements provide for the number of shares to be adjusted in the event of a stock split, a reverse stock split, a share exchange or other conversion or exchange event in which case the number of warrants and the exercise price of the warrants shall be adjusted on a proportional basis.

The intrinsic value of warrants outstanding at June 30, 2015 was $0. Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the fiscal period in excess of the exercise price of the warrant multiplied by the number of warrants outstanding or exercisable.

We determined the value of warrants issued using the BSM valuation model as follows:

Warrant	Fair Value	Dividend Yield	Volatility	Contractual Lives (Yrs.)	Risk-Free Rate
A-1	$ 210,000	0.00%	593.00%	2.0	1.58%
A-2	$ 300,000	0.00%	593.00%	5.0	0.84%
A-3	$ 250,000	0.00%	598.12%	5.0	1.20%
A-4	$ 800,000	0.00%	647.97%	3.0	0.64%

The expected life represents an estimate of the weighted average period of time that options are expected to remain outstanding given consideration to vesting schedules and the Company's historical exercise patterns. Expected volatility is estimated based on the historical volatility of the Company's common stock. The risk free interest rate is estimated based on the U.S. Federal Reserve's historical data for the maturity of nominal treasury instruments that corresponds to the expected term of the option. The expected dividend yield is 0% based on the fact that we have never paid dividends and have no present intention to pay dividends.

Stock Incentive Plans

2014 Global Digital Solutions Equity Incentive Plan
On May 9, 2014 our shareholders approved the 2014 Global Digital Solutions Equity Incentive Plan ("Plan") and reserved 20,000,000 shares of our common stock for issuance pursuant to awards thereunder, including options, stock appreciation right, restricted stock, restricted stock units, performance awards, dividend equivalents, or other stock-based awards. The Plan is intended as an incentive to retain in the employ of the Company our directors, officers, employees, consultants and advisors, and to attract new officers, employees, directors, consultants and advisors whose services are considered valuable, to encourage the sense of proprietorship and to stimulate the active interest of such persons in the development and financial success of the Company and its subsidiaries.

In accordance with the ACS 718, *Compensation – Stock Compensation*, awards granted are valued at fair value at the grant date. The Company recognizes compensation expense on a pro rata straight-line basis over the requisite service period for stock-based compensation awards with both graded and cliff vesting terms. The Company recognizes the cumulative effect of a change in the number of awards expected to vest in compensation expense in the period of change. The Company has not capitalized any portion of its stock-based compensation.

Stock-based compensation expense for the three and six months ended June 30, 2015 and 2014 is comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Fair value expense of stock option grants	$ 100,222	1,759,998	100,222	2,068,579
Fair value expense of restricted stock unit grants	12,936	--	25,872	--
Fair value expense of restricted stock grants	99,854	745,113	304,787	2,453,330
	$ 213,012	$ 2,505,111	$ 430,881	$ 4,521,909

Awards Issued Under Stock Incentive Plans

Stock Option Activity

As of June 30, 2015, we have outstanding 4,000,000 fully-vested stock options that were granted to a director and officer. These options were fully vested as of December 31, 2014. In addition, we have unvested stock options that were granted to directors, employees and constants during the six month ended June 30, 2015. The outstanding stock options are exercisable at prices ranging from $0.08 to $0.64 and expire between February 2024 and May 2025.

Issuances of Stock Options

Effective as of April 10, 2015, David A. Loppert retired as CFO and as an officer of the Company and the Company appointed Jerome J. Gomolski as its CFO. In connection with his appointment as our CFO, on April 1, 2015, Mr. Gomolski was granted stock options to acquire 500,000 shares of the Company's common stock pursuant to the Plan. The options have an exercise price of $0.10 per share, vest one-third on each of October, 1 2015, April 1, 2016 and October 1, 2016 and expire on March 31, 2025.

In addition to the stock options granted to Mr. Gomolski, our CFO, discussed above, subsequent to March 31, 2015, we have granted stock options under the Plan to consultants, members of our board of directors and employees. On April 1, 2015, we granted stock options to acquire 300,000 shares of our common stock to each of two consultants. The options have an exercise price of $0.10 per share, vest one-third on each of October 1, 2015, April 1, 2016 and October 1, 2016 and expire on March 31, 2025. On April 20, 2015, we granted stock options to acquire 500,000 shares of our common stock to each of three board members. The options have an exercise price of $0.14 per share, vest one-third on each of October 1, 2015, April 1, 2016 and October 1, 2016 and expire on March 31, 2025. Additionally, on May 8, 2015, we granted stock options to acquire an aggregate of 300,000 shares of our common stock to four employees. The options have an exercise price of $0.08 per share, vested ratably over a three-year period and expire ten years from the date of grant.

A summary of the stock option activity for our stock options plans for six months ended June 30, 2015 is as follows:

	Weighted Number of Options	Weighted Average Exercise Price Per Share	Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2014	5,840,000	$ 0.61	9.3	--
Options granted	2,900,000	0.12	9.8	$ --
Options exercised	--	--	--	--
Options forfeited	(1,840,000)	(0.54)	--	--
Outstanding at June 30, 2015	6,900,000	$ 0.42	9.1	$ --
Exercisable at June 30, 2015	4,000,000	$ 0.64	8.7	$ --

We account for our stock-based compensation plans in accordance with ASC 718-10. Under the provisions of ASC 718-10, the fair value of each stock option is estimated on the date of grant using a BSM option-pricing formula, and amortizing that value to expense over the expected performance or service periods using the straight-line attribution method. The fair value of the stock options issued during the six months ended June 30, 2015 was estimated using the BSM pricing model with the following weighted-average inputs: risk free interest rate – 1.3%; expected life -5.17 years: volatility – 446.6%; dividend rate – 0%.

During the three months ended June 30, 2015 and 2014, we recorded stock-based compensation cost related to outstanding stock options of $100,222 and $1,759,998, respectively, and during the six months ended June 30, 2015 and 2014, we recorded stock-based compensation cost related to the outstanding stock options of $100,222 and $2,453,330, respectively. At June 30, 2015, the unamortized value of the outstanding stock options was $243,776. The intrinsic value of options outstanding at June 30, 2015 was $0. Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the fiscal period in excess of the exercise price of the option multiplied by the number of options outstanding.

During the six months ended June 30, 2015, 340,000 stock options that had not yet vested were forfeited and 1,500,000 vested stock options granted to Mr. Loppert, our former CFO, were forfeited by their terms.

Restricted Stock Units

In August 2014 we granted Stephen L. Norris, then Chairman and CEO of our wholly owned subsidiary, GDSI International, restricted stock units ("RSU's") convertible into 12 million shares of the Company's common stock, with a grant date fair market value of $3,600,000 as of July 1, 2014, the effective grant date. The grant was made under our 2014 Equity Incentive Plan. 4,000,000 RSU's would vest in respect of each fiscal year of GDSI International from 2015 through 2017 if the company has achieved certain revenue targets set forth in the agreement. Effective January 9, 2015, Mr. Norris resigned and forfeited all rights in and to his RSU's.

On October 10, 2014 we granted an employee RSU's convertible into 1 million shares of the Company's common stock, with a grant date fair market value of $100,000. The grant was made under our 2014 Equity Incentive Plan. 333,333 RSU's will vest in respect of each calendar year (commencing January 1 and ending December 31) of the Company from 2015 through 2017 if the company has achieved at least 90% of the total revenue and EBITDA midpoint targets set forth in the agreement. If less than 90% of the target is achieved in respect of any such fiscal year, then the number of RSU's vesting for that fiscal year shall be 333,333 times the applicable percentage set forth in the agreement; *provided that,* if the company shall exceed 100% of the revenue and EBITDA midpoint target for the 2016 or 2017 calendar year, and shall have failed to reach 90% of the target for a prior calendar year, the excess over 100% shall be applied to reduce the deficiency in the prior year(s), and an additional number of RSU's shall vest to reflect the increased revenue for such prior calendar year. Any such excess shall be applied first to reduce any deficiency for the 2015 calendar year and then for the 2016 calendar year. The vesting of the RSU's shall be effective upon the issuance of the audited financial statements of the Company for the applicable calendar year, and shall be based upon the total revenue and EBITDA of the acquired companies as reflected in such financial statements.

A summary of RSU's outstanding as of June 30, 2015 and changes during the six months then ended is presented below:

	Number	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested at December 31, 2014	--	--	--
Issued	13,000,000	$ 0.28	$ 0.00
Vested	--		
Forfeited	(12,000,000)		
Nonvested at June 30, 2015	1,000,000	$ 0.28	$ 0.00

On January 9, 2015, the recipient of 12 million RSU's resigned from the Board of Directors and as an officer of the Company, and consequently forfeited his 12 million RSU's. As of December 31, 2014, after taking into account the forfeited 12 million RSU's, there was $56,073 of total unrecognized stock-based compensation expense related to 1 million unvested RSU's that will be recognized on a straight-line basis over the performance periods of the award through December 2017, of which $12,936 and $25,872 was recognized as expense during the three and six months ended June 30, 2015, respectively. The aggregate intrinsic value of non-vested RSU's was $0 at June 30, 2015.

Awards Not Issued Under Stock Incentive Plans

Restricted Stock Grants Awarded to Advisors

In order to align our senior advisors with the interest of the stakeholders of the Company, the Board of Directors of the Company has granted the advisors restricted stock awards valued at $0.04 to $0.64 per share which vest over a period of 12 – 24 months, subject to remaining an advisor for a minimum of twelve months, and which are forfeited if the advisor is terminated or is no longer an advisor on the anniversary of the advisory award. Restricted stock awards granted or vested during the six months ended June 30, 2015 is as follows:

					June 30, 2015		
Name	**Date of Grant**	**Number of Shares**	**Vest from**	**Vest To**	**Vested**	**Unvested**	**Forfeited**
Edwin J. Wang	4/17/13	104,166	2/28/14	1/31/15	104,166	--	--
	2/4/14	125,000	2/4/14	1/31/15	125,000	--	--
Jennifer S. Carroll	4/17/13	104,167	2/28/14	1/31/15	104,167	--	--
Mathew Kelley	4/17/13	104,167	2/28/14	1/31/15	104,167	--	--
Richard J. Feldman	4/30/14	125,000	4/30/14	3/30/15	125,000	--	--
		500,000	4/30/15	3/30/16	125,000	375,000	--
Gary Gray	3/7/15	1,000,000	3/7/15	5/30/15	1,000,000	--	--
Ross Trevino	3/7/15	500,000	3/7/15	5/30/15	500,000	--	--
		2,562,500			2,187,500	375,000	

A summary of restricted stock grants outstanding as of June 30, 2015, and the changes during the six months then ended is presented below:

	Number	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value**
Non-vested at December 31, 2014	1,062,500	$ 0.31	$ 0.00
Granted	1,500,000	$ 0.04	$ 15,000
Vested	(2,187,500)	$ 0.14	$ 15,000
Forfeited	--	--	--
Non-vested at June 30, 2015	375,000	$ 0.46	$ 0.00

We recorded stock-based compensation expense related to restricted stock grants of $99,854 and $745,113 for the three months ended June 30, 2015 and 2014, respectively, and $304,787 and $2,068,579 for the six months ended June 30, 2015 and 2014, respectively. As of June 30, 2015 there was $172,499 of total unrecognized stock-based compensation expense related to these restricted stock grants that will be recognized through March 2016. The aggregate intrinsic value of non-vested restricted stock grants was $0 at June 30, 2015.

Note 10 – Income Taxes

We have incurred losses since inception, which have generated net operating loss carryforwards. At June 30, 2015, we had a federal net operating loss carryforwards of approximately $2,700,000 that expire beginning in 2025. Current or future ownership changes may limit the future realization of these net operating losses. Our policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the consolidated statements of operations. As of January 1, 2014, we had no unrecognized tax benefits, or any tax related interest or penalties. There were no changes in our unrecognized tax benefits during the six months ended June 30, 2015 and 2014 and we did not recognize any interest or penalties during these periods related to unrecognized tax benefits.

Section 382 of the Internal Revenue Code generally imposes an annual limitation on the amount of net operating loss carryforwards that may be used to offset taxable income when a corporation has undergone significant changes in its stock ownership. There can be no assurance that we will be able to utilize any net operating loss carryforwards in the future.

We recognize deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss carryforwards. We have established a valuation allowance to reflect the likelihood of realization of deferred tax assets. There is no income tax benefit for the losses for the three and six months ended June 30, 2015 and 2014, since management has determined that the realization of the net deferred tax asset is not more likely than not to be realized and has created a valuation allowance for the entire amount of such benefit.

Note 11 – Income (Loss) Per Common Share

Basic income (loss) per common share for the three and six months ended June 30, 2015 and 2014 and dilutive loss per share for the three and six months ended June 30, 2014 is calculated based on the weighted average common shares outstanding for the period. Diluted loss per share for the three and six months ended June 30, 2015, includes common stock equivalents to the extent that their impact is dilutive. The following table sets forth the computation of basic and diluted income (loss) per common share:

Basic:	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Income (loss) from continuing operations	$ 671,975	$ (3,393,311)	$ (2,059,931)	$ (6,226,974)
Loss from discontinued operations	--	(567)	--	(2,832)
Net income (loss) – basic	$ 671,975	$ (3,393,878)	$ (2,059,931)	$ (6,229,806)
Denominator:				
Weighted-average common shares – basic	111,066,179	101,145,350	108,781,293	99,848,623
Income (loss) per common share – basic				
Continuing operations	$ 0.01	$ (0.03)	$ (0.02)	$ (0.06)
Discontinued operations	--	(0.00)	--	(0.00)
Total – basic	$ 0.01	$ (0.03)	$ (0.02)	$ (0.06)

Diluted:	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Income (loss) from continuing operations	**$ 671,975**	$ (3,393,311)	**$ (2,059,931)**	$ (6,226,974)
Adjust income (loss) for impact of convertible notes payable with embedded derivative liability	**(3,435,457)**	--	**(663,181)**	--
Advisory fees related to restricted stock and restricted stock units not yet issued	**(228,572)**		**(228,572)**	
Net loss from continuing operations – diluted	**(2,992,054)**	(3,393,311)	**(2,951,684)**	(6,226,974)
Loss from discontinued operations – diluted	--	(567)	--	(2,832)
Net loss diluted	**$ (2,992,054)**	$ (3,393,878)	**$ (2,951,684)**	$ (6,229,806)
Denominator:				
Weighted-average common shares outstanding	**111,066,179**	101,145,350	**108,781,293**	99,848,623
Weighted-average common shares underlying convertible notes payable with embedded derivative liability	**24,417,969**	--	**14,580,078**	--
Restricted stock and restricted stock units not yet issued	**1,500,000**	--	**1,500,000**	--
Weighted-average diluted shares (1)	**136,984,148**	101,145,350	**124,861,371**	99,848,623
Loss per common share – diluted				
Continuing operations	**$ (0.02)**	$ (0.03)	**$ (0.02)**	$ (0.06)
Discontinued operations	--	(0.00)	--	(0.00)
Total – diluted	**$ (0.02)**	$ (0.03)	**$ (0.02)**	$ (0.06)

(1) The following common stock equivalents outstanding as of June 30, 2015 and 2014 were not included in the computation of diluted loss per share because the net effect would have been anti-dilutive:

	2015	2014
Warrants	4,250,000	4,250,000
Options	6,900,000	5,500,000
Total common stock equivalents	11,150,000	9,750,000

Note 12 – Discontinued Operations

In January 2012, we acquired 51% of Bronco Communications LLC. We subsequently discontinued the operations of Bronco and disposed of its remaining assets in January 2013 although we were responsible for contract oversight, which was concluded in June 2014. In accordance with ASC Topic 205, *Presentation of Financial Statements - Discontinued Operation,* we have presented the loss from discontinued operations in the consolidated statement of operations, which loss consisted of general and administrative expenses of $567 and $2,832 for the three and six months ended June 30, 2014, respectively.

Note 13 – Acquisition of Airtronic and Notes Receivable from Airtronic

On October 22, 2012, we entered into an Agreement of Merger and Plan of Reorganization ("Merger Agreement") to acquire 70% of Airtronic, a then debtor in possession under chapter 11 of the Bankruptcy Code once Airtronic successfully reorganized and emerged from bankruptcy (the "Merger"). During the period from October 2012 through November 2013, we were actively involved in the day to day management of Airtronic pending the completion of the Merger.

Contemporaneously, on October 22, 2012, we entered into a Debtor In Possession Note Purchase Agreement ("Bridge Loan") with Airtronic. We agreed to lend Airtronic a maximum of $2,000,000, with an initial advance of $750,000 evidenced by an 8¼% Secured Promissory Note made by Airtronic in favor of the Company (the "Original Note") and a Security Agreement pledging all of Airtronic's assets. In March 2013, the Company and Airtronic amended the Bridge Loan to provide for a maximum advance of up to $700,000 in accordance with draws submitted by Airtronic and approved by the Company in accordance with the budget set forth in the amendment. On June 26, 2013, we agreed to a second modification of the Bridge Loan agreement with Airtronic, and agreed to loan Airtronic up to an additional $550,000 under the Bridge Loan. On August 5, 2013, we entered into the Second Bridge Loan Modification and Ratification Agreement, received a new 8¼% secured promissory note in principal amount of $550,000 (the "Second Note"), On October 10, 2013, we entered into the Third Bridge Loan Modification and Ratification Agreement, and received a new 8¼% secured promissory note for $200,000 (the "Third Note").

On October 2, 2013, Airtronic's amended plan of reorganization (the "Plan") was confirmed by the Court, but the Plan was never substantially consummated and was terminated. Under the terms of the Plan, Airtronic needed to close the Merger with the Company within 60 days following the confirmation date, i.e., on or before December 2, 2013, to obtain the funds necessary to pay its creditors in accordance with the Plan. Nevertheless, Airtronic refused to close the Merger with the Company on or before December 2, 2013, and as a result the Plan terminated and the reorganized Airtronic re-vested in the bankruptcy estate of Airtronic as debtor in possession.

On March 31, 2014, Airtronic filed a First Amended Modified Plan of Reorganization ("First Modified Plan") which was confirmed on April 28, 2014. On May 14, 2014 Airtronic repaid us the Original Note, the Second Note and the Third Note together with all accrued interest thereon in the total amount of $1,509,056. On August 12, 2014, we received $414,760.83 that we were awarded for legal fees and expenses incurred. Our involvement with Airtronic and its bankruptcy proceedings were then concluded.

Note 14 – Related Party Transactions

Convertible Notes Payable to Related Parties
During the year ended December 31, 2014, we issued convertible notes payable to an affiliate of our Chairman and CEO, and to our CFO. These notes are further discussed in Note 6 - *Notes Payable – Convertible Notes Payable to Related Parties.*

Note 15 – Customer concentrations

Accounts receivable, net of allowance, was $305,679 and $302,400, as of June 30, 2015 and December 31, 2014, respectively. Two customers accounted for 100% at June 30, 2015 and one 99.2% of the amount at December 31, 2014. The Company expects to continue to have customers with revenues or accounts receivable balances of 10% or more of total revenue or total accounts receivable in the foreseeable future.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. These statements concern expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts.

This quarterly report contains forward-looking that reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, without limitation, statements about our market opportunities, our business and growth strategies, our projected revenue and expense levels, possible future consolidated results of operations, the adequacy of our available cash resources, our financing plans, our ability to pay dividends, our competitive position and the effects of competition and the projected growth of the industries in which we intend to operate. Forward-looking statements are only predictions based on our current expectations and projections about future events and involve risks and uncertainties.

Although we believe that the expectations reflected in the forward-looking statements contained in this quarterly report are based upon reasonable assumptions, no assurance can be given that such expectations will be attained or that any deviations will not be material. In light of these risks, uncertainties and assumptions, the forward-looking statements, events and circumstances discussed in this quarterly report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Important factors that could cause our actual results, level of performance or achievements to differ materially from those expressed or forecasted in, or implied by, the forward-looking statements we make in this quarterly report are discussed under "Item 1A. *Risk Factors*" and elsewhere in the 2014 Form 10-K and include:

- our ability to fund our operations and continue as a going concern;
- our ability to have excess cash available for future actions;
- our ability or inability to implement our business plan, including the completion of acquisitions of companies under letters of intent;
- anticipated trends in our business and demographics;
- relationships with and dependence on technological partners;
- our future profitability and liquidity and the impact of potential future acquisitions on our financial condition, results of operations and cash flows;
- our ability to preserve our intellectual property and trade secrets and operate without infringing on the proprietary rights of third parties;
- regulatory, competitive or other economic influences;
- our operational strategies including, without limitation, our ability to develop or diversify into new businesses;
- our expectation that we will not suffer costly or material product liability claims and claims that our products infringe the intellectual property rights of others;
- our ability to comply with current and future regulations relating to our businesses;
- the impact of new accounting pronouncements;
- our ability to establish and maintain proper and effective internal accounting and financial controls; and
- the potential of further dilution to our common stock based on transactions, including convertible debt, effected involving issuance of shares.

Our actual results may differ materially from those reflected in forward-looking statements as a result of (i) the risk factors described under the heading “Risk Factors” set forth in Item 1A of the 2014 Form 10-K, (ii) general economic, market or business conditions, (iii) the opportunities (or lack thereof) that may be presented to and pursued by us, (iv) competitive actions by other companies, (v) changes in laws, and (vi) other factors, many of which are beyond our control.

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “could,” “would,” “anticipates,” “expects,” “attempt,” “intends,” “plans,” “hopes,” “believes,” “seeks,” “estimates” and similar expressions intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from estimates or forecasts contained in the forward-looking statements. Some of these risks and uncertainties are beyond our control. Also, these forward-looking statements represent our estimates and assumptions only as of the date the statement was made.

The information in this quarterly report is as of June 30, 2015, or, where clearly indicated, as of the date of this filing. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. We also may make additional disclosures in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we may file from time to time with the SEC.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes included in Item 1 of this quarterly report as well as our annual financial statements for the year ended December 31, 2014 included in the 2014 Form 10-K.

Results of Continuing Operations

On June 16, 2014, we acquired all of the outstanding membership interest of North American Custom Specialty Vehicles (“NACSV”). NACSV specializes in building mobile command/communications and specialty vehicles for emergency management, first responders, national security and law enforcement operations. During the period from October 2012 through November 2013, we were actively involved in the day to day management of Airtronic USA, Inc. (“Airtronic”) pending the completion of an anticipated merger. The merger did not occur and we ceased involvement with the Airtronic during 2014

Three Months Ended June 30, 2015 and 2014

Revenue from continuing operations in the three months ended June 30, 2015 and 2014 was $379,223 and $111,405, respectively. Cost of revenue in the three months ended June 30, 2015 and 2014 was $256,841 and $69,346, respectively.

Revenue was from fixed-price and modified fixed-price construction contracts and is recognized using the percentage-of-completion method of revenue recognition. Cost of revenue includes all direct material and labor costs and indirect costs related to contract performance.

Selling, general and administrative ("S, G & A") were $633,428 and $3,834,260 in three-month periods ended June 30, 2015 and 2014, respectively. S, G & A was comprised of:

	Three Months Ended June 30,		Increase/	%
	2015	2014	(decrease)	Change
Compensation and benefits	$ 303,138	$ 2,620,767	$ (2,317,629)	-88.4%
Debt issuance costs and amortization of warrant	61,020	25,000	36,020	144.1%
Depreciation and amortization	2,125	12,830	(10,705)	-83.4%
Acquisition costs	--	754,572	(754,572)	-100.0%
Facility expense	47,141	--	47,141	100.0%
Investment banking fees	7,000	--	7,000	100.0%
Investor relations and marketing	44,000	84,666	(40,666)	-48.0%
Office support and supply	38,205	48,778	(10,573)	-21.7%
Professional fees	118,670	276,092	(157,422)	-57.0%
Travel and entertainment	11,806	11,555	251	2.2%
Other	323	--	323	100.0%
Total S, G & A	$ 633,428	$ 3,834,260	$ (3,200,832)	-83.5%

Compensation and benefits decreased by $2,317,629, or 88.4% % to $303,138 in the three months ended June 30, 2015 compared to $2,620,767 in the 2014 period. In the three months ended June 30, 2015, compensation and benefits comprised $213,012 of non-cash stock-based compensation to our CEO and CFO, board of directors, vice presidents, consultants and advisors, $90,126 of cash compensation to our CEO and CFO, vice presidents and staff. In the three months ended June 30, 2014, compensation and benefits comprised $2,503,611 of non-cash stock-based compensation to our CEO, CFO, vice presidents and advisors and $117,156 of cash compensation to our CEO and CFO and others.

Debt issuance costs and amortization of warrant increased by $36,020, or 144.1%, from $25,000 in the three months ended June 30, 2014 to $61,020 in three months ended June 30, 2015. The fees incurred in the three months ended June 30, 2015 were related primarily to the issuances of convertible notes payable during 2015. In three-month period ended June 30, 2014 we expensed $25,000 for amortization of a warrant issued in connection with a financing.

Depreciation and amortization decreased $10,075, or 83.4%, from $12,830 in the three months ended June 30, 2014 to $2,125 for the three months ended June 30, 2015. In the 2015 period the depreciation related to fixed assets. In the 2014 period, the depreciation and amortization relates to depreciation of fixed assets totaling $508 and the amortization of customer relationships totaling $12,322. The depreciation and amortization related to assets that were acquired in connection with the acquisition of NACSV effective June 16, 2014. At March 31, 2015, we determined that the full value of the customer relationships was impaired, as more fully discussed in Note 5 to the accompanying unaudited consolidated financial statements.

Acquisition costs were related to the NACSV acquisition in 2014 and comprised non-cash compensation of (i) $664,000 of costs to advisors paid in shares of our common stock, and (ii) $65,572 in stock discount expense for payments to the sellers of NACSV in our common stock at a price which resulted in a $0.02 discount to fair value, and $25,000 paid in cash for due diligence services. We did not incur acquisition costs in the 2015 period.

Facility expense was $47,141 for the three months ended June 30, 2015. We did not incur facility expense in the three months ended June 30, 2014. Facility expense relates primarily to the operations of NACSV, which we acquired effective June 16, 2014.

Investor relations and marketing expense decreased by $40,666, or 48.0%, to $44,000 in the three months ended June 30, 2015 compared to $84,666 in the 2014 period. The fees were primarily for services rendered and paid in shares of our common stock or compensation through the issuance of a warrant, which are being amortized over the terms of the consulting agreements.

Office supply and support expenses decreased by $10,573, or 21.7%, to $38,205 in the three months ended June 30, 2015 compared to $48,778 in the 2014 period. In the three months ended June 30, 2015, the expense included $29,052 of directors and officers liability insurance and $7,249 of key man life insurance. In the three months ended June 30, 2014, the expense included $30,504 of reimbursable expenses to an officer and advisors, $13,608 of directors and officer's liability insurance and $7,249 of key man life insurance.

Professional fees decreased $157,422, or 57.0%, to $118,670 in the three months ended June 30, 2015 compared to $276,092 in the 2014 period. In the three-month periods ended June 30, 2015 and 2014, such fees consisted of:

	2015	2014
Accounting and & auditing fees	$ 7,950	$ 11,445
Consulting fees	12,324	30,000
Legal fees	90,381	229,555
Public company/SEC related fees and expenses and transfer agent fees	6,677	4,844
Other	1,338	248
	$ 118,670	$ 276,092

Change in fair value of embedded derivative liabilities of convertible notes resulted in other income of $1,575,168 in the three months ended June 30, 2015. We did not incur a change in fair value of embedded derivative liabilities of convertible notes during the 2014 period. The liability resulted from convertible notes with variable conversion options that we issued during 2015. The value of the conversion options are required to be bifurcated from the notes and recorded at fair value at each reporting period with changes in the fair value reported as income or expense in the statement of operations.

We realized a gain on the extinguishment of debt of $387,642 in the three months ended June 30, 2014. The gain in the 2014 period consists of $350,000 for forgiveness on the payoff of a convertible note and the recapture of $37,642 of interest not paid. We did not realize a gain or loss on extinguishment of debt during the 2015 period.

We realized other income of $190,240 in the three months ended June 30, 2015 due to the reversal of a liability to NACSV related to equipment held by NACSV and that we believe we no longer owe. We have filed legal proceedings against the sellers of NACSV as more fully discussed in Note 8 to the accompanying unaudited consolidated financial statements. We did not have other income in the 2014 period.

Interest income was $14,170 in the three months ended June 30, 2014 and was related to loans outstanding during the 2014 period. We did not earn interest income in the three months ended June 30, 2015.

Interest expense was $582,387 in the three months ended June 30, 2015 as compared to $2,931 in the 2014 period. The increase in interest expense was due primarily to the amortization of debt discount resulting primarily from the initial fair value of the embedded derivative liabilities of convertible notes issued during 2015.

There is no income tax benefit for the losses for the three-month periods ended June 30, 2015 and 2014 since we determined that the realization of the net deferred tax asset is not more likely than not to be realized and we created a valuation allowance for the entire amount of such benefit.

Loss from discontinued operations in the three-month period ended June 30, 2014 was $567 and represented costs related to the wind down of a telecommunications business.

Our results of operations for the three months ended June 30, 2015 and 2014 did not contain any unusual gains or losses from transactions not in our ordinary course of business.

Six Months Ended June 30, 2015 and 2014

Revenue from continuing operations in the six months ended June 30, 2015 and 2014 was $379,223 and $111,405, respectively. Cost of revenue in the six months ended June 30, 2015 and 2014 was $256,841 and $69,346, respectively.

Revenue was from fixed-price and modified fixed-price construction contracts and is recognized using the percentage-of-completion method of revenue recognition. Cost of revenue includes all direct material and labor costs and indirect costs related to contract performance.

Selling, general and administrative ("S, G & A") were $1,918,925 and $6,690,676 in six-month periods ended June 30, 2015 and 2014, respectively. S, G & A was comprised of:

	Six Months Ended June 30,		Increase/	%
	2015	2014	(decrease)	Change
Compensation and benefits	$ 632,004	$ 4,690,065	$ (4,058,061)	-86.5%
Debt issuance costs and amortization of warrant	113,845	100,000	13,845	13.8%
Depreciation and amortization	37,698	12,830	24,867	193.8%
Acquisition costs	--	754,572	(754,572)	-100.0%
Facility expense	90,329	--	90,329	100.0%
Investment banking fees	7,000	412,498	(405,498)	-98.3%
Investor relations and marketing	81,500	186,163	(104,663)	-56.2%
Office support and supply	94,215	71,871	22,344	31.1%
Professional fees	272,213	446,023	(173,810)	-39.0%
Intangible asset impairment loss	563,024	--	563,024	100.0%
Travel and entertainment	24,793	--	24,793	100.0%
Other	2,305	16,654	(14,349)	-86.2%
Total S, G & A	$ 1,918,925	$ 6,690,676	$ (4,771,751)	-71.3%

Compensation and benefits decreased by $4,058,061, or 86.5% to $ 632,004 in the six months ended June 30, 2015 compared to $4,690,065 in the 2014 period. In the six months ended June 30, 2015, compensation and benefits comprised $430,881 of non-cash stock-based compensation to our CEO and CFO, directors, vice presidents, consultants and advisors, $201,123 of cash compensation to our CEO and CFO, vice presidents and staff. In the six months ended June 30, 2014, compensation and benefits comprised $4,521,909 of non-cash stock-based compensation to our CEO, CFO, vice presidents and advisors and $168,156 of cash compensation to our CEO and CFO and others.

Debt issuance costs and amortization of warrant increased by $13,845, or 13.8 %, from $100,000 in the six months ended June 30, 2014 to $113,845 in six months ended June 30, 2015. The fees incurred in the six months ended June 30, 2015 were related primarily to the issuances of convertible notes payable during 2015. In six-month period ended June 30, 2014 we expensed $100,000 for amortization of a warrant issued in connection with a financing.

Depreciation and amortization increased $24,867, or 193.8%, from $12,830 in the six months ended June 30, 2014 to $37,698 for the six months ended June 30, 2015. In the 2015 period, we incurred $4,250 of depreciation related to fixed assets and $33,447 for the amortization of customer relationships. In the 2014 period, the depreciation and amortization relates to depreciation of fixed assets totaling $508 and the amortization of customer relationships totaling $12,322. The depreciation and amortization related to assets that were acquired in connection with the acquisition of NACSV effective June 16, 2014. At March 31, 2015, we determined that the full value of the customer relationships was impaired, as more fully discussed in Note 5 to the accompanying unaudited consolidated financial statements.

Acquisition costs were related to the NACSV acquisition in 2014 and comprised non-cash compensation of (i) $664,000 of costs to advisors paid in shares of our common stock, and (ii) $65,572 in stock discount expense for payments to the sellers of NACSV in our common stock at a price which resulted in a $0.02 discount to fair value, and $25,000 paid in cash for due diligence services. We did not incur acquisition costs in the 2015 period.

Facility expense was $90,329 for the six months ended June 30, 2015. We did not incur facility expense in the six months ended June 30, 2014. Facility expense relates primarily to the operations of NACSV, which we acquired effective June 16, 2014.

Investment banking fees decreased by $405,498, or 98.3%, to $7,000 in the six month ended June 30, 2015 compared to $412,498 in the six months ended June 30, 2014. The 2015 fees were paid for investment banking services provided in the period. Investment banking fees in the 2014 period represented the amortization of a cash fee and the fair value of a warrant granted to an investment banking company.

Investor relations and marketing expense decreased by $104,663, or 56.2%, to $81,500 in the six months ended June 30, 2015 compared to $186,163 in the 2014 period. The fees were primarily for services rendered and paid in shares of our common stock or compensation through the issuance of a warrant, which are being amortized over the terms of the consulting agreements.

Office supply and support expenses increased by $22,344, or 31.1%, to $94,215 in the six months ended June 30, 2015 compared to $71,871 in the 2014 period. In the six months ended June 30, 2015, the expense included $64,104 of directors and officers liability insurance, $14,498 of key man life insurance and $5,692 of insurance related to NACSV's operations. In the six months ended June 30, 2014, the expense included $30,504 of reimbursable expenses to an officer and advisors, $27,216 of directors and officers liability insurance and $14,498 of key man life insurance.

Professional fees decreased $173,810, or 39.0%, to $272,213 in the six months ended June 30, 2015 compared to $446,023 in the 2014 period. In the six-month periods ended June 30, 2015 and 2014, such fees consisted of:

	2015	2014
Accounting and & auditing fees	$ 43,000	$ 42,895
Consulting fees	13,849	50,447
Legal fees	197,694	342,631
Public company/SEC related fees and expenses and transfer agent fees	12,404	8,651
Other	4,866	1,399
	$ 272,213	$ 446,023

Intangible asset impairment loss was $563,024 in the six months ended June 30, 2015. Based on our revaluation, we determined that the value of the customer relationships was impaired as of March 31, 2015. This was due in part to the lack of revenue from sales of NACSV's products during the three-months ended March 31, 2015, as well as to our current expectations regarding future estimated discounted cash flows attributable to such asset. We did not incur an intangible asset impairment loss in the 2014 period.

Change in fair value of embedded derivative liabilities of convertible notes resulted in other income of $456,881 in the six months ended June 30, 2015. We did not incur a change in fair value of embedded derivative liabilities of convertible notes during the 2014 period. The liability resulted from convertible notes with variable conversion options that we issued during the six months ended June 30, 2015. The value of the conversion options are required to be bifurcated from the notes and recorded at fair value at each reporting period with changes in the fair value reported as income or expense in the statement of operations.

Loss (gain) on extinguishment of debt was a loss of $22,170 in the six months ended June 30, 2015 compared to a gain of $387,642 in the six months ended June 30, 2014. The loss in the 2015 period resulted from the write off of debt discount for notes payable to related parties that were fully repaid during the 2015 period. The gain in the 2014 period consists of $350,000 for forgiveness on the payoff of a convertible note and the recapture of $37,642 of interest not paid.

The reduction in contingent consideration for purchase price was $280,461 in the six months ended June 30, 2015 and was due in part to the lack of revenue from sales of NACSV's products during the first quarter of 2015, as well as to our current expectations regarding future revenue and earnings estimates associated with NACSV. We did not incur a change in contingent consideration for purchase price in the 2014 period.

We realized other income of $190,240 in the six months ended June 30, 2015 due to the reversal of a liability to NACSV related to equipment held by NACSV and that we believe we no longer owe. We have filed legal proceedings against the sellers of NACSV as more fully discussed in Note 8 to the accompanying unaudited consolidated financial statements. We did not have other income in the 2014 period.

Interest income was $14,179 in the six months ended June 30, 2014 and was related to loans outstanding during the 2014 period. We did not earn interest income in the six months ended June 30, 2015.

Interest expense was $1,168,800 in the six months ended June 30, 2015 as compared to $9,181 in the 2014 period. The significant increase in interest expense was due primarily to the initial fair value of the embedded derivative liabilities of convertible notes issued during the six months ended June 30, 2015.

There is no income tax benefit for the losses for the six-month periods ended June 30, 2015 and 2014 since we determined that the realization of the net deferred tax asset is not more likely than not to be realized and we created a valuation allowance for the entire amount of such benefit.

Loss from discontinued operations in the six-month period ended June 30, 2014 was $2,832 and represented costs related to the wind down of a telecommunications business.

Our results of operations for the six months ended June 30, 2015 and 2014 did not contain any unusual gains or losses from transactions not in our ordinary course of business.

Liquidity and Capital Resources

As of June 30, 2015, we had cash and cash equivalents totaling $147,840 and working capital deficit of $828,395 For the six months ended June 30, 2015, we incurred a net loss of $2,059,931 and at June 30, 2015, we had an accumulated deficit of $30,575,494 and total stockholders' deficit of $1,375,087 We expect to incur losses in fiscal 2015. There is no guarantee that we will ultimately be able to generate sufficient revenue or reduce our costs in the anticipated time frame to achieve and maintain profitability and have sustainable cash flows.

We do not have any material commitments for capital expenditures during the next twelve months. Any required expenditure will be completed through internally generated funding or from proceeds from the sale of common or preferred stock, or borrowings.

Cash Flows

Cash used in operating activities

Net cash used in operating activities totaled $440,513 for the six months ended June 30, 2015 compared to $707,436 for the six months ended June 30, 2014.

In the six months ended June 30, 2015, cash was used primarily to fund $231,977 of the net loss of $2,059,931. Non-cash items affecting the net loss were: (i) a reduction in contingent consideration for purchase price of $280,461; (ii) depreciation and amortization of $35,941; (iii) loss on extinguishment of debt of $22,170; (iv) non-cash stock-based compensation of $430,881; (v) reduction in value of embedded derivative liabilities of convertible notes of $456,881; (vi) intangible asset impairment loss of $563,024; (vii) non-cash interest expense of $1,125,155; (viii) common stock issued for services of $101,557; (ix) non-cash amortization of debt issuance costs of $97,487; and (x) a beneficial conversion feature of $4,482. In addition, net changes in operating assets and liabilities totaling $280,536 resulted in the use of cash.

In the six months ended June 30, 2014, cash was used to fund a net loss of $6,229,806, increased by a gain on extinguishment of debt of $387,642, and reduced by depreciation and amortization of $12,831, non-cash stock-based compensation of $4,521,909, common stock and warrants issued for services of $604,168, non-cash interest expense of $9,181, common stock issued for acquisition services of $235,000, other non-cash acquisition expenses of $1,822, and changes in operating assets and liabilities of $514,020.

Cash used in investing activities

There were no investing activities during the six months ended June 30, 2015. Net cash provided by investing activities totaled $601,299 for the six-month period ended June 30, 2014. During the period we advanced $43,182 to Airtronic, received cash of $1,509,056 from Airtronic for the repayment of bridge loans and $135,425 of cash in connection with the NACSV acquisition, reduced by $1,000,000 paid for the acquisition of NACSV

Cash from financing activities

Net cash provided by financing activities totaled $428,251 for the six months ended June 30, 2015, compared to $50,000 of cash used by financing activities for the six months ended June 30, 2014. In the six months ended June 30, 2015, we received proceeds from the issuance of notes payable and convertible debt of $660,250. These receipts were partially offset by debt issuance fees of $124,120 and payments on convertible and other notes payable of $140,614. In the six months ended June 30, 2014, we used $175,000 to repay convertible and other notes payable and we received proceeds from the exercise of warrants of $125,000.

Financial condition

As of June 30, 2015, we had cash and cash equivalents totaling $147,840, a working capital deficit of $828,395 and stockholders' deficit of $1,375,087. We do not have a line of credit facility and have relied on short-term borrowings, convertible debt and the sale of common stock to provide cash to finance our operations. We will need to raise additional capital during the next twelve months to sustain our operations and fund future acquisitions. We plan to seek additional equity and debt financing to provide funding for operations and future acquisitions.

At December 31, 2014 our registered independent public accounting firm expressed substantial doubt as to our ability to continue as a going concern because we have incurred substantial losses and negative cash flows from operations. Management's plans in order to meet our operating cash flow requirements include (i) financing activities such as private placements of common stock, and issuances of debt and convertible debt instruments, (ii) the establishment of strategic relationships which we expect will lead to the generation of additional revenue or acquisition opportunities and (iii) the acquisition of complementary businesses.

We will need to secure additional funds to finance our operations during the next twelve months, but there are no assurances that such additional funding will be achieved or that we will succeed in our future operations. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Inflation

We do not believe that inflation has had a material effect on our results of operations.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements during the three and six months ended June 30, 2015 and 2014.

Critical Accounting Policies

Our 2014 Form 10-K contains further information regarding our critical accounting policies.

Impact of Recently Issued Accounting Standards

For information regarding recent accounting pronouncements and their expected impact on our future consolidated results of operations or financial condition, see Note 1 to our accompanying unaudited consolidated financial statements

Tabular Disclosure of Contractual Obligations

As a small reporting company, we are not required to provide this information and have elected not to provide it.

Item 3. Quantitative And Qualitative Disclosures About Market Risk.

As a “Smaller Reporting Company,” we are not required to provide the information required by this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial and Accounting Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and our Chief Financial and Accounting Officer have concluded that, as of the end of such period, these controls and procedures are not effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit is accumulated and communicated to our management, including our Chief Executive Officer and Chief Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

Identified Material Weaknesses
A material weakness in our internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement or the financial statements will not be prevented or detected.

Management identified the following material weaknesses during its assessment of internal controls over financial reporting as of December 31, 2014 which have not been rectified as of June 30, 2015:

- *Resources:* One staff accountant performed the majority of our corporate accounting functions. As a result, there was a lack of proper segregation of duties.

- *Audit Committee:* We do not have, and are not required to have, an audit committee. An audit committee would improve oversight in the establishment and monitoring of required internal controls and procedures.

Management's Remediation Initiatives

As we expand, we plan to hire additional accounting staff and implement systems where we have adequate segregation of duties. We also plan to add an audit committee financial expert to our board and create an audit committee made up of one or more of our independent directors.

Changes in Internal Control over Financial Reporting
There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation relating to our business as either Plaintiff or Defendant.

The Company is plaintiff in two actions: The Company is plaintiff or defendant in two actions:

Dekle, et. al. v. Global Digital Solutions, Inc. et. al.
Brian A. Dekle and John Ramsay filed suit against the Company and its wholly owned subsidiary, North American Custom Specialty Vehicles, Inc. (“NACSV”) in the Circuit Court of Baldwin Alabama, on January 14, 2015, case no. 05-CV-2015-9000050.00, relating to our acquisition of NACSV (the "Dekle Action"). Prior to instituting the Dekle Action, in June 2014, the Company had entered into an equity purchase agreement with Dekle and Ramsay to purchase their membership interest in North American Custom Specialty Vehicles, LLC. The Dekle Action originally sought payment for $300,000 in post-closing consideration Dekle and Ramsay allege they are owed pursuant to the equity purchase agreement.

On February 9, 2015, the Company and NACSV removed the Dekle Action to federal court in the United States District Court in and for the Southern District of Alabama, case no. 1:15-CV-00069. The Company and NACSV subsequently moved to dismiss the complaint for (1) failing to state a cause of action, and (2) lack of personal jurisdiction. Alternatively, the Company and NACSV sought a transfer of the case to the United States District Court in and for Middle District of Florida.

In response to the Company’s and NACSV's motion to dismiss, Dekle and Ramsay filed an amended complaint on March 2, 2015 seeking specific performance and alleging breach of contract, violations of SEC Rule 10b-5, and violations of the Alabama Securities Act. The amended complaint also names the Company’s Chairman, President, and CEO, Richard J. Sullivan (“Sullivan”) as a defendant. On March 17, 2015, the Company, NACSV and Sullivan filed a motion to dismiss the amended complaint seeking dismissal for failure to state valid causes of action, for lack of personal jurisdiction, or alternatively to transfer the case to the United States District Court in and for Middle District of Florida. Dekle and Ramsay’s responded on March 31, 2015, and the Company filed its response thereto on April 7, 2015.

On June 2, 2015, Dekle passed away. On June 5, 2015, the Court denied the Company’s motion to transfer the case to Florida. On June 10, 2015, the Company filed a motion to reconsider the Court’s denial of its motion to transfer the case to Florida. The renewed motion to transfer case to Florida is currently pending before the Court.

On June 15, 2015, Ramsay filed a second amended complaint. On June 25, 2015, the Company filed a motion to dismiss the second amended complaint. Dekle and Ramsay were due to respond to the Company’s motion to dismiss on or before July 10, 2015. On July 17, 2015, Ramsay filed a motion for extension of time to respond to the motion to dismiss or alternatively to stay the proceedings in light of Dekle’s death. Ramsay’s motion for extension of time or to stay proceedings is currently pending before the court.

Global Digital Solutions, Inc. et. al. v. Communications Laboratories, Inc., et. al.
On January 19, 2015 the Company and NACSV filed suit against Communications Laboratories, Inc., ComLabs Global, LLC, Roland Lussier, Brian Dekle, John Ramsay and Wallace Bailey for conversion and breach of contract in a dispute over the payment of a $300,000 accounts receivable that ComLabs owed to NACSV but sent payment directly to Brian Dekle. The case was filed in the Eighteenth Judicial Circuit in and for Brevard County Florida, case no. 05-2015-CA-012250-XXXX. On February 18, 2015 (i) defendants Communications Laboratories, Inc., ComLabs Global, LLC and Roland Lussier and (ii) defendant Wallace Bailey filed their respective motions to dismiss seeking, among other things, dismissal for failure to state valid causes of action, lumping and failure to post a non-resident bond. On February 26, 2015, defendants Dekle and Ramsay filed their motion to dismiss, or stay action, based on already existing litigation between the parties. NACSV filed its required bond on March 2, 2015.

To the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on our business, financial condition and operating results.

Item 1A. Risk Factors.

As a “Smaller Reporting Company,” we are not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended June 30, 2015, we issued shares of our common stock that were not registered under the Securities Act, and were not previously disclosed in a Current Report on Form 8-K as follows:

On April 1, 2015 we issued 100,000 restricted shares of our common stock under a restricted stock award for legal services. The shares of common stock had an aggregate grant date fair value of $10,000 and the cost is being amortized over the twelve-month vesting period.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None

Item 6. Exhibits.

We have listed the exhibits by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K on the Exhibit list attached to this report.

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, thereunto duly authorized.

Global Digital Solutions, Inc.
(Registrant)

Date: August 7, 2015

By: /s/ JEROME J. GOMOLSKI
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description	Incorporated by Reference		
		Form	Filing Date/Period End	Exhibit Number
3.1	Certificate of Incorporation	10	8/9/13	3.1
3.2	Articles of Merger	10	8/9/13	3.2
3.3	Certificate of Amendment to Certificate of Incorporation	10	8/9/13	3.3
3.4	Bylaws	10	8/9/13	3.4
3.5	Certificate of Amendment to Certificate of Incorporation filed July 7, 2014	8-K	7/30/14	3.1
3.6	Certificate of Amendment to Certificate of Incorporation filed May 18, 2015	8-K	5/20/15	3.1
10.1	Securities Purchase Agreement dated April 3, 2015 with Vis Vires Group, Inc.	8-K	4/10/15	10.1
10.2	Convertible Promissory Note dated April 3, 2015 with Vis Vires Group, Inc.	8-K	4/10/15	10.2
31.1**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer			
31.2**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer			
32.1***	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer			
101. INS**	XBRL Instance			
101. SCH **	XBRL Taxonomy Extension Scheme			
101. CAL **	XBRL Taxonomy Extension Calculation			
101. DEF **	XBRL Taxonomy Extension Definition			
101. LAB **	XBRL Taxonomy Extension Labels			
101. PRE **	XBRL Taxonomy Extension Presentation			

* Management contract or compensatory plan or arrangement.
** Filed herewith.
*** Furnished herewith.

Exhibit 31.1

CERTIFICATION

I, Richard J. Sullivan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Digital Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2015

/s/ RICHARD J. SULLIVAN
Richard J. Sullivan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Jerome J. Gomolski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Global Digital Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2015

/s/ JEROME J. GOMOLSKI
Jerome J. Gomolski
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Global Digital Solutions, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Sullivan, Chief Executive Officer of the Company, and I, Jerome J. Gomolski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ RICHARD J. SULLIVAN
Richard J. Sullivan
Chief Executive Officer
Date: August 7, 2015

/s/ JEROME J. GOMOLSKI
Jerome J. Gomolski
Chief Financial Officer
Date: August 7, 2015

A signed original of this written statement required by Section 906 has been provided to Global Digital Solutions, Inc. and will be retained by Global Digital Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.