SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GLOBAL DIGITAL SOLUTIONS INC

Form: 10-Q/A

Date Filed: 2019-02-21

Corporate Issuer CIK: 1011662

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

FORM 10-Q/A
Amendment No. 1

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

For the Quarterly Period Ended September 30, 2016

or

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

For the Transition Period from _________ to _________

Commission file 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 Tower, West Palm Beach, FL	**33401**
(Address of Principal Executive Offices)	(Zip Code)

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

N/A
(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 ☑ 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 ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer," a "smaller reporting company" and an "emerging growth 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	☑
		Emerging Growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act: ☐

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

As of June 13, 2018, there were 559,084,905 shares of the registrant's common stock outstanding.

Explanatory Note

This Amendment No.1 of the fiscal year For the Quarterly Period Ended September 30, 2016, Form 10Q (this “Amendment”) for Global Digital Solutions Inc. is being submitted the incorporate errata to the financial statements that were incorrectly incorporated in the original filing. The Amendment speaks as of the filing date of the Form 10-Q (the filing date”), does not reflect events that may have occurred subsequent to the filing date and does not modify or update in any way disclosures made in the Form 10-Q filed as of June 13, 2018.

Forward Looking Statements

This Memorandum includes statements that are, or may be deemed to be, “forward-looking statements,” as defined in the Private Securities Reform Act of 1995. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “projects,” “expects,” “intends,” “may,” “will,” “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this Private Placement Memorandum and include statements regarding Issuer’s current intentions, beliefs or expectations concerning, among other things, the Issuer’s future plans for the Project, results of operations, financial condition, prospects, growth, strategies and the markets in which the Issuer intends to operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not an assurance of future performance. The Issuer’s actual results of operations and financial condition may differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Issuer’s future results of operations and financial condition are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. The information in this Private Placement Memorandum, including, but not limited to, the information under “Risk Factors,” identifies important factors that could cause such differences (including, but not limited to, a change in overall economic conditions in the United States, a change in the Issuer’s financial condition, changes in tax law or the interpretation thereof, interest rate fluctuations and other market conditions, and the effect of new legislation or government directives).

Forward-looking statements include, but are not limited to, information concerning possible or assumed future results of the Issuer’s operations set forth under the section entitled “Business of the Issuer”. Such statements, estimates and projections reflect various assumptions by the Issuer concerning anticipated results and are subject to significant business, financing, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Issuer and are based upon assumptions with respect to future business decisions that are subject to change. Accordingly, there can be no assurance that such statements, estimates and projections will be realized or that actual results will not vary considerably from those anticipated, expected or projected. The Issuer, its accountants, its legal advisers and its agents or affiliates do not make any representations as to the accuracy or completeness of such statements, estimates and projections, or that any forecasts will be achieved.

The Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Private Placement Memorandum whether as a result of new information, future events or otherwise. All subsequent written forward-looking statements attributable to the Issuer, or persons acting on behalf of the Issuer, are expressly qualified in their entirety by the cautionary statements contained throughout this Private Placement Memorandum. As a result of these risks, prospective investors of the Convertible Bonds should not place undue reliance on these forward-looking statements. Neither the forward-looking statements nor the underlying assumptions have been verified or audited by any third party.

GLOBAL DIGITAL SOLUTIONS, INC.
FORM 10-Q
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GLOBAL DIGITAL SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current Assets		
Cash	$ -	$ 2,944
Accounts receivable	4,261	4,261
Prepaid expenses	22,597	99,111
Total current assets	26,858	106,316
Property and equipment, net of accumulated depreciation of $24,463 and $19,543	-	4,920
Deposits	2,415	2,415
Total assets	**$ 29,273**	**$ 113,651**
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	**$ 510,695**	$ 357,198
Accrued expenses	56,579	197,300
Accrued Interest	32,186	
Convertible notes payable, net of discounts of $0 and $18,219, respectively	108,991	90,772
Due to factor, net of discount of $0 and $16,160, respectively	107,266	91,106
Financed insurance policy	11,187	64,847
Due to Officer	55,447	-
Derivative liability	266,294	270,080
Total current liabilities	**1,148,645**	**1,071,303**
Total Liabilities	**1,148,645**	**1,071,303**
Commitments and Contingencies (Note 6)		
Stockholders' deficit		
Preferred stock, $0.001 par value, 35,000,000 shares authorized, 1,000,000 and 0 issued and outstanding, respectively	$ 1,000	$ -
Common stock, $0.001 par value, 650,000,000 and 650,000,000 shares authorized, 530,806,571 and 530,806,571 shares issued and outstanding	530,807	530,807
Additional paid-in capital	30,282,937	30,178,926
Accumulated deficit	(31,934,116)	(31,667,385)
Total stockholders' deficit	**(1,119,372)**	**(957,652)**
Total liabilities and stockholders' deficit	**$ 29,273**	**$ 113,651**

The accompanying footnotes are in integral part of these unaudited condensed consolidated financial statements.

GLOBAL DIGITAL SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
		(Restated)		(Restated)
Revenue	$ -	254,587	$ 14,386	$ 633,810
Cost of revenue	-	76,751	-	215,942
Gross profit	**-**	**177,836**	**14,386**	**417,868**
Operating expenses				
Selling, general and administrative expenses	99,579	423,660	234,161	1,614,170
Operating loss before other income(expense)	(99,579)	(245,824)	(219,775)	(1,196,302)
Other (income)/expense				
Change in fair market value of derivatives	(68,565)	176,518	(3,786)	(280,363)
Other Income	-	(600)	-	(375,199)
Loan Fees	-	28,693	-	142,538
Loss on extinguishment of debt	-	-	-	22,170
Finance Costs	-	163,735	-	1,294,793
Amortization of debt discount - Convertible Notes Payable	-	-	18,219	-
Amortization of debt discount - Factoring	-		16,160	-
Interest expense	5,454	44,901	16,362	128,292
	(63,111)	413,247	46,955	932,231
Loss before provision for income taxes	(36,468)	(659,071)	(266,730)	(2,128,533)
Provision for income taxes	**-**	-	**-**	-
Net loss	**$ (36,468)**	**$ (659,071)**	**$ (266,730)**	**$ (2,128,533)**
Loss per common share - basic	**$ (0.00)**	**$ (0.01)**	**$ (0.00)**	**$ (0.01)**
Weighted average common shares outstanding				
Basic	**530,806,571**	**286,852,247**	**530,806,571**	**286,852,247**

The accompanying footnotes are in integral part of these unaudited condensed consolidated financial statements.

GLOBAL DIGITAL SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Eded	
	September 30, 2016	September 30, 2015
		(Restated)
Operating Activities		
Net loss	$ **(266,730)**	$ (2,128,533)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on extinguishment of debt	-	15,082
Depreciation and amortization	4,920	4,571
Stock- based compensation expense	(126,554)	645,946
Common stock and warrants issued in payment of services	-	66,218
Convertible debt discount amortization	34,379	
Change in fair value of derivative liability	(3,786)	1,640,078
Beneficial conversion feature of debt and warrant	-	4,582
Debt discount accretion	-	1,541
Accounts receivable	-	(6,441)
Inventory	-	(19,471)
Prepaid expenses	76,514	(47,342)
Accounts payable	249,858	(106,290)
Accrued expenses	26,668	83,561
Other Assets	-	(17,865)
Financed insurance policy	(53,660)	-
Due to officer	55,447	-
Contingent consideration payable	-	(648,614)
Net cash used in operating activities	**(2,944)**	**(512,977)**
Investing Activities		
Capital expenditures	-	(1,890)
Net cash used in investing activities	**-**	**(1,890)**
Financing Activities		
Proceeds from notes payable	-	135,393
Payments on notes payable	-	(92,288)
Proceeds from convertible notes	-	-
Payment on convertible notes	-	(59,331)
Proceeds from factor	-	555,653
Repayments to factor	-	
Payment on related party convertible notes	-	(69,000)
Net cash provided by financing activities	**-**	**470,427**
Net decrease in cash	(2,944)	(44,440)
Cash at beginning of period	**2,944**	**160,102**
Cash at end of period	**$ -**	**$ 115,662**
Supplementary disclosure of cash flow information		
Cash paid during the year for:		
Interest	**$ -**	**$ 4,518**
Taxes	**$ -**	**$ -**
Supplementary disclosure of non-cash investing and financing activities	-	-
Issuances of common stock for conversions of notes payable and accrued interest $		**$ 175,560**

The accompanying footnotes are in integral part of these unaudited condensed consolidated financial statements.

NOTE 1 – DESCRIPTION OF BUSINESS

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.(“the Company”, “we”), Global provided structured cabling design, installation and maintenance for leading information technology companies, federal, state and local government, major businesses, educational institutions, and telecommunication companies. On May 1, 2012, we made the decision to wind down our operations in the telecommunications area and to refocus our efforts 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., and effective as of September 16, 2014 we acquired North American Custom Specialty Vehicles (“NACSV”). In July 2014, we announced the formation of GDSI International (f/k/a Global Digital Solutions, LLC) to spearhead our efforts overseas. The Company had limited operations from the NACSV subsidiary from December 31, 2015 until May 13, 2016. During the interim, the Company was pursuing acquisition opportunities and responding to the litigation with the Securities and Exchange Commission. Subsequent to May 13, 2016, the Company has been seeking acquisitions and additional financing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

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 for the nine months ended September 30, 2016 we incurred a net loss of $266,730 and used net cash of $2,944 to fund operating activities. At September 30, 2016, we had no cash, an accumulated deficit of $31,934,116, a working capital deficit of $1,121,787 and stockholders’ deficit of $1,119,372. We have funded our activities to date almost exclusively from equity and debt financings.

Our cash position is critically deficient, and payments essential to our ability to operate are not being made in the ordinary course. Failure to raise capital in the coming days to fund our operations and failure to generate positive cash flow to fund such operations in the future will have a material adverse effect on our financial condition. These factors raise substantial doubt about our ability to continue as a going concern.

We are in default under the terms of our loan agreements, as more fully discussed in Note 5. We need to raise additional funds immediately and continue to raise funds until we begin to generate sufficient cash from operations, and we may not be able to obtain the necessary financing on acceptable terms, or at all.

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 financing activities such as private placements of common stock, and issuances of debt and convertible debt instruments, and the establishment of strategic relationships which we expect will lead to the generation of additional revenue or acquisition opportunities.

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. On December 22, 2017, the Company entered into a financing agreement with an accredited investor for $1.2 million (Note 9).

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. The outcome of these matters cannot be predicted at this time. 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.

Principles of Consolidation

The accompanying 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.

Basis of Presentation

The accompanying unaudited financial information as of and for the three and nine months ended September 30, 2016 and 2015 has been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and with the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, such financial information includes all adjustments (consisting only of normal recurring adjustments, unless otherwise indicated) considered necessary for a fair presentation of our financial position at such date and the operating results and cash flows for such periods. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the entire year or for any other subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to the rules of the U.S. Securities and Exchange Commission, or the SEC. These unaudited financial statements and related notes should be read in conjunction with our audited financial statements for the year ended December 31, 2015 included in our Annual Report on Form 10-K filed with the SEC on May 31, 2018.

The condensed consolidated balance sheet at December 31, 2015 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles in the U.S. for complete financial statements.

Revenue Recognition

The Company recognizes revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the product or service has been provided to the customer; (3) the amount to be paid by the customer is fixed or determinable; and (4) the collection of such amount is probable. The Company records revenue when it is realizable and earned upon shipment of the finished products or when the service has been provided

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, other receivables, accounts payable and accrued expenses approximate their fair values based on the short-term maturity of these instruments. The carrying amounts of debt were also estimated to approximate fair value. As defined in ASC 820, "Fair Value Measurement," fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). This fair value measurement framework applies at both initial and subsequent measurement.

The three levels of the fair value hierarchy defined by ASC 820 are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities

- Level 2 –Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly

- Level 3 – Significant unobservable inputs that cannot be corroborated by market data.

Earnings (Loss) Per Share ("EPS")

Basic EPS is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted EPS includes the effect from potential issuance of common stock, such as stock issuable pursuant to the exercise of stock options and warrants and the assumed conversion of convertible notes.

The following table summarizes the securities that were excluded from the diluted per share calculation because the effect of including these potential shares was antidilutive even though the exercise price could be less than the average market price of the common shares:

	Three Months Ended	
	September 30, 2016	September 30, 2015
Convertible notes and accrued interest	139,707,296	766,666
Preferred stock	861,613,714	-
Stock options	14,116,668	5,840,000
Warrants	2,500,000	4,250,000
Vested but unissued restricted stock awards	--	2,187,503
Restricted stock units	-	-
Price protection	-	1,854,838
Potentially dilutive securities	1,017,937,678	14,899,007

	Nine Months Ended	
	September 30, 2016	September 30, 2015
Convertible notes and accrued interest	139,707,293	766,666
Preferred stock	861,613,714	-
Stock options	14,116,668	5,840,000
Warrants	2,500,000	4,250,000
Vested but unissued restricted stock awards	-	2,187,503
Restricted stock units	-	-
Price protection	-	1,854,838
Potentially dilutive securities	1,017,937,678	14,899,007

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity based transactions and disclosure of contingent liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the financial statements. Significant estimates include the valuation of the derivative liability, deferred tax asset and valuation allowance, and assumptions used in Black-Scholes-Merton, or BSM, or other valuation methods, such as expected volatility, risk-free interest rate, and expected dividend rate.

Inventory

We did not have inventory at September 30, 2016 or December 31, 2015. We order inventory/components upon receipt of a signed purchase order from a customer.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers: Topic 606,* or ASU 2014-09. ASU 2014-09 establishes the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the new revenue recognition model to contracts with customers, an entity: (1) identifies the contract(s) with a customer; (2) identifies the performance obligations in the contract(s); (3) determines the transaction price; (4) allocates the transaction price to the performance obligations in the contract(s); and (5) recognizes revenue when (or as) the entity satisfies a performance obligation. The accounting standards update applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The accounting standards update also requires significantly expanded quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The Company is currently evaluating the impact that the implementation of ASU 2014-09 will have on the Company's financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* , or ASU 2014-15. ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. The Company is not early adopting ASU 2014-15. The Company is currently evaluating the impact that the implementation of ASU 2014-15 will have on the Company's financial statements, and the actual impact will be dependent upon the Company's liquidity and the nature or significance of future events or conditions that exist upon adopting the updated standard.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* , or ASU 2015-05*.* ASU 2015-05 provides guidance to entities about whether a cloud computing arrangement includes a software license. Under ASU 2015-05, if a software cloud computing arrangement contains a software license, entities should account for the license element of the arrangement in a manner consistent with the acquisition of other software licenses. If the arrangement does not contain a software license, entities should account for the arrangement as a service contract. ASU 2015-05 also removes the requirement to analogize to ASC 840-10, to determine the asset acquired in a software licensing arrangement. For public companies, ASU 2015-05 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, and early adoption is permitted. The Company does not expect that the adoption of ASU 2015-05 will have a material impact on its financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, or ASU 2015-17*.* ASU 2015-17 provides guidance on balance sheet classification of deferred taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. For public companies, ASU 2015-17 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2016, and early adoption is permitted. The Company does not expect that the adoption of ASU 2015-17 will have a material impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, or ASU 2016-02*.* The new guidance requires lessees to recognize the assets and liabilities arising from leases on the balance sheet. For public companies, ASU 2016-02 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018, and early adoption is permitted. The Company does not expect that the adoption of ASU 2016-02 will have a material impact on its financial statements.

NOTE 3 – ACCRUED EXPENSES

Accrued expenses consist of the following amounts:

	September 30, 2016	December 31, 2015
Accrued compensation to executive officers and employees	$ 37,079	$ 151,565
Accrued professional fees	19,500	45,735
Total accrued expenses	$ 56,579	$ 197,300

NOTE 4 – FAIR VALUE MEASUREMENTS

The Company did not have any Level 1 or Level 2 assets and liabilities at September 30, 2016 and December 31, 2015. The Derivative liabilities are Level 3 fair value measurements.

The following is a summary of activity of Level 3 liabilities during the nine months ended September 30, 2016:

Derivative liability balance at December 31, 2015	$ 270,080
Change in fair value	(3,786)
Balance at September 30, 2016	$ 266,294

At September 30, 2016, the fair value of the derivative liabilities of convertible notes was estimated using the BSM pricing model with the following weighted-average inputs: risk free interest rate – 0.29%; term - .25 years; volatility – 347.1%; dividend rate – 0%.

NOTE 5 – NOTE PAYABLE

Convertible Notes Payable with Embedded Derivative Liabilities (Conversion Options)

	September 30, 2016	December 31, 2015
Convertible note payable for $78,750 to LG Capital Funding, LLC (“LG Capital”) dated January 16, 2015, due January 16, 2016, of which $38,829 was repaid by conversion as of December 31, 2015, bearing interest at the rate of 8% per annum. Note may be converted by LG Capital 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)	$ 39,921	$ 39,921
Convertible note payable for $250,000 to JMJ Financial (“JMJ”) of which $82,500 was deemed funded on January 28, 2015 and $27,500 was deemed funded on April 20, 2015, of which $40,930 was repaid by conversion as of December 31, 2015. The note was issued with an original issue discount of 10% of amounts funded. The principal amount matures 24 months from the date of each funding, had 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)	69,070	$ 69,070
Total convertible notes payable with embedded derivative liability	108,991	$ 108,991

(1) 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.

(2) Note was due on January 16, 2016. We have not yet repaid this note and it is, therefore, in default. We have also not maintained the required number of shares of our common stock in reserve for this note as more fully discussed below.

Under the terms of the two convertible promissory notes outstanding at September 30, 2016, we are required to maintain a minimum number of shares of our common stock in reserve for conversions. In the case of the note with JMJ, the reserve amount is set at 26,650,000 shares of our common stock. However, under the terms of the note with LG Capital we are required to maintain a minimum share reserve equal to four times the potential number of shares of our common stock issuable upon conversion, or 139,707,296 shares at September 30, 2016. As a result of declines in the fair value of our common stock, we did not have sufficient authorized shares to maintain this required four times share reserve at December 31, 2015. Accordingly, the note holder had the right to accelerate the payment due (approximately $43,033 of principal and interest was due at December 31, 2015). In addition, they have the right to require that additional shares and/or monies be paid in connection with this technical default. At September 30, 2016, and December 31, 2015, we have not accrued any penalties or penalty interest associated with this note, nor have we been notified by the lender of a technical default. Because the conversion prices vary with changes in the value of our common stock, the number of shares into which the outstanding notes payable and accrued interest are convertible will continue to vary, which may result in additional technical defaults if the price of our common stock decreases. As soon as we are able, we intend to request shareholder approval to increase the number of authorized shares of our common stock in order to satisfy our obligations to maintain sufficient authorized share reserves under the terms of our convertible notes. In addition, the two outstanding convertible notes also contain certain representations, warranties, covenants and other events of default, including in the case of one of the notes maintaining our common stock listing on the OTCQB exchange.

Revenue Based Factoring Agreements

During the year ended December 31, 2015, we entered into two revenue based factoring agreements with balances as of September 30, 2016 and December 31, 2015, as follows:

	September 30, 2016	December 31, 2015
Factoring agreement with Power Up Lending Group, Ltd. ("Power Up") dated October 1, 2015, purchase price was $59,000. Company agreed to transfer all NACSV future receipts, accounts, contract rights, etc. arising from accounts receivable or other third party payors at the specified percentage of 24% until such time as $76,700 is paid in full. A daily repayment amount of $457 is required to be made and is credited against the specified percentage due. As of September 30, 2016 and December 31, 2015, we paid $21,458 of the daily specified repayments and we had not made $9,588 of payments that were due. At September 30, 2016, and December 31, 201, $12,748 of deferred interest expense related to this agreement is included in current assets. (1) (2) (3)	$ 55,242	$ 55,242
Factoring agreement with Power Up dated October 23, 2015, purchase price was $50,000. Company agreed to transfer all NACSV future receipts, accounts, contract rights, etc. arising from accounts receivable or other third party payors at the specified percentage of 24% until such time as $69,000 is paid in full. A daily repayment amount of $548 is required to be made and is credited against the specified percentage due. As of September 30, 2016 and December 31, 2015, we paid $16,976 of the daily specified repayments and we had not made $10,952 of payments that were due. At September 30, 2016 and December 31, 2015, $14,326 of deferred interest expense related to this agreement is included in current assets. (2) (3)	$ 52,024	$ 52,024
Total due to factor	$ 107,266	$ 107,266

(1) We used the purchase price proceeds to satisfy in full the obligations under two convertible notes payable with embedded derivative liabilities.

(2) The agreement contains certain protections against default, including prohibiting NACSV from changing its arrangement with its bank in any way that is adverse to Power Up and NACSV interrupting the operation of its business, among others. Events of default include: (i) the violation of any term or covenant under the agreement, (ii) the failure of NACSV to pay its debts when due and (iii) the transfer or sale of all or substantially all of NACSV's asset, amount others.

(3) We are currently in default under the terms of the two factoring agreements as we have not made the specified daily repayment amounts aggregating $20,540 and $107,266 as of December 31, 2015 and April 9, 2016, respectively, among other items. At September 30, 2016, we have not accrued any penalties or interest that might be due as a result of the defaults.

Notes Payable

Notes payable at March 31, 2016 and 2015 consist of the following:

Type	Collateral (if any)	Interest Rate	Monthly Payments	Maturity	March 31, 2016	December 31, 2015
Premium finance agreement	None	5.10%	$ 10,507	June-2016	$ 8,150	$ 61,810
Premium finance agreement	None	9.25%	$ 3,414	January-2016	$ 3,037	$ 3,037
Total notes payable					$ 11,187	$ 64,847

NOTE 6 – COMMITMENTS AND CONTINGENCIES

We may be involved in legal proceedings in the ordinary course of our business, and our management cannot predict the ultimate outcome of these legal proceedings with certainty. The Company is plaintiff or defendant in the following 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 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 the Middle District of Florida. Dekle and Ramsay 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.On September 30, 2105, the Court granted the Company’s Renewed Motion to Transfer Venue. The case was transferred to the Middle District of Florida, where it is currently pending.

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. The Company’s Motion to Dismiss was denied.

On July 27, 2017, the Company and Dekle and Ramsay came to a Settlement Agreement. The Company and the plantiff came to the following agreements:

i. Judgment is due to be entered against the Company in the amount of $300,000 if the sum of $20,000 as noted in iv is not paid.
ii. The Company grants the plaintiffs vehicles and trailers in connection to this proceeding.
iii. The Company will assist the plaintiffs in obtaining possession of the said vehicles.
iv. The Company will pay the plaintiffs the sum of $20,000.
The $20,000 settlement was paid in August 2017

PowerUp Lending Group, LTD., v. North American Custom Specialty Vehicle, Inc. et.al

On September 13, 2017 Power Up received a default judgment against the Company in the amount of $109,302.00. The Company negotiated a settlement agreement on December 21, 2017 with Power Up to pay $90,000 in three installments of $30,000. As of May 15, 2018 the company has paid the entire amount.

Jeff Hull, Individually and on Behalf of All Others Similarly Situated v. Global Digital Solutions, Inc., Richard J. Sullivan, David A. Loppert, William J. Delgado, Arthur F. Noterman and Stephanie C. Sullivan United States District Court, District of New Jersey (Trenton), Case No. 3:16-cv-05153-FLW-TJB

On August 24, 2016, Jeff Hull, Individually and on Behalf of All Others Similarly Situated (“Hull”) filed suit in the *United States District Court for the District of New Jersey* against Global Digital Solutions, Inc. (“GDSI”), Richard J. Sullivan (“Sullivan”), David A. Loppert (“Loppert”), William J. Delgado (“Delgado”), Arthur F. Noterman (“Noterman”) and Stephanie C. Sullivan (“Stephanie Sullivan”) seeking to recover compensable damages caused by Defendants’ alleged violations of federal securities laws and to pursue remedies under the Securities Exchange Act of 1934. On January 18, 2018, pursuant to the Court’s December 19, 2017 Order granting Plaintiff Hull leave to file an amended Complaint, Plaintiff Hull filed a Second Amended Complaint against Defendants. On February 8, 2018, Defendants GDSI and Delgado filed a Second Motion to Dismiss the Complaint. On February 8, 2018, Defendant Loppert filed a Motion for Extension of Time to File an Answer. On February 13, 2018, Defendant Loppert filed a Motion to Dismiss the Second Amended Complaint for Lack of (personal) Jurisdiction and for Failure to State a Claim. On February 20, 2018, Plaintiff Michael Perry (“Perry”) filed a Brief in Opposition to Defendants GDSI and Delgado’s Second Motion to Dismiss the Complaint and to Defendant Loppert’s Motion to Dismiss the Second Amended Complaint for Lack of (personal) Jurisdiction and for Failure to State a Claim. On February 26, 2018, Defendants GDSI and Delgado filed a Reply Brief to Plaintiff Michael Perry’s Brief in Opposition to their Motion to Dismiss the Second Amended Complaint. On February 26, 2018, Defendant Loppert filed a Response in Support of Defendants GDSI and Delgado’s Second Motion to Dismiss the Complaint. On March 12, 2018, Defendant Loppert filed a Reply Brief to Plaintiff Perry’s Brief in Opposition to Defendant Loppert’s Motion to Dismiss the Second Amended Complaint for Lack of (personal) Jurisdiction and for Failure to State a Claim. To date, the Court has not issued a decision as to aforementioned Motions. Global Digital Solutions, Inc. and William J. Delgado intend to continue to vigorously defend against the claims asserted by Jeff Hull, Individually and on Behalf of All Others Similarly Situated. The Company believes the likelihood of an unfavorable outcome of the dispute is remote.

Securities and Exchange Commission v. Global Digital Solutions, Inc., Richard J. Sullivan and David A. Loppert *United States District Court for the Southern District of Florida, Case No. 9:16-cv-81413-RLR*

On August 11, 2016, the Securities and Exchange Commission ("SEC") filed suit in the *United States District Court for the Southern District of Florida* against Global Digital Solutions, Inc. ("GDSI"), Richard J. Sullivan ("Sullivan") and David A. Loppert ("Loppert") to enjoin GDSI; Sullivan, GDSI's former Chairman and CEO; and Loppert, GDSI's former CFO from alleged further violations of the anti-fraud and reporting provisions of the federal securities laws, and against Sullivan and Loppert from alleged further violations of the certification provisions of the federal securities laws.

On October 12, 2016, Defendant GDSI filed its First Answer to the Complaint. On November 9, 2016, Defendant Sullivan filed a Letter with the Court denying all allegations regarding the case. On December 15, 2016, the SEC filed a Motion for Judgment and Notice of Filing of Consent of Defendant Loppert to entry of Final Judgment by the SEC. On December 19, 2016, the Court entered an order granting the SEC's Motion for Judgment as to Defendant Loppert. On December 21, 2016, the SEC filed a Notice of Settlement as entered into by it and Defendants GDSI and Sullivan. On December 23, 2016, the Court entered an Order staying the case and directing the Clerk of the Court to close the case for statistical purposes per the December 21, 2016 Notice of Settlement. On March 7, 2017, the SEC moved for a Judgment of Permanent Injunction and Other Relief and Notice of Filing Consent of Defendant GDSI to Entry of Judgment by the SEC. On March 13, 2017, the Judge signed the Judgment as to Defendant GDSI and it was entered on the Court's docket. On April 6, 2017, the SEC moved for a final Judgment of Permanent Injunction and Other Relief and Notice of Filing Consent of Defendant Sullivan. On April 10, 2017, the Judge signed the final Judgment as to Defendant Sullivan and it was entered on the Court's docket. On December 21, 2017, the SEC moved for a final Judgment and Notice of Filing Consent of Defendant GDSI to Entry of Final Judgment. On January 2, 2018, the Judge signed the Final Judgment as to Defendant GDSI and it was entered on the Court's docket. The amount of the judgement is One Hundred Thousand Dollars ($100,000.00) plus interest.

Adrian Lopez, Derivatively and on behalf of Global Digital Solutions, Inc. v. William J. Delgado, Richard J. Sullivan, David A. Loppert, Jerome J. Gomolski, Stephanie C. Sullivan, Arthur F. Noterman, and Stephen L. Norris *United States District Court for the District of New Jersey, Case No. 3:17-cv-03468-PGS-LHG*

On September 19, 2016, Adrian Lopez, derivatively, and on behalf of Global Digital Solutions, Inc., filed an action in New Jersey Superior Court sitting Mercer County, General Equity Division. That action was administratively dismissed for failure to prosecute. Plaintiff Lopez, through his counsel, filed a motion to reinstate the matter on the general equity calendar on or about February 10, 2017. The Court granted the motion unopposed on or about April 16, 2017. On May 15, 2017, Defendant William Delgado ("Delgado") filed a Notice of Removal of Case No. C-70-16 from the *Mercer County Superior Court of New Jersey* to the *United States District Court for the District of New Jersey* . On May 19, 2017, Defendant Delgado filed a First Motion to Dismiss for Lack of Jurisdiction. On May 20, 2017, Defendant David A. Loppert ("Loppert") filed a Motion to Dismiss for Lack of (Personal) Jurisdiction. On June 14, 2017, Plaintiff Adrian Lopez ("Lopez") filed a First Motion to Remand the Action back to State Court. On June 29, 2017, Defendant Delgado filed a Memorandum of Law in Response and Reply to the Memorandum of Law in Support of Plaintiff's Motion to Remand and in Response to Defendants' Delgado's and Loppert's Motions to Dismiss. On January 1, 16, 2018, a Memorandum and Order granting Plaintiff's Motion to Remand the case back to the *Mercer County Superior Court of New Jersey* was signed by the Judge and entered on the Docket. Defendants Delgado and Loppert's Motions to Dismiss were denied as moot. On February 2, 2018, Defendants filed a Motion to Dismiss the Complaint. On February 20, 2018, Plaintiff filed a Motion to Consolidate Cases. On March 21, 2018, Plaintiff filed an Opposition to Defendants' Motion to Dismiss the Complaint. On March 23, 2018, Defendants filed a Brief in Reply to Plaintiff's Opposition to Defendants' Motion to Dismiss the Complaint. The Court held a hearing on the motions to dismiss and consolidate. Juriisidctional discovery was ordered. As of this date, the Court has not issued a decision and Order regarding Defendants' Motion to Dismiss the Complaint.The Company believes the likelihood of an unfavorable outcome of the dispute is remote.

Adrian Lopez v. Global Digital Solutions, Inc. and William J. Delgado *Superior Court of New Jersey, Chancery Division, Mercer County, Equity Part, Docket No. MER-L-002126-17*

On September 28, 2017, Plaintiff Adrian Lopez ("Lopez") brought an action against Global Digital Solutions, Inc. ("GDSI") and William J. Delgado ("Delgado") to compel a meeting of the stockholders of Global Digital Solutions, Inc. pursuant to Section 2.02 of GDSI's Bylaws and New Jersey Revised Statute § 14A:5-2. On October 27, 2017, Defendants GDSI and Delgado filed a Motion to Stay the Proceeding. On November 24, 2017, Plaintiff filed an Objection to Defendants' Motion to Stay the Proceeding. On January 19, 2018, Defendants' Motion to Stay the Proceeding was denied. On February 2, 2018, Defendants filed a Motion to Dismiss the Complaint. On February 20, 2018, Plaintiff filed a Motion to Consolidate Cases. On March 21, 2018, Plaintiff filed an Opposition to Defendants' Motion to Dismiss the Complaint. On March 23, 2018, Defendants filed a Brief in Reply to Plaintiff's Opposition to Defendants' Motion to Dismiss the Complaint. As of this date, the Court has not issued a decision and Order regarding Defendants' Motion to Dismiss the Complaint.The Company believes the likelihood of an unfavorable outcome of the dispute is remote.

In the Matter of GLOBAL DIGITAL SOLUTIONS, INC., ADMINISTRATIVE PROCEEDING File No. 3-18325 *. Administrative Proceeding Before the Securities and Exchange Commission.*

On December 26, 2017, the Securities and Exchange Commission instituted public administrative proceedings pursuant to Section 12(j) of the Securities Exchange Act of 1934 ("Exchange Act") against the Respondent Global Digital Solutions, Inc. On January 8, 2018, Respondent Global Digital Solutions, Inc. ("GDSI") filed its answer to the allegations contained in the Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12U) of the Exchange Act. A briefing schedule was entered into and on February 15, 2018, the Securities and Exchange Commission filed a motion for an order of summary disposition against Respondent GDSI on the grounds that there is no genuine issue with regard to any material fact, the Division was entitled as a matter of law to an order revoking each class of GDSI's securities registered pursuant to Section 12 of the Exchange Act. Respondent GDSI opposed the Securities and Exchange Commission's motion on the grounds that there were material issues of fact. The Securities and Exchange Commission replied and a hearing was held on April 9, 2018. The Administrative Law Judge ordered supplemental evidence and briefing on the issues of material fact. The Company believes the likelihood of an unfavorable outcome of the dispute is reasonably possible, but is not able to reasonably estimate a range of potential loss, should the outcome be unfavorable.

PMB HELIN DONOVAN, LLP vs. GLOBAL DIGITAL SOLUTIONS, INC. IN THE CIRCUIT COURT FOR THE 15TH JUDICIAL CIRCUIT IN AND FOR PALM BEACH COUNTY, FLORIDA, Docket No.: 50-2017-CA-011937-XXXX-MB

On October 31, 2017, PMB Helin Donovan, LLP filed an action for account stated in Palm Beach County. Global Digital Solutions, Inc. ("GDSI") settled the matter for Forty Thousand Dollars ($40,000.00) of which the first payment of Ten Thousand Dollars ($10,000.00) has been paid.

JENNIFER CARROLL, vs. GLOBAL DIGITAL SOLUTIONS, INC., NORTH AMERICAN CUSTOM SPECIALTY VEHICLES, INC. , IN THE CIRCUIT COURT FOR THE 15TH JUDICIAL CIRCUIT IN AND FOR PALM BEACH COUNTY, FLORIDA, CASE NO.: 50-2015-CC-012942-XXXX-MB

On October 27, 2017, Plaintiff Jennifer Carroll moved the court for a default judgment against Defendant Global Digital Solutions, Inc. ("GDSI") and its subsidiary North American Custom Specialty Vehicles Inc. The amount of the judgement is Fifteen Thousand Dollars ($15,000.00) plus fees of Thirteen Thousand Three Hundred Fifty Three Dollars Forty Four Cents ($13,353.44) and costs of six hundred twenty four dollars thirty cents ($624.30).

NOTE 7 – STOCKHOLDERS' EQUITY

Preferred Stock

We are authorized to issue 35,000,000 shares of noncumulative, non-voting, nonconvertible preferred stock, $0.001 par value per share. At September 30, 2016 and 2015, 1,000,000 shares and 0 shares of preferred stock were outstanding.

On August 15, 2016, William J. Delgado, our current Chief Executive Officer, agreed to convert $231,565 of indebtedness owed to him by the Company into 1,000,000 shares of convertible preferred stock (the "Preferred Stock"). The Preferred Stock has voting rights as to one (1) preferred share to four hundred (400) shares of the common stock of the Company. The Preferred Stock is convertible into common stock at any time after issuance into 37% of the outstanding common stock of the Company at the time of the conversion. The conversion to common can only take place when there are an adequate number of shares that are available and is subject to normal stock adjustments (i.e. stock splits etc.) that are executed by the Company in its normal course of business.

Common Stock

We are authorized to issue 650,000,000 shares of common stock, $0.001 par value per share. At September 30, 2016 and 2015, 530,806,571 and 530,806,571 shares were issued, outstanding, or vested but unissued under stock compensation plans, respectively.

Common Stock Warrant

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-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

All warrants are exercisable at any time through the date of expiration. All agreements provides 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 following is a summary of outstanding and exercisable warrants at September 30, 2016:

	Outstanding			Exercisable	
Range of Exercise Prices	Weighted Average Number Outstanding at 9/30/16	Outstanding Remaining Contractual Life (in yrs.)	Weighted Average Exercise Price	Number Exercisable at 9/30/16	Weighted Average Exercise Price
$ 0.15	1,000,000	1.3	$ 0.15	1,000,000	$ 0.15
$ 0.50	500,000	1.5	$ 0.50	500,000	$ 0.50
$ 0.15 to 0.50	1,500,000	1.40	$ 0.63	1,500,000	$ 0.63

The following is a summary of outstanding and exercisable warrants at December 31, 2015:

	Outstanding			Exercisable	
Range of Exercise Prices	Weighted Average Number Outstanding at 12/31/15	Outstanding Remaining Contractual Life (in yrs.)	Weighted Average Exercise Price	Number Exercisable at 12/31/15	Weighted Average Exercise Price
$ 0.15	1,000,000	2.3	$ 0.15	1,000,000	$ 0.15
$ 0.50	500,000	2.5	$ 0.50	500,000	$ 0.50
$ 1.00	1,000,000	.8	$ 1.00	1,000,000	$ 1.00
$ 0.56	2,500,000	1.90	$ 0.37	2,500,000	$ 0.56

The intrinsic value of warrants outstanding at September 30, 2016 and 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.

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 periods ended September 30, 2016 and 2015 is comprised as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Fair value expense of stock option grants	$ -	101,445	$ (74,807)	201,667
Fair value expense of restricted stock unit grants	-	-	(51,747)	-
Fair value expense of restricted stock grants	-	-	-	208,280
	$ -	101,445	$ (126,554)	409,947

Awards Issued Under Stock Incentive Plans

Stock Option Activity

At September 30, 2016 we have outstanding 13,650,002 stock options which are fully-vested and at December 31, 2015, we have outstanding 15,100,000 stock options - 14,116,668 of which are fully-vested stock options that were granted to directors, officers and consultants and 1,983,332 of which are unvested stock options that were granted to directors, employees and consultants. The outstanding stock options are exercisable at prices ranging from $0.006 to $0.64 and expire between February 2024 and December 2025. During 2016 the 983,332 unvested stock options were either forfeited due to employees leaving the Company, or cancelled by the Board due to performance levels not being met.

Issuances of Stock Options

Effective as of April 10, 2015, David A. Loppert retired as our CFO and as an officer of the Company and we appointed Jerome J. Gomolski as our 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 our 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, expire on April 1, 2025 and had an aggregate grant date fair value of $50,000, which will be recognized as compensation as the options vest. During 2016, the unvested stock options were cancelled, and no further stock compensation was recognized.

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. The options had an aggregate grant date fair value of $30,000 each, which will be recognized as compensation as the options vest. During 2016, the unvested stock options were cancelled, and no further stock compensation was recognized.

On April 20, 2015 we granted options to acquire 500,000 shares of our common stock exercisable at $0.14 per share to each of William J. Delgado, executive officer and director, and Arthur F. Noterman and Stephanie C. Sullivan, directors. The options vest one-third on each of October 1, 2015, April 1, 2016 and October 1, 2016, are exercisable through March 31, 2025, and had an aggregate grant date fair value of $70,000 each which will be recognized as compensation as the options vest. During 2016, the unvested stock options were cancelled, and no further stock compensation was recognized.

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, expire ten years from the date of grant and had an aggregate grant date fair value of $24,000 which will be recognized as compensation as the options vest. During 2016, the unvested stock options were cancelled, and no further stock compensation was recognized.

.

On November 30, 2015, we granted to each of our executive officers, Jerome J. Gomolski and Gary A. Gray, and to an employee options to acquire 1,000,000 shares of our common stock exercisable at $0.006 per share. The options vested on the date of grant and expire on November 30, 2025 and had an aggregate grant date fair value of $50,000 each.

On December 9, 2015, we granted to Vox Equity Partners LLC options to acquire 4,000,000 shares of our common stock exercisable at $0.006 per share. The 4,000,000 options vested on the date of grant, expire on December 8, 2025 and had a grant date fair value of $24,000.

On December 15, 2015, we granted to each of William J. Delgado, executive officer and director, and Arthur F. Noterman and Stephanie C. Sullivan, directors options to acquire 750,000 shares of our common stock exercisable at $0.008 per share. The options vested on the date of grant and expire on December 14, 2025. The options had an aggregate grant date fair value of $6,000 each.

A summary of the stock option activity for our stock options plans for years ended September 30, 2016 and the nine months then ended is as follows:

	Number of Options	Exercise Price per Share	Average Remaining Term in Years	Aggregate Intrinsic Value at Date of Grant
Outstanding December 31, 2015	15,100,000	$ 0.18	8.4	-
Options granted	-	-	-	-
Options exercised	-			-
Forfeited in 2016	(1,449,998)	$ 0.01		
Outstanding September 30, 2016	13,650,002	0.03	-	-
Exercisable at September 30 2016	13,650,002	$ 0.03	8.4	-
Unvested at September 30, 2016	-	-		

During the three and nine months ended September 30, 2016 and 2015, we recorded stock-based compensation cost related to the outstanding stock options of $0 and $101,445 and ($74,807) and 201,667, respectively. At September 30, 2016 and 2015, respectively, the unamortized value of the outstanding stock options was $0 and $91,847. The intrinsic value of options outstanding at September 30, 2016 and 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 nine months ended September 30, 2016, 983,332 stock options that had not yet vested were forfeited.

Restricted Stock Units

A summary of RSU's outstanding as of September 30, 2016 and changes during the nine months then ended is presented below:

	Number	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested at December 31, 2015	1,000,000	$ (0.10)	-
Issued	--	-	-
Vested	-	-	-
Forfeited	(1,000,000)	-	-
Nonvested at September 30, 2016	--	-	$ 0.00

We recorded stock-based compensation expense related to these RSU's of $0 and ($51,747) and $0 and $0 for the three and nine months ended September 30, 2016 and 2015, respectively. As of September 30, 2016 and 2015, respectively, there was $0 and $35,317 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. The 1 million unvested RSU's were forfeited during the nine months ended September 30, 2016. The aggregate intrinsic value of nonvested RSU's was $0 at September 30, 2016.

Restricted Stock Grants

On March 7, 2015, we granted 1,000,000 restricted shares of our common stock to Gary A. Gray, our Executive Vice President. The restricted stock vested on May 30, 2015 and had a grant date fair value of $40,000.

On March 7, 2015, we granted 500,000 restricted shares of our common stock to an employee. The restricted stock vested on May 30, 2015 and had a grant date fair value of $20,000.

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 $0.17 to $0.364 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, as follows:

					September 30, 2016		
Name	Date of Grant	Number of Shares	Vest from	Vest To	Vested	Unvested	Forfeited
Mathew Kelley	4/17/13	1,250,000	4/30/13	3/31/14	1,250,000	-	-
	4/17/13	1,250,000	2/28/14	1/31/15	1,250,000	-	-
Richard J. Feldman	4/30/14	500,000	4/30/14	3/30/15	500,000	-	-
		500,000	4/30/15	3/30/16	375,000	-	125,000
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		
		5,000,000			4,875,000	-	125,000

A summary of restricted stock grants outstanding as of September 30, 2016 and December 31, 2015, and the changes during the year then ended is presented below:

	Number	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested at December 31, 2015	125,000	0.40	$ 0.00
Granted	-	$ -	
Vested	-)	-	
Forfeited	(125,000)	(0.40)	-
Nonvested at September 30, 2016	-	$ -	$ 0.00

We recorded stock-based compensation expense related to these restricted stock grants of $0 and $208,280 for the nine months ended June 30, 2016 and 2015, respectively.

NOTE 8 – RESTATEMENT

The financial statements for the comparative periods in fiscal 2015 have been restated from those previously filed in the Quarterly Reports with the SEC, due to several errors discovered in the quarterly amounts during the December 31, 2015 audit of our financial statements. These changes included adjustments to a write down of inventory and accounts receivable, changes in the timing of recognition of some items, and certain reclassifications.

The restated changes for the consolidated balance sheets for September 30, 2015 is presented below:

	September 30, 2015	September 30, 2015	September 30, 2015
	As Originally Presented	Changes	Restated
Assets			
Current Assets			
Cash	**$ 115,662**	$ -	$ 115,662
Accounts receivable	306,439	(299,999)	6,440
Inventory	-	19,471	19,471
Debt isuannces fees, net	940	(940)	-
Prepaid expenses	147,174	(18,332)	128,842
Total current assets	570,215	(299,800)	270,415
Property and equipment, net of accumulated depreciation	6,359	-	6,359
Deposits	2,415	18,332	20,747
Total assets	**$ 578,989**	**$ (281,468)**	**$ 297,521**
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	**$ 141,598**	$ 74	$ 141,672
Accrued expenses	171,107	(42)	171,065
Accrued Interest	76,473	-	76,473
Contingent liability	555,653	-	555,653
Convertible notes payable, net of discounts	312,071	(898)	311,173
Notes Payable	101,363	-	101,363
Total current liabilities	**1,358,265**	**(866)**	**1,357,399**
Derivative liability	600,327	161,149	**761,476**
Total Liabilities	**1,958,592**	**160,283**	**2,118,875**
Commitments and Contingencies (Note 6)			
Stockholders' deficit			
Preferred stock	$ -	$ -	$ -
Common stock	286,852	2,190	289,042
Additional paid-in capital	29,844,051	(599,845)	29,244,206
Accumulated deficit	(31,510,506)	155,904	(31,354,602)
Total stockholders' deficit	**(1,379,603)**	**(441,751)**	**(1,821,354)**
Total liabilities and stockholders' deficit	**$ 578,989**	**$ (281,468)**	**$ 297,521**

The restated changes for the statement of operations for the three months ended September 30, 2015 is presented below:

	For the Three Months Ended September 30		
	2015	2015	2015
	As Originally Presented	Changes	(Restated)
Revenue	$ **254,587**	-	254,587
Cost of revenue	278,676	(201,926)	76,750
Gross profit	**(24,089)**	**201,926**	**177,837**
Operating expenses			
Selling, general and administrative expenses	526,369	(102,709)	423,660
Operating loss before other income(expense)	(550,458)	304,635	(245,823)
Other (income)/expense			
Change in fair market value of derivatives	(230,099)	406,617	176,518
Loss on conversions of notes payable and accrued interest	406,617	(406,617)	-
Other Income	(600)	-	(600)
Loan Fees	-	28,693	28,693
Loss on extinguishment of debt	-	-	-
Finance Costs	-	163,735	163,735
Amortization of debt discount - Convertible Notes Payable	-	-	-
Amortization of debt discount - Factoring	-	-	-
Interest expense	208,636	(163,735)	44,901
	384,554	28,693	413,247
Loss before provision for income taxes	(935,012)	275,942	(659,070)
Provision for income taxes	**-**	-	-
Net loss	**$ (935,012)**	**$ 275,942**	**$ (659,070)**
Loss per common share - basic and diluted	**$ (0.01)**	**$ (0.01)**	**$ (0.01)**
Weighted average common shares outstanding			
Basic and diluted	**140,365,540**	**146,486,707**	**286,852,247**

The restated changes for the statement of operations for the nine months ended September 30, 2015 is presented below:

	For the Nine Months Ended September 30		
	2015	2015	2015
	As Originally Presented	Changes	(Restated)
Revenue	**$ 633,810**	-	$ 633,810
Cost of revenue	535,517	(319,575)	215,942
Gross profit	**98,293**	**319,575**	**417,868**
Operating expenses			
Selling, general and administrative expenses	2,445,294	(831,124)	1,614,170
Operating loss before other income(expense)	(2,347,001)	1,150,699	(1,196,302)
Other (income)/expense			
Change in fair market value of derivatives	(686,980)	406,617	(280,363)
Loss on conversions of notes payable and accrued interest	406,617	(406,617)	-
(Gain)loss on extinguishment of debt	22,170	(22,170)	-
Reduction of contingent consideration for purchase price	(280,461)	280,461	-
Ot-her Income	(190,840)	(184,359)	(375,199)
Loan Fees	-	142,538	142,538
Loss on extinguishment of debt	-	22,170	22,170
Finance Costs	-	1,294,793	1,294,793
Interest expense	1,377,436	(1,249,144)	128,292
	647,942	284,289	932,231
Loss before provision for income taxes	(2,994,943)	866,410	(2,128,533)
Provision for income taxes	**-**	-	-
Net loss	**$ (2,994,943)**	**$ 866,410**	**$ (2,128,533)**
Loss per common share - basic	**$ (0.03)**	**$ (0.01)**	**$ (0.01)**
Weighted average common shares outstanding			
Basic	**119,425,067**	**167,427,180**	**286,852,247**

NOTE 9 – SUBSEQUENT EVENTS

We have completed an evaluation of all subsequent events after the balance sheet date of September 30, 2016 through the date this Quarterly Report on Form 10-Q was submitted to the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of September 30, 2016, and events which occurred subsequently but were not recognized in the financial statements. We have concluded that no subsequent events have occurred that require recognition or disclosure, except as disclosed within these financial statements and except as described below:

On December 22, 2017, the Company entered into a financing agreement with an accredited investor for $1.2 million. Under the terms of the agreement, the Company is to receive milestone payments based on the progress of the Company's lawsuit for damages against Grupo Rontan Metalurgica, S.A (the "Lawsuit"). Such milestone payments consist of (i) an initial purchase price payment of $300,000, which the Company received on December 22, 2017, (ii) $150,000 within 30 days of the Lawsuit surviving a motion to dismiss on the primary claims, (iii) $100,000 within 30 days of the close of all discovery in the Lawsuit and (iv) $650,000 within 30 days of the Lawsuit surviving a motion for summary judgment and challenges on the primary claims. As part of the agreement, the Company shall pay the investor an investment return of 100% of the litigation proceeds to recoup all money invested, plus 27.5% of the total litigation proceeds received by the Company.

On December 26, 2017, the Company entered into a $485,000 Demand Promissory Note with RLT Consulting, Inc (the "Purchaser".) As part of the agreement, the Purchaser may not demand payment prior to the date of the Resolution Funding Date. The Company also agreed to grant 5,000,000 shares within 90 days of the Resolution Progress Funding Date and 10,000,000 shares within 90 days of the Resolution Funding Date.

From February 9, 2018 to March 13, 2018, the Company issued 28,653,334 shares of common stock as follows:

Date Issued	Recipient	Number of Shares	Purpose of Issuance	Value of Shares	Amount Received
February 9, 2018	Accredited Investor	4,320,000	Purchase Agreement	$ 0.012	$ 12,096
February 9, 2018	Consultant	333,334	Services	$ 0.012	N/A
February 21, 2018	Consultant	5,000,000	Services	$ 0.012	N/A
March 13, 2018	Consultant	5,000,000	Purchase Agreement	$ 0.004	$ 20,000
March 13, 2018	Consultant	5,000,000	Services	$ 0.012	N/A
March 13, 2018	Consultant	9,000,000	Services	$ 0.012	N/A

On May 1, 2018 the Company entered into a $36,000 promissory note with an individual with $5,000 original issue discount for net proceeds of $31,000.

On May 15, 2018, the Company entered into an Investment Return Purchase Agreement with an accredited investor (the "Purchaser") for proceeds of $200,000 (the "Investment Agreement"). Under the terms of the Investment Agreement, the Company agreed to pay the Purchaser a 10% return, or $20,000 (the "Investment Return") within three (3) months from the date of the Investment Agreement. Such Investment Return shall be paid earlier if the Company secures funding totaling $500,000 within 90 days from the date of the Investment Agreement. In addition, the Company agreed to issue to the Purchaser 2,000,000 warrants to purchase common stock of the Company at an exercise price of $0.01 per share, exercisable for a period of three (3) years.

On June 1, 2018, the Company entered into a $300,000 non-convertible note with an accredited investor with $150,000 original issue discount for net proceeds of $150,000. As part of the note agreement, the Company also agreed to issue the investor 5,000,000 warrants at an exercise price of $0.01.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes a number of forward-looking statements that reflect management's current views with respect to future events and financial performance. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other comparable terminology. These statements include statements regarding the intent, belief or current expectations of us and members of our management team, as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks set forth in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the U.S. Securities and Exchange Commission (the “SEC”) on May 31, 2018, any of which may cause our company’s or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in our forward-looking statements. These risks and factors include, by way of example and without limitation:

- our ability to successfully commercialize and our products and services on a large enough scale to generate profitable operations;
- our ability to maintain and develop relationships with customers and suppliers;
- our ability to successfully integrate acquired businesses or new brands;
- the impact of competitive products and pricing;
- supply constraints or difficulties;
- the retention and availability of key personnel;
- general economic and business conditions;
- substantial doubt about our ability to continue as a going concern;
- our need to raise additional funds in the future;
- our ability to successfully recruit and retain qualified personnel in order to continue our operations;
- our ability to successfully implement our business plan;
- our ability to successfully acquire, develop or commercialize new products and equipment;
- intellectual property claims brought by third parties; and
- the impact of any industry regulation.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time except as required by law. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions.

As used in this Quarterly Report on Form 10-Q and unless otherwise indicated, the terms “GDSI,” “Company,” “we,” “us,” and “our” refer to Global Digital Solutions, Inc. and our wholly-owned subsidiaries GDSI Florida, LLC and North American Custom Specialty Vehicles, Inc. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Corporate History and Overview

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. The merger was treated as a recapitalization of Global Digital Solutions, Inc., and Creative changed its name to Global Digital Solutions, Inc. ("GDSI"). We are focused in the area of cyber arms technology and complementary security and technology solutions. On October 22, 2012, we entered into an Agreement of Merger and Plan of Reorganization to acquire 70% of Airtronic USA, Inc. ("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. The Merger did not occur and we ceased involvement with the Airtronic. In December 2012 we incorporated GDSI Florida LLC ("GDSI FL"), a Florida limited liability company. Except for the payment of administrative expenses on behalf of the Company, GDSI FL has no business operations. In January 2013 we incorporated Global Digital Solutions, LLC, a Florida limited liability company. In November 2013, we incorporated GDSI Acquisition Corporation, a Delaware corporation. On June 16, 2014, we acquired North American Custom Specialty Vehicles, LLC into GDSI Acquisition Corporation, and changed the latter's name to North American Custom Specialty Vehicles, Inc. ("NACSV"). In July 2014, we announced the formation of GDSI International (f/k/a Global Digital Solutions, LLC) to spearhead our efforts overseas.

Results of Operations

Comparison of the nine months ended September 30, 2016 and September 31, 2015

A comparison of the Company's operating results for the nine months ended September 30, 2016 and September 30, 2015 are as follows:

For the nine months ended September 30, 2016:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ 8,437	$ 5,000	$ 949	$ 14,386
Cost of Sales	-	-	-	-
Gross Profit	8,437	5,000	949	14,386
Operating Expenses	77,982	142,964	13,215	234,161
Operating Income (Loss)	(69,545)	(137,964)	(12,266)	(219,775)
Other Income (Expenses)	46,955	-	-	46,955
Loss – Before Tax	$ (116,500)	$ (137,964)	$ (12,266)	$ (266,730)

For the nine months ended September 30, 2015:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ -	$ -	$ 633,810	$ 633,810
Cost of Sales	-	-	215,942	215,942
Gross Profit	-	-	417,868	417,868
Operating Expenses	782,056	587,441	244,673	1,614,170
Operating Income (Loss)	(782,056)	(587,441)	(173,194)	(1,196,302)
Other Income (Expenses)	932,231	-	-	932,231
Loss – Before Tax	$ (1,714,287)	$ (587,441)	$ (173,194)	$ (2,128,533)

The variances between nine months ending September 30, 2016 and 2015 were as follows:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ 8,437	$ 5,000	$ (632,864)	$ (619,424)
Cost of Sales	-	-	(215,942)	(215,942)
Gross Profit	8,437	5,000	(416,919)	(403,482)
Operating Expenses	(704,074)	(444,477)	(231,458)	(1,380,009)
Operating Income (Loss)	712,511	449,477	(185,460)	976,527
Other Income (Expenses)	(885,276)	-	-	(885,276)
Loss – Before Tax	$ 1,597,787	$ 449,477	$ (185,460)	$ 1,861,804

Revenues and Gross Margins

Revenues decreased by $619,424, or greater than 100%, from the prior year as a result of a decrease in vehicle sales.

Gross profit decreased by $403,482, or 97%, due to services sales not having any direct costs associated with them.

Operating Loss

Loss from operations for the nine months ended September 30, 2016 and 2015 was $219,775 and $1,196,302, respectively. The decrease in operating loss is primarily due to a decrease in all activities caused by a lack of outside funding.

Comparison of the three months ended September 30, 2016 and September 31, 2015

A comparison of the Company's operating results for the nine months ended September 30, 2016 and September 30, 2015 are as follows:

For the three months ended September 30, 2016:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ -	$ -	$ -	$ -
Cost of Sales	-	-	-	-
Gross Profit	-	-	-	-
Operating Expenses	99,282	297	-	99,579
Operating Income (Loss)	(92,282)	(297)	-	(99,579)
Other Income (Expenses)	(63,111)	-	-	(63,111)
Loss – Before Tax	$ (36,171)	$ (297)	$ -	$ (36,468)

For the three months ended September 30, 2015:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ -	$ -	$ 254,587	$ 254,587
Cost of Sales	-	-	76,751	76,751
Gross Profit	-	-	(177,836)	(177,836)
Operating Expenses	205,065	130,608	87,987	423,660
Operating Income (Loss)	(205,065)	(130,608)	89,849	(245,824)
Other Income (Expenses)	413,247	-	-	413,247
Loss – Before Tax	$ (618,313)	$ (130,608)	$ (89,849)	$ (659,071)

The variances between three months ending September 30, 2016 and 2015 were as follows:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ -	$ -	$ (254,587)	$ (254,587)
Cost of Sales	-	-	(76,752)	(76,752)
Gross Profit	-	-	(177,835)	(177,835)
Operating Expenses	(105,782)	(130,311)	(87,987)	(324,080)
Operating Income (Loss)	105,782	130,311	(89,848)	146,245
Other Income (Expenses)	(476,358)	-	-	(476,358)
Loss – Before Tax	$ 582,141	$ 130,311	$ (89,848)	$ 622,603

Revenues and Gross Margins

Revenues decreased by $254,587, or greater than 100%, from the prior year as a result of a decrease in vehicle sales.

Gross profit decreased by $177,835, or greater than 100%, due to services sales not having any direct costs associated with them.

Operating Loss

Loss from operations for the three months ended September 30, 2016 and 2015 was $99,579 and $245,824, respectively. The decrease in operating loss is primarily due to a decrease in all activities caused by a lack of outside funding.

Liquidity, Financial Condition and Capital Resources

As of September 30, 2016, we had cash on hand of $0 and a working capital deficiency of $1,121,787 as compared to cash on hand of $115,662 and a working capital deficiency of $1,086,984 as of September 30, 2015. The decrease in working capital is mainly due to the overall reduction in our business activities and lack of outside funding.

Note Financing

On January 26, 2015, the Company agreed to a $35,000 principal 8% Convertible Redeemable Note with Adar Bays, LLC (“Adar Bays”.) The Note was received pursuant to a Securities Purchase Agreement, dated January 26, 2015, with Adar Bays. The Note matures on January 26, 2016 unless earlier converted pursuant to the terms of the Securities Purchase Agreement. The 8% Note bears interest at 8% per annum. The outstanding principal and interest under the 8% Note, solely upon an Event of Default (as defined in the 8% Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the 8% Note.

On February 19, 2015, the Company agreed to a $68,000 principal 10% Convertible Note with EMA Financial, LLC (“EMA”.) The Note was received pursuant to a Securities Purchase Agreement, dated February 19, 2015, with EMA. The Note matures on February 19, 2016, unless earlier converted pursuant to the terms of the Securities Purchase Agreement. The 10% Note bears interest at 10% per annum. The outstanding principal and interest under the 10% Note, solely upon an Event of Default (as defined in the 10% Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the 10% Note.

On January 26, 2015, the Company agreed to a $250,000 principal (and a $25,000 original discount amount) Convertible Note with JMJ Financial (“JMJ”.) The Note matures on January 26, 2017, unless earlier converted pursuant to the terms of the Convertible Note. The Note bears interest at 0% if repaid in the first 90 days and then a one-time interest charge of 12% applied on the principal sum. The outstanding principal and interest under the Note, solely upon an Event of Default (as defined in the Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the Note. On December 13, 2017, the Company entered into a repayment agreement with JMJ Financial to repay the outstanding balance of $84,514.

On January 26, 2015, the Company agreed to a $66,000 principal (and a $6,000 original discount amount) Convertible Note with JSJ Investments (“JSJ”.) The Note matures on January 26, 2016 unless earlier converted pursuant to the terms of the Convertible Note. The Note bears interest of 10% per annum. The outstanding principal and interest under the Note, solely upon an Event of Default (as defined in the Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the Note.

On February 17, 2015, the Company agreed to a $115,000 principal (and a $11,000 original discount amount) Convertible Note with KBM Worldwide, Inc. (“KBM”.) The Note matures on February 17, 2016, unless earlier converted pursuant to the terms of the Convertible Note. The Note bears interest at 22% per annum. The outstanding principal and interest under the Note, solely upon an Event of Default (as defined in the Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the Note.

On January 16, 2015, the Company agreed to a $78,750 principal Convertible Redeemable Note with LG Capital Funding, LLC (“LG Capital”.) The Note matures on January 16, 2016 unless earlier converted pursuant to terms of the Convertible Note. The Note bears interest at 8% per annum. The outstanding principal and interest under the Note, solely upon an Event of Default (as defined in the Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the Note. On December 12, 2017, the Company entered into a redemption agreement with LG Capital Funding, LLC to repay the outstanding balance of $68,110.

On March 8, 2015, the Company agreed to a $220,000 principal amount Convertible Note with Tangiers Investment Group, LLC (“Tangiers”.) The Note matures on March 8, 2016 unless earlier converted pursuant to terms of the Convertible Note. The Note bears interest at 10% per annum. The outstanding principal and interest under the Note, solely upon an Event of Default (as defined in the Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the Note.

On April 3, 2015, the Company agreed to a $50,000 principal amount Convertible Note with Vis Vires Group, Inc. (“Vis Vires”.) The Note matures on April 2, 2016 unless earlier converted pursuant to terms of the Convertible Note. The Note bears interest of 22% per annum. The outstanding principal and interest under the Note, solely upon an Event of Default (as defined in the Note), is convertible at the option of the Holder of the Note into shares of the Company’s common stock as set forth in the Note.

On February 4, 2015, the Company agreed to a $250,000 principal amount (and a $25,000 original issued discount amount) Convertible Note issued to Vista Capital Investments, LLC ("Vista"). The Note matures on February 4, 2016 unless earlier converted pursuant to terms of the Note. The Note bears interest a one-time interest charge of 12% applied on the original principal amount. The outstanding principal and interest under the Note, solely upon an Event of Default (as defined in the Note), is convertible at the option of the Holder of the Note into shares of the Company's common stock as set forth in the Note.

Going Concern

The unaudited consolidated financial statements contained in this quarterly report on Form 10-Q have been prepared assuming that the Company will continue as a going concern. The Company has accumulated losses from inception through the period ended September 30, 2016 of approximately $32 million, as well as negative cash flows from operating activities. As of the balance sheet date, the Company did not have sufficient cash resources through 2016. Furthermore, as of the date of this filing, the Company does not have sufficient cash resources to meet its plans through December 31, 2018.

The consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to obtain additional financing as may be required and ultimately to attain profitability. If the Company raises additional funds through the issuance of equity, the percentage ownership of current shareholders could be reduced, and such securities might have rights, preferences or privileges senior to the rights, preferences and privileges of the Company's common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict its future plans for developing its business and achieving commercial revenues. If the Company is unable to obtain the necessary capital, the Company may have to cease operations.

Working Capital Deficiency

	Nine Months Ended September 30,	
	2016	2015
Current Assets	$ 26,858	$ 270,415
Current Liabilities	1,148,645	1,357,399
Working capital	$ (1,121,787)	$ (1,086,984)

The decrease in current assets from 2015 to 2016 is due to a decrease in cash of $115,662, accounts receivable of $6,440 and prepaid expenses of $106,244. The decrease in current liabilities is mainly due to a decrease in accrued expenses and contingent liabilities.

Cash Flows

	Nine Months Ended September 30,	
	2016	2015
Net cash used in operating activities	$ (2,944)	$ (512,977)
Net cash used in investing activities	-	(1,890)
Net cash provided by financing activities	-	470,427
Decrease in cash	$ (2,944)	$ (44,440)

<u>Operating Activities</u>

Net cash used in operating activities was $2,944 for the nine months ended September 30, 2016 Cash used during the the period was mainly due to a net loss of $393,284 offset by an increase in accounts payable of $233,496.

Net cash used by operating activities was $512,977 for the nine months ended September 30, 2015. Cash used during the period was primarily due to a net loss of $2,128,533, offset change in fair value of derivative liability of $1,640,078, and stock-based compensation expense of $645,946.

<u>Investing Activities</u>

There was no cash used during the nine months ended September 30, 2016 for investing activities.

Net cash used in investing activities was $1,890 for the nine months ended September 30, 2015, for capital expenditures.

<u>Financing Activities</u>

There was no cash used during the nine months ended September 30, 2016 for financing activities.

For the nine months ended September 30,2015, net cash provided by financing activities was $470,427. Cash provided by financing activities was proceeds of convertible notes payable of $555,653 and notes payable of $135,393. The proceeds were offset, payments on convertible notes payable of $69,000 and payments on notes payable of $92,288.

Future Financing

We will require additional funds to implement our growth strategy for our business. In addition, while we have received capital from various private placements of equity and convertible debt that have enabled us to fund our operations, additional funds will be needed for further business development.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, revenues or operating results during the periods presented.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in the notes to our financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2015. We believe that the accounting policies below are critical for one to fully understand and evaluate our financial condition and results of operations.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in the notes to our financial statements included in this our Annual Report on Form 10-K for the year ended December 31, 2015. We believe that the accounting policies below are critical for one to fully understand and evaluate our financial condition and results of operations.

Recent Accounting Standards

During the nine months ended September 30, 2016, there were several new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB"). Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial statements.

Recently Announced Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers: Topic 606,* or ASU 2014-09. ASU 2014-09 establishes the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the new revenue recognition model to contracts with customers, an entity: (1) identifies the contract(s) with a customer; (2) identifies the performance obligations in the contract(s); (3) determines the transaction price; (4) allocates the transaction price to the performance obligations in the contract(s); and (5) recognizes revenue when (or as) the entity satisfies a performance obligation. The accounting standards update applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The accounting standards update also requires significantly expanded quantitative and qualitative disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The Company is currently evaluating the impact that the implementation of ASU 2014-09 will have on the Company's financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, or ASU 2014-15. ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. The Company is not early adopting ASU 2014-15. The Company is currently evaluating the impact that the implementation of ASU 2014-15 will have on the Company's financial statements, and the actual impact will be dependent upon the Company's liquidity and the nature or significance of future events or conditions that exist upon adopting the updated standard.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, or ASU 2015-03. Under ASU 2015-03, the costs of issuing debt will no longer be recorded as an intangible asset, except when incurred before receipt of the funding from the associated debt liability. Rather, debt issuance costs related to a recognized debt liability will be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. The costs will continue to be amortized to interest expense using the effective interest method. ASU 2015-03 is effective for fiscal years and interim periods beginning after December 15, 2015, with early adoption permitted. ASU 2015-03 requires retrospective application to all prior periods presented in the financial statements. The Company does not expect that the adoption of ASU 2015-03 will have a material impact on its financial statements.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, or ASU 2015-05. ASU 2015-05 provides guidance to entities about whether a cloud computing arrangement includes a software license. Under ASU 2015-05, if a software cloud computing arrangement contains a software license, entities should account for the license element of the arrangement in a manner consistent with the acquisition of other software licenses. If the arrangement does not contain a software license, entities should account for the arrangement as a service contract. ASU 2015-05 also removes the requirement to analogize to ASC 840-10, to determine the asset acquired in a software licensing arrangement. For public companies, ASU 2015-05 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, and early adoption is permitted. The Company does not expect that the adoption of ASU 2015-05 will have a material impact on its financial statements.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*, or ASU 2015-17. ASU 2015-17 provides guidance on balance sheet classification of deferred taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. For public companies, ASU 2015-17 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2016, and early adoption is permitted. The Company does not expect that the adoption of ASU 2015-17 will have a material impact on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, or ASU 2016-02. The new guidance requires lessees to recognize the assets and liabilities arising from leases on the balance sheet. For public companies, ASU 2016-02 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018, and early adoption is permitted. The Company does not expect that the adoption of ASU 2016-02 will have a material impact on its financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable. 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

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (who is our Principal Executive Officer) and our Chief Financial Officer and Treasurer (who is our Principal Financial Officer and Principal Accounting Officer), of the effectiveness of the design of our disclosure controls and procedures (as defined by Exchange Act Rules 13a-15(e) or 15d-15(e)) as of September 30, 2016 pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2016 in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. This conclusion is based on findings that constituted material weaknesses. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's interim financial statements will not be prevented or detected on a timely basis.

In performing the above-referenced assessment, management identified the following deficiencies in the design or operation of our internal controls and procedures, which management considers to be material weaknesses:

(i) *Lack of Formal Policies and Procedures*. We utilize a third party independent contractor for the preparation of our financial statements. Although the financial statements and footnotes are reviewed by our management, we do not have a formal policy to review significant accounting transactions and the accounting treatment of such transactions. The third party independent contractor is not involved in the day to day operations of the Company and may not be provided information from management on a timely basis to allow for adequate reporting/consideration of certain transactions.

(ii) *Audit Committee and Financial Expert*. We do not have a formal audit committee with a financial expert, and thus we lack the board oversight role within the financial reporting process.

(iii) *Insufficient Resources*. We have insufficient quantity of dedicated resources and experienced personnel involved in reviewing and designing internal controls. As a result, a material misstatement of the interim and annual financial statements could occur and not be prevented or detected on a timely basis.

(iv) *Entity Level Risk Assessment*. We did not perform an entity level risk assessment to evaluate the implication of relevant risks on financial reporting, including the impact of potential fraud related risks and the risks related to non-routine transactions, if any, on internal control over financial reporting. Lack of an entity-level risk assessment constituted an internal control design deficiency which resulted in more than a remote likelihood that a material error would not have been prevented or detected, and constituted a material weakness.

Our management feels the weaknesses identified above have not had any material effect on our financial results. However, we are currently reviewing our disclosure controls and procedures related to these material weaknesses, and expect to implement changes in the near term, as resources permit, in order to address these material weaknesses. Our management will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis, and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds permit.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2016 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

We may be involved in legal proceedings in the ordinary course of our business, and our management cannot predict the ultimate outcome of these legal proceedings with certainty. The Company is plaintiff or defendant in the following actions:

Securities and Exchange Commission v. Global Digital Solutions, Inc., Richard J. Sullivan and David A. Loppert United States District Court for the Southern District of Florida, Case No. 9:16-cv-81413-RLR

On August 11, 2016, the Securities and Exchange Commission ("SEC") filed suit in the *United States District Court for the Southern District of Florida* against Global Digital Solutions, Inc. ("GDSI"), Richard J. Sullivan ("Sullivan") and David A. Loppert ("Loppert") to enjoin GDSI; Sullivan, GDSI's former Chairman and CEO; and Loppert, GDSI's former CFO from alleged further violations of the anti-fraud and reporting provisions of the federal securities laws, and against Sullivan and Loppert from alleged further violations of the certification provisions of the federal securities laws.

On October 12, 2016, Defendant GDSI filed its First Answer to the Complaint. On November 9, 2016, Defendant Sullivan filed a Letter with the Court denying all allegations regarding the case. On December 15, 2016, the SEC filed a Motion for Judgment and Notice of Filing of Consent of Defendant Loppert to entry of Final Judgment by the SEC. On December 19, 2016, the Court entered an order granting the SEC's Motion for Judgment as to Defendant Loppert. On December 21, 2016, the SEC filed a Notice of Settlement as entered into by it and Defendants GDSI and Sullivan. On December 23, 2016, the Court entered an Order staying the case and directing the Clerk of the Court to close the case for statistical purposes per the December 21, 2016 Notice of Settlement. On March 7, 2017, the SEC moved for a Judgment of Permanent Injunction and Other Relief and Notice of Filing Consent of Defendant GDSI to Entry of Judgment by the SEC. On March 13, 2017, the Judge signed the Judgment as to Defendant GDSI and it was entered on the Court's docket. On April 6, 2017, the SEC moved for a final Judgment of Permanent Injunction and Other Relief and Notice of Filing Consent of Defendant Sullivan. On April 10, 2017, the Judge signed the final Judgment as to Defendant Sullivan and it was entered on the Court's docket. On December 21, 2017, the SEC moved for a final Judgment and Notice of Filing Consent of Defendant GDSI to Entry of Final Judgment. On January 2, 2018, the Judge signed the Final Judgment as to Defendant GDSI and it was entered on the Court's docket. The amount of the judgement is One Hundred Thousand Dollars ($100,000.00) plus interest.

Jeff Hull, Individually and on Behalf of All Others Similarly Situated v. Global Digital Solutions, Inc., Richard J. Sullivan, David A. Loppert, William J. Delgado, Arthur F. Noterman and Stephanie C. Sullivan United States District Court, District of New Jersey (Trenton), Case No. 3:16-cv-05153-FLW-TJB

On August 24, 2016, Jeff Hull, Individually and on Behalf of All Others Similarly Situated ("Hull") filed suit in the *United States District Court for the District of New Jersey* against Global Digital Solutions, Inc. ("GDSI"), Richard J. Sullivan ("Sullivan"), David A. Loppert ("Loppert"), William J. Delgado ("Delgado"), Arthur F. Noterman ("Noterman") and Stephanie C. Sullivan ("Stephanie Sullivan") seeking to recover compensable damages caused by Defendants' alleged violations of federal securities laws and to pursue remedies under the Securities Exchange Act of 1934. On January 18, 2018, pursuant to the Court's December 19, 2017 Order granting Plaintiff Hull leave to file an amended Complaint, Plaintiff Hull filed a Second Amended Complaint against Defendants. On February 8, 2018, Defendants GDSI and Delgado filed a Second Motion to Dismiss the Complaint. On February 8, 2018, Defendant Loppert filed a Motion for Extension of Time to File an Answer. On February 13, 2018, Defendant Loppert filed a Motion to Dismiss the Second Amended Complaint for Lack of (personal) Jurisdiction and for Failure to State a Claim. On February 20, 2018, Plaintiff Michael Perry ("Perry") filed a Brief in Opposition to Defendants GDSI and Delgado's Second Motion to Dismiss the Complaint and to Defendant Loppert's Motion to Dismiss the Second Amended Complaint for Lack of (personal) Jurisdiction and for Failure to State a Claim. On February 26, 2018, Defendants GDSI and Delgado filed a Reply Brief to Plaintiff Michael Perry's Brief in Opposition to their Motion to Dismiss the Second Amended Complaint. On February 26, 2018, Defendant Loppert filed a Response in Support of Defendants GDSI and Delgado's Second Motion to Dismiss the Complaint. On March 12, 2018, Defendant Loppert filed a Reply Brief to Plaintiff Perry's Brief in Opposition to Defendant Loppert's Motion to Dismiss the Second Amended Complaint for Lack of (personal) Jurisdiction and for Failure to State a Claim. To date, the Court has not issued a decision as to aforementioned Motions. Global Digital Solutions, Inc. and William J. Delgado intend to continue to vigorously defend against the claims asserted by Jeff Hull, Individually and on Behalf of All Others Similarly Situated.

Adrian Lopez, Derivatively and on behalf of Global Digital Solutions, Inc. v. William J. Delgado, Richard J. Sullivan, David A. Loppert, Jerome J. Gomolski, Stephanie C. Sullivan, Arthur F. Noterman, and Stephen L. Norris United States District Court for the District of New Jersey, Case No. 3:17-cv-03468-PGS-LHG

On September 19, 2016, Adrian Lopez, derivatively, and on behalf of Global Digital Solutions, Inc., filed an action in New Jersey Superior Court sitting Mercer County, General Equity Division. That action was administratively dismissed for failure to prosecute. Plaintiff Lopez, through his counsel, filed a motion to reinstate the matter on the general equity calendar on or about February 10, 2017. The Court granted the motion unopposed on or about April 16, 2017. On May 15, 2017, Defendant William Delgado ("Delgado") filed a Notice of Removal of Case No. C-70-16 from the *Mercer County Superior Court of New Jersey* to the *United States District Court for the District of New Jersey* . On May 19, 2017, Defendant Delgado filed a First Motion to Dismiss for Lack of Jurisdiction. On May 20, 2017, Defendant David A. Loppert ("Loppert") filed a Motion to Dismiss for Lack of (Personal) Jurisdiction. On June 14, 2017, Plaintiff Adrian Lopez ("Lopez") filed a First Motion to Remand the Action back to State Court. On June 29, 2017, Defendant Delgado filed a Memorandum of Law in Response and Reply to the Memorandum of Law in Support of Plaintiff's Motion to Remand and in Response to Defendants' Delgado's and Loppert's Motions to Dismiss. On January 1, 16, 2018, a Memorandum and Order granting Plaintiff's Motion to Remand the case back to the *Mercer County Superior Court of New Jersey* was signed by the Judge and entered on the Docket. Defendants Delgado and Loppert's Motions to Dismiss were denied as moot. On February 2, 2018, Defendants filed a Motion to Dismiss the Complaint. On February 20, 2018, Plaintiff filed a Motion to Consolidate Cases. On March 21, 2018, Plaintiff filed an Opposition to Defendants' Motion to Dismiss the Complaint. On March 23, 2018, Defendants filed a Brief in Reply to Plaintiff's Opposition to Defendants' Motion to Dismiss the Complaint. The Court held a hearing on the motions to dismiss and consolidate. Juriisidctional discovery was ordered. As of this date, the Court has not issued a decision and Order regarding Defendants' Motion to Dismiss the Complaint.

Adrian Lopez v. Global Digital Solutions, Inc. and William J. Delgado Superior Court of New Jersey, Chancery Division, Mercer County, Equity Part, Docket No. MER-L-002126-17

On September 28, 2017, Plaintiff Adrian Lopez ("Lopez") brought an action against Global Digital Solutions, Inc. ("GDSI") and William J. Delgado ("Delgado") to compel a meeting of the stockholders of Global Digital Solutions, Inc. pursuant to Section 2.02 of GDSI's Bylaws and New Jersey Revised Statute § 14A:5-2. On October 27, 2017, Defendants GDSI and Delgado filed a Motion to Stay the Proceeding. On November 24, 2017, Plaintiff filed an Objection to Defendants' Motion to Stay the Proceeding. On January 19, 2018, Defendants' Motion to Stay the Proceeding was denied. On February 2, 2018, Defendants filed a Motion to Dismiss the Complaint. On February 20, 2018, Plaintiff filed a Motion to Consolidate Cases. On March 21, 2018, Plaintiff filed an Opposition to Defendants' Motion to Dismiss the Complaint. On March 23, 2018, Defendants filed a Brief in Reply to Plaintiff's Opposition to Defendants' Motion to Dismiss the Complaint. As of this date, the Court has not issued a decision and Order regarding Defendants' Motion to Dismiss the Complaint.

Jennifer Carroll vs. Global Digital Solutions, Inc., North American Custom Specialty Vehicles, Inc., in the Circuit Court for the 15th Judicial Circuit in and for Palm Beach County, Florida, Case No.: 50-2015-CC-012942-XXXX-MB

On October 27, 2017, Plaintiff Jennifer Carroll moved the court for a default judgment against Defendant Global Digital Solutions, Inc. ("GDSI") and its subsidiary North American Custom Specialty Vehicles Inc. The amount of the judgement is Fifteen Thousand Dollars ($15,000.00) plus fees of Thirteen Thousand Three Hundred Fifty Three Dollars Forty Four Cents ($13,353.44) and costs of six hundred twenty four dollars thirty cents ($624.30).

PMB Helin Donovan, LLP vs. Global Digital Solutions, Inc. in the Circuit Court for the 15th Judicial Circuit in and for Palm Beach County, Florida, Docket No.: 50-2017-CA-011937-XXXX-MB

On October 31, 2017, PMB Helin Donovan, LLP filed an action for account stated in Palm Beach County. Global Digital Solutions, Inc. ("GDSI") settled the matter for Forty Thousand Dollars ($40,000.00) of which the first payment of Ten Thousand Dollars ($10,000.00) has been paid.

In the Matter of Global Digital Solutions, Inc., Administrative Proceeding File No. 3-18325. Administrative Proceeding Before the Securities and Exchange Commission

On December 26, 2017, the Securities and Exchange Commission instituted public administrative proceedings pursuant to Section 12(j) of the Securities Exchange Act of 1934 (“Exchange Act”) against the Respondent Global Digital Solutions, Inc. On January 8, 2018, Respondent Global Digital Solutions, Inc. (“GDSI”) filed its answer to the allegations contained in the Order Instituting Administrative Proceedings and Notice of Hearing Pursuant to Section 12U) of the Exchange Act. A briefing schedule was entered into and on February 15, 2018, the Securities and Exchange Commission filed a motion for an order of summary disposition against Respondent GDSI on the grounds that there is no genuine issue with regard to any material fact, the Division was entitled as a matter of law to an order revoking each class of GDSI's securities registered pursuant to Section 12 of the Exchange Act. Respondent GDSI opposed the Securities and Exchange Commission’s motion on the grounds that there were material issues of fact. The Securities and Exchange Commission replied and a hearing was held on April 9, 2018. The Administrative Law Judge ordered supplemental evidence and briefing on the issues of material fact.

ITEM 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information required by this Item. We note, however, that an investment in our common stock involves a number of very significant risks. Investors should carefully consider the risk factors included in the “Risk Factors” section of our Annual Report on Form 10-K for our fiscal year ended December 31, 2015, as filed with SEC on May 31, 2018, in addition to other information contained in such Annual Report and in this Quarterly Report on Form 10-Q, in evaluating the Company and our business before purchasing shares of our common stock. The Company’s business, operating results and financial condition could be adversely affected due to any of those risks.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
(2)	**Plan of acquisition, reorganization, arrangement, liquidation or succession**
2.1	Purchase Agreement with Bronco Communications, LLC dated January 1, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
2.2	Amendment to Purchase Agreement with Bronco Communications, LLC dated October 15, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
2.3	Agreement of Merger and Plan of Reorganization with Airtronic USA, Inc dated October, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
2.4	First Amendment to Agreement of Merger and Plan of Reorganization with Airtronic, USA, Inc dated August 5, 2013 (incorporated by reference to our Form 10 filed on August 8, 2013)
2.5	Equity Purchase Agreement with Brian A. Dekle, John Ramsey, GDSI Acquisition Corporation, Global Digital Solutions, Inc., and North American Custom Specialty Vehicle, LLC dated June 16, 2014 (incorporated by reference to our Current Report on Form 8-K filed on June 19, 2014)
2.6	Share Purchase and Sale Agreement with Global Digital Solutions, Inc., Grupo Rontan Electro Metalurgica, S.A., Joao Alberto Bolzan and Jose Carlos Bolzan dated October 8, 2015 (incorporated by reference to our Current Report on Form 8-K filed on October 19, 2015)
(3)	**(i) Articles of Incorporation; and (ii) Bylaws**
3.1	Certificate of Incorporation dated August 28, 1995 (incorporated by reference to our Form 10 filed on August 8, 2013)
3.2	Articles of Merger dated March 18, 2004 (incorporated by reference to our Form 10 filed on August 8, 2013)
3.3	Certificate of Amendment to the Certificate of Incorporation dated August 06, 2013 (incorporated by reference to our Form 10 filed on August 8, 2013)
3.4	Bylaws dated August 28, 1995 (incorporated by reference to our Form 10 filed on August 8, 2013)
3.5	Certificate of Amendment to Certificate of Incorporation dated July 7, 2014 (incorporated by reference to our Current Report on Form 8-K filed on July 30, 2014)
3.6	Certificate of Amendment to Certificate of Incorporation dated May 18, 2015 (incorporated by reference to our Current Report on Form 8-K filed on May 20, 2015)
(10)	**Material Agreements**
10.1	Debtor in Possession Note Purchase Agreement with Airtronic USA, Inc. dated October 22, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.2	Secured Promissory Note with Airtronic USA, Inc. dated October 22, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.3	Security Agreement with Airtronic USA, Inc. dated October 22, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.4	Bridge Loan Modification and Ratification Agreement with Airtronic USA, Inc. dated March, 2013 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.5	Second Bridge Loan Modification and Ratification Agreement with Airtronic USA, Inc. dated August 5, 2013 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.6	Secured Promissory Note with Airtronic USA, Inc. dated August 5, 2013 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.7	Intellectual Property Security Agreement with an individual dated August 5, 2013 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.8	Promissory Note Purchase Agreement with Bay Acquisition, LLC dated December, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.9	Secured Promissory Note with an individual dated December, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)

10.10	Security Agreement with Bay Acquisition, LLC dated December, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.11	Warrant to Purchase Common Stock with an individual dated December, 2012 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.12	Amendment to Promissory Note Agreement with an individual dated May 6, 2013 (incorporated by reference to our Form 10 filed on August 8, 2013)
10.13	Subscription Agreement and Securities Purchase Agreement (incorporated by reference to our Form 10 filed on August 8, 2013)
10.14	Form of Indemnification Agreement (incorporated by reference to our Form 10 filed on August 8, 2013)
10.15	Secured Promissory Note with Airtronic USA, Inc. dated October 10, 2013 (incorporated by reference to our Annual Report on Form 10-K filed on March 28, 2014)
10.16	Third Bridge Loan Modification and Ratification Agreement with Airtronic USA, Inc. dated October 10, 2013 (incorporated by reference to our Annual Report on Form 10-K filed on March 28, 2014)
10.17	Investment Banking Agreement with Midtown Partners & Co, LLC dated October 16, 2013 (incorporated by reference to our Annual Report on Form 10-K filed on March 28, 2014)
10.18	Addendum to Investment Bank Agreement with Midtown Partners & Co, LLC dated October 16, 2013 (incorporated by reference to our registration statement on Form S-1 filed on August 5, 2014)
10.19	2014 Equity Incentive Plan dated May 19, 2014 (incorporated by reference to our registration statement on Form S-1 filed on August 5, 2014)
10.20	Online Virtual Office Agreement dated August 19, 2013 (incorporated by reference to our registration statement on Form S-1 filed on August 5, 2014)
10.21	Restricted Stock Unit Agreement with Stephen L. Norris dated August 25, 2014 (incorporated by reference to our Current Report on Form 8-K/A filed on August 25, 2014)
10.22	Securities Purchase Agreement with Charter 804CS Solutions, Inc dated December 8, 2014 (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2014)
10.23	Convertible Redeemable Note with Charter 804CS Solutions, Inc dated December 8, 2014 (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2014)
10.24	First Amendment to Convertible Redeemable Note with Charter 804CS Solutions, Inc dated February 4, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 9, 2015)
10.25	Securities Purchase Agreement with an individual dated December 8, 2014 (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2014)
10.26	Convertible Redeemable Note with an individual dated December 8, 2014 (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2014)
10.27	First Amendment to Convertible Redeemable Note dated February 4, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 4, 2014)
10.28	Securities Purchase Agreement with LG Capital Funding, LLC dated January 16, 2015 (incorporated by reference to our Current Report on Form 8-K filed on January 20, 2015)
10.29	Convertible Redeemable Note with LG Capital Funding, LLC dated January 16, 2015 (incorporated by reference to our Current Report on Form 8-K filed on January 20, 2015)
10.30	Convertible Note with JSJ Investments Inc. dated January 26, 2015 (incorporated by reference to our Current Report on Form 8-K filed on January 30, 2015)
10.31	Securities Purchase Agreement with Adar Bays, LLC dated January 26, 2015 (incorporated by reference to our Current Report on Form 8-K filed on January 30, 2015)
10.32	Convertible Redeemable Note with Adar Bays dated January 26, 2015 (incorporated by reference to our Current Report on Form 8-K filed on January 30, 2015)
10.33	Convertible Note with JMJ Financial dated January 26, 2015 (incorporated by reference to our Current Report on Form 8-K filed on January 30, 2015)
10.34	Convertible Note with Vista Capital Investments, LLC dated February 4, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 9, 2015)
10.35	Securities Purchase Agreement with KBM Worldwide, Inc dated February 17, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 24, 2015)
10.36	Convertible Promissory Note with KBM Worldwide, Inc dated February 17, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 24, 2015)

10.37	Securities Purchase Agreement with EMA Financial, LLC dated February 19, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 24, 2015)
10.38	Convertible Note with EMA Financial, LLC dated February 19, 2015 (incorporated by reference to our Current Report on Form 8-K filed on February 24, 2015)
10.39	Note Purchase Agreement with Tangiers Investment Group, LLC dated March 8, 2015 (incorporated by reference to our Current Report on Form 8-K filed on March 13, 2015)
10.40	Convertible Promissory Note with Tangiers Investment Group, LLC dated March 8, 2015 (incorporated by reference to our Current Report on Form 8-K filed on March 13, 2015)
10.41	Non Exclusive Agreement with Carter, Terry & Company dated December 18, 2014 (incorporated by reference to our Annual Report on Form 10-K filed on March 30, 2015)
10.42	Securities Purchase Agreement with VIS Vires Group, Inc. dated April 3, 2015 (incorporated by reference to our Quarterly Report on Form 10-Q filed on May 14, 2015)
10.43	Convertible Promissory Note with VIS Vires Group, Inc. dated April 3, 2015 (incorporated by reference to our Quarterly Report on Form 10-Q filed on May 14, 2015)
10.44	Revenue Based Factoring Agreement with Power Up dated October 1, 2015 (incorporated by reference to our Current Report on Form 8-K filed on October 5, 2015)
10.45	Security Agreement and Guarantee with Power Up dated October 1, 2015 (incorporated by reference to our Current Report on Form 8-K filed on October 5, 2015)
10.46	Revenue Based Factoring Agreement with Power Up dated October 23, 2015 (incorporated by reference to our Current Report on Form 8-K filed on November 5, 2015)
10.47	Security Agreement and Guarantee with Power Up dated October 23, 2015 (incorporated by reference to our Current Report on Form 8-K filed on November 5, 2015)
10.48	Settlement Agreement with an individual dated July 27, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.49	Settlement Agreement with Power Up Lending Group, Ltd. dated December 21, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.50	Repayment Agreement with JMJ Financial dated December 13, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.51	Convertible Note Redemption Agreement dated December 12, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.52	Exchange/Conversion Agreement with an individual dated August 15, 2016 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.53	Promissory Note with Dragon Acquisitions dated August 31, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.54	Stock Purchase Agreement with Empire Relations Group, Inc. dated August 16, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.55	Prepaid Forward Purchase Agreement with Boies Schiller Flexner LLP dated December 22, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.56	Demand Promissory Note with Vox Business Trust, LLC dated December 19, 2017 (incorporated by reference to our December 31 2015 Annual Report on Form 10-K filed on May 31, 2018)
10.57	Demand Promissory Note with RLT Consulting, Inc. dated December 26, 2017 (incorporated by reference to our Quarterly Report on Form 10-Q filed on June 13, 2018)
10.58	Promissory Note with an individual dated May 1, 2018 (incorporated by reference to our Quarterly Report on Form 10-Q filed on June 13, 2018)
10.59	Investment Return Purchase Agreement with an individual dated May 15, 2018 (incorporated by reference to our Quarterly Report on Form 10-Q filed on June 13, 2018)
(31)	**Rule 13a-14(a)/15d-14(a) Certifications**
31.1*	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer
31.2*	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Financial Officer and Principal Accounting Officer
(32)	**Section 1350 Certifications**
32.1*	Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer
32.2*	Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Accounting Officer
(101)*	**Interactive Data Files**
101.INS	**XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* *Filed herewith.*

SIGNATURES

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

GLOBAL DIGITAL SOLUTIONS, INC.

By: *<u>/s/ William Delgado</u>*
William Delgado
Chief Executive Officer
(Principal Executive Officer)
Date: February 21, 2019

By: *<u>/s/ Jerome J. Gomolski</u>*
Jerome J. Gomolski
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Date: February 21, 2019

Exhibit 31.1

GLOBAL DIGITAL SOLUTIONS, INC.
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William Delgado, 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 15d–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 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.

By: *<u>/s/ William Delgado</u>*
William Delgado
Chief Executive Officer
(Principal Executive Officer)
Date: February 21, 2019

Exhibit 31.2

GLOBAL DIGITAL SOLUTIONS, INC.
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 15d–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 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.

By: */s/ Jerome J. Gomolski*
Jerome J. Gomolski
Principal Accounting Officer
Date: February 21, 2019

Exhibit 32.1

GLOBAL DIGITAL SOLUTIONS, INC.
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Global Digital Solutions, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

By: */s/ William Delgado*
William Delgado
Chief Executive Officer
(Principal Executive Officer)
Date: February 21, 2019

Exhibit 32.2

GLOBAL DIGITAL SOLUTIONS, INC.
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Global Digital Solutions, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

By: */s/ Jerome J. Gomolski*
Jerome J. Gomolski
Principal Accounting Officer
Date: February 21, 2019