SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GLOBAL DIGITAL SOLUTIONS INC

Form: 10-K/A

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Corporate Issuer CIK: 1011662

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

FORM 10-K/A
Amendment No.1

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended **December 31, 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**

GDSI
Where Digital Solutions Converge

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
None	**N/A**

Securities registered pursuant to section 12(g) of the Act:

Shares of common stock with a par value of $0.001
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]
(Do not check if a 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 new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was $1,640,907.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

The number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date was 559,084,905 shares of common stock as of June 15, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Explanatory Note

This Amendment No.1 of the fiscal year 2016 Form 10K (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-K (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-K filed as of June 18, 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.

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PART I

ITEM 1. BUSINESS

Forward-Looking Statements

This Annual Report on Form 10-K 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. Those 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 in the section entitled “Risk Factors” set forth in this Annual Report on Form 10-K for the fiscal year ended December 31, 2016, 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 by these forward-looking statements. These risks 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 operation;
- 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 Securities and Exchange Commission (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 Annual Report on Form 10-K 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

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 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.

Business Overview

Global Digital Solutions Inc. is positioning itself as a leader in providing comprehensive security and technology solutions. Since May 1, 2012, we have been focusing on acquisitions of defense and defense-related entities both in the United States and abroad. On June 16, 2014 GDSI completed its acquisition of North American Custom Specialty Vehicles ("NACSV"). NACSV's mobile emergency operations centers (MEOC) can be tailored to the needs of Police, Fire, EMS, Military, Homeland Security, National Guard, FBI, Air National Guard Coast Guard, Chemical/Petrochemical, Humanitarian Aid, Non-Governmental Organizations, Drug Enforcement, Immigration & Customs, Bureau of Alcohol, Tobacco, Firearms and Explosives, Water Management, Wildlife Management, D.O.T. Engineering & Maintenance, Air & Water Quality Management (EPA), Meteorological Seismic/Oil & Gas Exploration, IS/Mapping Power Generation (Nuclear & Conventional), Power Transmission and Strategic Infrastructure Security. The company has already built customized vehicles for customers involved in one or more of the above categories and we see many opportunities to improve NACSV and its products and services through the integration of additional software, hardware and firmware technologies.

We are a holding company focused on the acquisition of companies in the security and specialty vehicles and services marketplace segments. We intend to pursue these identified segments in order to expand the Company through strategic acquisitions and the controlled internal growth of such acquisitions. Since the filing of our Form 10-K for the year ending 2015, as filed with the Securities & Exchange Commission ("SEC") on May 31, 2018, we have been delinquent in filing of our financial reports with the SEC pursuant to The Securities Exchange Act of 1934 (the "Exchange Act"). Since that time, the focus of our business has evolved, and the below discussion is intended to show the chronology since that time to the date of the filing of this report.

History of Business – September 30, 2015 to Present

On May 13, 2016, as more fully discussed below, we appointed William Delgado as our Chief Executive Officer ("CEO") and Chairman of our Board of Directors, Mr. Delgado was serving at that time as a director and our Executive Vice President in charge of our business development. He served as our President, Chief Executive Officer and Chief Financial Officer from August 2004 to August 2013. Mr. Delgado began his career with Pacific Telephone in the Outside Plant Construction. He moved to the network engineering group and concluded his career at Pacific Bell as the Chief Budget Analyst for the Northern California region. Mr. Delgado founded All Star Telecom in late 1991, specializing in OSP construction and engineering and systems cabling. All Star Telecom was sold to International Fiber Com in April of 1999. After leaving International Fiber Com in 2002, Mr. Delgado became President/CEO of Pacific Comtel in San Diego, California. After we acquired Pacific Comtel in 2004, he became part of our management and held the positions of director, CEO, President and CFO.

Events Since December 31, 2015:

The following are events that have occurred since December 31, 2015:

Share Purchase and Sale Agreement for Acquisition "SPSA" of Grupo Rontan Electro Metalurgica, S.A.

Effective October 13, 2015, the Company (as "Purchaser") entered into the SPSA dated October 8, 2015 with Joao Alberto Bolzan and Jose Carlos Bolzan, both Brazilian residents (collectively, the "Sellers") and Grupo Rontan Electro Metalurgica, S.A., a limited liability company duly organized and existing under the laws of Federative Republic of Brazil ("Rontan") (collectively, the "Parties"), pursuant to which the Sellers agreed to sell 100% of the issued and outstanding shares of Rontan to the Purchaser on the closing date (the "Rontan Transaction").

The purchase price consisted of a cash amount, a stock amount and an earn-out amount as follows: (i) Brazilian Real ("R") $100 million (approximately US$26 million) to be paid by the Purchaser in equal monthly installments over a period of forty eight (48) months following the closing date; (ii) an aggregate of R$100 million (approximately US$26 million) in shares of the Purchaser's common stock, valued at US$1.00 per share; and (iii) an earn-out payable within ten business days following receipt by the Purchaser of Rontan's audited financial statements for the 12-months ended December 31, 2017, 2018 and 2019. The earn-out shall be equal to the product of (i) Rontan's earnings before interest, taxes, depreciation and amortization ("EBITDA") for the last 12 months, and (ii) twenty percent and is contingent upon Rontan's EBITDA results for any earn-out period being at least 125% of Rontan's EBITDA for the 12-months ended December 31, 2015. It is the intention of the parties that the stock amount will be used by Rontan to repay institutional debt outstanding as of the closing date.

Under the terms of a finder's fee Agreement dated April 14, 2014, we have agreed to pay RLT Consulting Inc., a related party, a fee of 2% (two percent) of the transaction value, as defined in the agreement, of Rontan upon closing. The fee is payable one-half in cash and one-half in shares of our common stock. Specific conditions to closing consist of:

a.) Purchaser's receipt of written limited assurance of an unqualified opinion with respect to Rontan's audited financial statements for the years ended December 31, 2013 and 2014 (the "Opinion");
b.) The commitment of sufficient investment by General American Capital Partners LLC (the "Institutional Investor"), in the Purchaser following receipt of the Opinion;
c.) The accuracy of each parties' representations and warranties contained in the SPSA;
d.) The continued operation of Rontan's business in the ordinary course;
e.) The maintenance of all of Rontan's bank credit lines in the maximum amount of R$200 million (approximately US$52 million) under the same terms and conditions originally agreed with any such financial institutions, and the maintenance of all other types of funding arrangements. As of the date of the SPSA, Rontan's financial institution debt consists of not more than R$200 million (approximately US$52 million), trade debt of not more than R$50 million (approximately US$13 million) and other fiscal contingencies of not more that R$95 million (approximately US$24.7 million);
f.) Rontan shall enter into employment or consulting service agreements with key employees and advisors identified by the Purchaser, including Rontan's Chief Executive Officer; and
g.) The Sellers continued guarantee of Rontan's bank debt for a period of 90 days following issuance of the Opinion, among other items.

The Institutional Investor has committed to invest sufficient capital to facilitate the transaction, subject to receipt of the Opinion, among other conditions. Subject to satisfaction or waiver of the conditions precedent provided for in the SPSA, the closing date of the transaction shall take place within 10 business days from the date of issuance of the Opinion. Rontan is engaged in the manufacture and distribution of specialty vehicles and acoustic/visual signaling equipment for the industrial and automotive markets.

On April 1, 2016, we believed that we had satisfied or otherwise waived the conditions to closing (as disclosed under the SPSA, the closing was subject to specific conditions to closing, which were waivable by us,) and on April 1, 2016, we advised the Sellers of our intention to close the SPSA and demanded delivery of the Rontan Securities. The Sellers, however, notified us that they intend to terminate the SPSA. We believe that the Sellers had no right to terminate the SPSA and that notice of termination by the Sellers was not permitted under the terms of the SPSA.

Officers and Directors

Effective May 13, 2016, we accepted the resignations of Richard J. Sullivan as our Chairman and CEO along with the resignations of Stephanie C. Sullivan and Arthur F. Noterman as directors.

Change in Independent Accounting Firm

Effective July 13, 2017, our Board of Directors dismissed the auditing firm of PMB Helin Donovan and subsequently engaged Turner Stone and Company, Dallas, TX. We had no issues relating to the performance of the PMB Helin Donovan audits or any disagreements with their accounting practices and decisions.

Settlements of Certain Liabilities

On August 30, 2017, we announced that we had reached tentative agreements with three creditors for repayment of liabilities and/or claims totaling approximately $491,574 as of August 15, 2017. This settlement included amounts due under the factoring agreements discussed above during the period from August 30, 2017 to December 31, 2017. We paid approximately $193,514 to settle these liabilities and/or claims.

On August 30, 2017, we finalized the settlement agreement reached between the parties regarding the litigation between John Ramsay, Carl Dekle, The Estate of Brian Dekle and us and NACSV, collectively, which had been previously disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015. We made a payment of $20,000 in connection with the settlement.

Litigation

On January 31, 2018, we announced that we initiated a lawsuit for damages against Grupo Rontan Metalurgica, S. A, (“Rontan”) and that company’s controlling shareholders, Joao Alberto Bolzan and Jose Carlos Bolzan. We have engaged the law firm of Boies Schiller Flexner LLP to represent it in this action. The case will be handled by William Isaacson of the firm’s Washington office and Carlos Sires of the firm’s Fort Lauderdale office. The action has been filed in the United States District Court for the Southern District of Florida. The complaint alleges that Rontan is wholly-owned by Joao Bolzan and Jose Bolzan. In the complaint, we further allege that Rontan and its shareholders improperly terminated a Share Purchase and Sale Agreement (the “SPA”) by which we were to acquire whole ownership of Rontan.

On February 5, 2018, United States District Court Southern District of Florida filed a Pretrial Scheduling Order and Order Referring Case to Mediation dated February 5, 2018 for the Company’s lawsuit against Grupo Rontan Electro Metalurgica, S.A., et al. The Case No. is 18-80106-Civ-Middlebrooks/Brannon. The case is set for trial before U.S. District Judge Middlebrooks. The court has issued a schedule outlining various documents and responses that are to be delivered by the parties as part of the discovery plan.

Financing Transactions

On February 2, 2018, we announced that we had secured $1.2 million in a non-convertible financing from a New York-based institution.

SEC Actions

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.

Liquidity

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 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.

Business Strategy – As of the Date of This Filing

As of the date of this filing, our business continues to be through our NACSV subsidiary and the production of mobile command centers. Our future strategy is to expand into the infrastructure technology and cybersecurity areas. We will look to acquire companies in these respective areas, focusing on companies that have the ability to utilize blockchain technology in their respective operations.

Target Markets, Sales and Marketing

Our target market will be primarily in North America, with a concentration in the USA and Canada. We expect that sales and marketing will utilize the company's existing strategies, augmented by a sales force developed by the parent company in conjunction with the acquired subsidiary.

Competition

The Company is and will continue to be an insignificant participant in the business of seeking mergers with, joint ventures with and acquisitions of other entities. A large number of established and well-financed entities, including venture capital firms, private equity firms and family offices, are active in mergers and acquisitions of companies that may be desirable target candidates for the Company. Nearly all such entities have significantly greater financial resources, technical expertise and managerial capabilities than the Company, and, consequently, the Company will be at a competitive disadvantage in identifying possible business opportunities and successfully completing a business combination. Moreover, the Company will also compete in seeking merger or acquisition candidates with numerous other small public companies.

Research and Development

We have not incurred any research and development expense.

Intellectual Property

We currently do not have any intellectual property.

Government Approvals and Regulations

We do not expect to encounter any significant governmental approval or regulation issues, as we do not intend to monopolize any target business areas. We do expect to be subject to the traditional government regulation related to business licenses, foreign corporation rules, etc.

Subsidiaries

We currently have two subsidiaries including GSDI Florida, LLC and North American Custom Specialty Vehicles, Inc.

Employees

As of December 31, 2016, we had eight full-time employees and two part-time employees. We intend to hire additional staff and to engage consultants in general administration on an as-needed basis. We also intend to engage experts in operations, finance and general business to advise us in various capacities. None of our employees are covered by a collective bargaining agreement, and we believe our relationship with our employees is good to excellent.

Our future success depends, in part, on our ability to continue to attract, retain and motivate highly qualified technical, marketing, and management personnel and, as of the end of the period covered by this report and as of the date of filing, we continue to rely on the services of independent contractors for much of our sales/marketing. We believe technical, accounting and other functions are also critical to our continued and future success.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below together with all of the other information included in our public filings before making an investment decision with regard to our securities. The statements contained in or incorporated into this document that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following events described in these risk factors actually occurs, our business, financial condition or results of operations could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. Moreover, additional risks not presently known to us or that we currently deem less significant also may impact our business, financial condition or results of operations, perhaps materially. For additional information regarding risk factors, see Item 1 – “Forward-Looking Statements.”

Risks Related to Our Company

There is substantial doubt about our ability to continue as a going concern.

We have not generated any profit from combined operations since our inception. We expect that our operating expenses will increase over the next twelve months to continue our development activities. Based on our average monthly expenses and current burn rate of $20,032 per month, we estimate that our cash on hand as of June 14, 2018 will not be able to support our operations through the balance of this calendar year. This amount could increase if we encounter difficulties that we cannot anticipate at this time or if we acquire other businesses. On February 2, 2018, we announced that we had secured $1.2 million in a non-convertible financing from a New York-based institution. Should this amount not be sufficient to support our continuing operations, we do not expect to be able to raise any additional capital through debt financing from traditional lending sources since we are not currently generating a profit from operations. Therefore, we only expect to raise money through equity financing via the sale of our common stock or equity-linked securities such as convertible debt. If we cannot raise the money that we need in order to continue to operate our business beyond the period indicated above, we will be forced to delay, scale back or eliminate some or all of our proposed operations. If any of these were to occur, there is a substantial risk that our business would fail. If we are unsuccessful in raising additional financing, we may need to curtail, discontinue or cease operations.

We have limited operating history with our operating subsidiary, and as a result, we may experience losses and cannot assure you that we will be profitable.

We have a limited operating history with our single operating subsidiary, NACSV, on which to evaluate our business. Our operations are subject to all of the risks inherent in the establishment and expansion of a business enterprise. Accordingly, the likelihood of our success must be considered in the light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the starting and expansion of a business and the relatively competitive environment in which we operate. Unanticipated delays, expenses and other problems such as setbacks in product development, product manufacturing, and market acceptance are frequently encountered in establishing a business such as ours. There can be no assurance that the Company will be successful in addressing such risks, and any failure to do so could have a material adverse effect on the Company's business, results of operations and financial condition.

Because of our limited operating history with our operating subsidiary, we have limited historical financial data on which to base planned operating expenses. Accordingly, our expense levels, which are, to a large extent, variable, will be based in part on our expectations of future revenues. As a result of the variable nature of many of our expenses, we may be unable to adjust spending in a timely manner to compensate for any unexpected delays in the development and marketing of our products or any subsequent revenue shortfall. Any such delays or shortfalls will have an immediate adverse impact on our business, operating results and financial condition.

We have not achieved profitability on a quarterly or annual basis to date. To the extent that net revenue does not grow at anticipated rates or that increases in our operating expenses precede or are not subsequently followed by commensurate increases in net revenue, or that we are unable to adjust operating expense levels accordingly, our business, results of operations and financial condition will be materially and adversely affected. There can be no assurance that our operating losses will not increase in the future or that we will ever achieve or sustain profitability.

No Assurance of Sustainable Revenues.

There can be no assurance that our subsidiaries will generate sufficient and sustainable revenues to enable us to operate at profitable levels or to generate positive cash flow. As a result of our limited operating history and the nature of the markets in which we compete, we may not be able to accurately predict our revenues. Any failure by us to accurately make such predictions could have a material adverse effect on our business, results of operations and financial condition. Further, our current and future expense levels are based largely on our investment plans and estimates of future revenues. We expect operating results to fluctuate significantly in the future as a result of a variety of factors, many of which are outside of our control. Factors that may adversely affect our operating results include, among others, demand for our products and services, the budgeting cycles of potential customers, lack of enforcement of or changes in governmental regulations or laws, the amount and timing of capital expenditures and other costs relating to the expansion of our operations, the introduction of new or enhanced products and services by us or our competitors, the timing and number of new hires, changes in our pricing policy or those of our competitors, the mix of products, increases in the cost of raw materials, technical difficulties with the products, incurrence of costs relating to future acquisitions, general economic conditions, and market acceptance of our products. As a strategic response to changes in the competitive environment, we may, from time to time, make certain pricing, service or marketing decisions or business combinations that could have a material adverse effect on our business, results of operations and financial condition. Any seasonality is likely to cause quarterly fluctuations in our operating results, and there can be no assurance that such patterns will not have a material adverse effect on our business, results of operations and financial condition. We may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall.

We may need to raise additional funds in the future that may not be available on acceptable terms or at all.

We may consider issuing additional debt or equity securities in the future to fund our business plan, for potential acquisitions or investments, or for general corporate purposes. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses. We may not be able to obtain financing on favorable terms, or at all, in which case, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities or respond to competitive pressures.

A major part of our business strategy is to pursue strategic acquisitions, although we may not be able to identify businesses that we can acquire on acceptable terms, obtain the necessary financing, may face risks due to additional indebtedness and our acquisition strategy may incur significant costs or expose us to substantial risks inherent in the acquired business's operations.

Our strategy of pursuing strategic acquisitions may be negatively impacted by several risks, including the following:

- We may not successfully identify companies that have complementary product lines or technological competencies or that can diversify our revenue or enhance our ability to implement our business strategy;
- We may not successfully acquire companies if we fail to obtain financing, or to negotiate the acquisition on acceptable terms, or for other related reasons.
- We may incur additional expenses due to acquisition due diligence, including legal, accounting, consulting and other professional fees and disbursements. Such additional expenses may be material, will likely not be reimbursed and would increase the aggregate cost of any acquisition.
- Any acquired business will expose us to the acquired company's liabilities and to risks inherent to its industry, and we may not be able to ascertain or assess all of the significant risks.
- We may require additional financing in connection with any future acquisition, and such financing may adversely impact, or be restricted by, our capital structure.
- Achieving the anticipated potential benefits of a strategic acquisition will depend in part on the successful integration of the operations, administrative infrastructures and personnel of the acquired company or companies in a timely and efficient manner. Some of the challenges involved in such an integration include: (i) demonstrating to the customers of the acquired company that the consolidation will not result in adverse changes in quality, customer service standards or business focus; (ii) preserving important relationships of the acquired company; (iii) coordinating sales and marketing efforts to effectively communicate the expanded capabilities of the combined company; and (iv) coordinating the supply chains.

Any future acquisitions could disrupt business.

If we are successful in consummating acquisitions, those acquisitions could subject us to a number of risks, including:

- the purchase price we pay could significantly deplete our cash reserves or result in dilution to our existing stockholders;
- we may find that the acquired company or assets do not improve our customer offerings or market position as planned;
- we may have difficulty integrating the operations and personnel of the acquired company;
- key personnel and customers of the acquired company may terminate their relationships with the acquired company as a result of the acquisition;
- we may experience additional financial and accounting challenges and complexities in areas such as tax planning and financial reporting;
- we may assume or be held liable for risks and liabilities as a result of our acquisitions, some of which we may not discover during our due diligence or adequately adjust for in our acquisition arrangements;
- we may incur one-time write-offs or restructuring charges in connection with the acquisition;
- we may acquire goodwill and other intangible assets that are subject to amortization or impairment tests, which could result in future charges to earnings; and
- we may not be able to realize the cost savings or other financial benefits we anticipated.

These factors could have a material adverse effect on our business, financial condition and operating results.

Our business is at risk if we lose key personnel or we are unable to attract and integrate additional skilled personnel.

The success of our business depends, in large part, on the skill of our personnel. Accordingly, it is critical that we maintain, and continue to build, a highly-experienced management team and specialized workforce, including engineers, experts in project management and business development, and sales professionals. Competition for personnel, particularly those with expertise in the specialty vehicle industry and, as we expect, in the industries of any future acquisition targets, is high, and identifying candidates with the appropriate qualifications can be difficult. We may not be able to hire the necessary personnel to implement our business strategy given our anticipated hiring needs, or we may need to provide higher compensation or more training to our personnel than we currently anticipate.

In the event, we are unable to attract, hire and retain the requisite personnel and subcontractors, we may experience delays in growing our business plan in accordance with project schedules and budgets, which may have an adverse effect on our financial results, harm our reputation and cause us to curtail our pursuit of new initiatives. Further, any increase in demand for personnel and specialty subcontractors may result in higher costs, causing us to exceed the budget on a project, which in turn may have an adverse effect on our business, financial condition and operating results and harm our relationships with our customers.

Our future success is particularly dependent on the vision, skills, experience and effort of our senior management team, including our president and chief executive officer. If we were to lose the services of our president and chief executive officer or any of our key employees, our ability to effectively manage our operations and implement our strategy could be harmed and our business may suffer.

We may not be able to protect intellectual property that we hope to acquire, which could adversely affect our business.

The companies that we hope to acquire may rely on patent, trademark, trade secret and copyright protection to protect their technology. We believe that technological leadership can be achieved through additional factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance. Nevertheless, our ability to compete effectively depends in part on our ability to develop and maintain proprietary aspects of our technology, such as patents. We may not secure future patents; and patents that we may secure may become invalid or may not provide meaningful protection for our product innovations. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the United States. Furthermore, there can be no assurance that competitors will not independently develop similar products, "reverse engineer" our products, or, if patents are issued to us, design around such patents. We also expect to rely upon a combination of copyright, trademark, trade secret and other intellectual property laws to protect our proprietary rights by entering into confidentiality agreements with our employees, consultants and vendors, and by controlling access to and distribution of our technology, documentation and other proprietary information. There can be no assurance, however, that the steps to be taken by us will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide a competitive advantage to us. Any such circumstance could have a material adverse effect on our business, financial condition and results of operations. While we are not currently engaged in any intellectual property litigation or proceedings, there can be no assurance that we will not become so involved in the future or that our products do not infringe any intellectual property or other proprietary right of any third party. Such litigation could result in substantial costs, the diversion of resources and personnel, and subject us to significant liabilities to third parties, any of which could have a material adverse effect on our business.

We may not be able to protect our trade names and domain names.

We may not be able to protect our trade names and domain names against all infringers, which could decrease the value of our brand name and proprietary rights. We currently hold the Internet domain names "www.gdsi.co" and “www.nacsvehicles.com” and we use “GDSI” and “NACS Vehicles” as trade names. Domain names generally are regulated by Internet regulatory bodies and are subject to change and may be superseded, in some cases, by laws, rules and regulations governing the registration of trade names and trademarks with the United States Patent and Trademark Office and certain other common law rights. If the domain registrars are changed, new ones are created or we are deemed to be infringing upon another's trade name or trademark, we could be unable to prevent third parties from acquiring or using, as the case may be, our domain name, trade names or trademarks, which could adversely affect our brand name and other proprietary rights.

We may be subject to liability claims for damages and other expenses not covered by insurance that could reduce our earnings and cash flows.

Our business, profitability and growth prospects could suffer if we pay damages or defense costs in connection with a liability claim that is outside the scope of any applicable insurance coverage. We intend to maintain, but do not yet have, general and product liability insurance. There is no assurance that we will be able to obtain insurance in amounts, or for a price, that will permit us to purchase desired amounts of insurance. Additionally, if our costs of insurance and claims increase, then our earnings could decline. Further, market rates for insurance premiums and deductibles have been steadily increasing, which may prevent us from being adequately insured. A product liability or negligence action in excess of insurance coverage could harm our profitability and liquidity.

Insurance and contractual protections may not always cover lost revenue.

We possess insurance, warranties from suppliers, and our subcontractors make contractual obligations to meet certain performance levels, and we also attempt, where feasible, to pass risks we cannot control to our customers, the proceeds of such insurance, warranties, performance guarantees or risk sharing arrangements may not be adequate to cover lost revenue, increased expenses or liquidated damages payments that may be required in the future.

We currently carry customary insurance for business liability. For our work as a general contractor, we carry workers comp insurance for our employees and we have performance bonding insurance. Certain losses of a catastrophic nature such as from floods, tornadoes, thunderstorms and earthquakes are uninsurable or not economically insurable. Such “Acts of God,” work stoppages, regulatory actions or other causes, could interrupt operations and adversely affect our business.

We rely on outside consultants and employees.

We will rely on the experience of outside consultants and employees. In the event that one or more of these consultants or employees terminates employment with the Company, or becomes unavailable, suitable replacements will need to be retained and there is no assurance that such employees or consultants could be identified under conditions favorable to us.

Risks Related to NACSV’s Business

We may face strong competition from larger, established companies.

We likely will face intense competition from other companies that provide the same or similar custom specialty vehicle manufacturing and other services that compete with acquired businesses, virtually all of whom can be expected to have longer operating histories, greater name recognition, larger installed customer bases and significantly more financial resources, R&D facilities and manufacturing and marketing experience than we have. There can be no assurance that developments by our potential competitors will not render our existing and future products or services obsolete. In addition, we expect to face competition from new entrants into the custom specialty vehicle business. As the demand for products and services grows and new markets are exploited, we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and services. We may not have sufficient resources to maintain our research and development, marketing, sales and customer support efforts on a competitive basis. Additionally, we may not be able to make the technological advances necessary to maintain a competitive advantage with respect to our products and services. Increased competition could result in price reductions, fewer product orders, obsolete technology and reduced operating margins, any of which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to keep up with technological developments, our business could be negatively affected.

The markets for our products and services are expected to be characterized by rapid technological change and be highly competitive with respect to timely innovations. Accordingly, we believe that our ability to succeed in the sale of our products and services will depend significantly upon the technological quality of our products and /services relative to those of our competitors, and our ability to continue to develop and introduce new and enhanced products and services at competitive prices and in a timely and cost-effective manner. In order to develop such new products and services, we will depend upon close relationships with existing customers and our ability to continue to develop and introduce new and enhanced products and services at competitive prices and in a timely and cost-effective manner. There can be no assurance that we will be able to develop and market our products and services successfully or respond effectively to technological changes or new product and service offerings of our potential competitors. We may not be able to develop the required technologies, products and services on a cost-effective and timely basis, and any inability to do so could have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive industry and competitors may compete more effectively.

The industries in which we operate are highly competitive, with many companies of varying size and business models, many of which have their own proprietary technologies, competing for the same business as we do. Many of our competitors have longer operating histories and greater resources than us, and could focus their substantial financial resources to develop a competing business model, develop products or services that are more attractive to potential customers than what we offer or convince our potential customers that they require financing arrangements that would be impractical for smaller companies to offer. Our competitors may also offer similar products and services at prices below cost and/or devote significant sales forces to competing with us or attempt to recruit our key personnel by increasing compensation, any of which could improve their competitive positions. Any of these competitive factors could make it more difficult for us to attract and retain customers; cause us to lower our prices in order to compete, and reduce our market share and revenue, any of which could have a material adverse effect on our financial condition and operating results. We can provide no assurance that we will continue to effectively compete against our current competitors or additional companies that may enter our markets. We also expect to encounter competition in the form of potential customers electing to develop solutions or perform services internally rather than engaging an outside provider such as us.

Operating results may fluctuate and may fall below expectations in any fiscal quarter.

Our operating results are difficult to predict and are expected to fluctuate from quarter to quarter due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and investors should not rely on our past results or future predictions prepared by the Company as an indication of our future performance. If our revenue or operating results fall in any period, the value of our common stock would likely decline.

Risks Related to Our Financial Condition

Dependence on financing and losses for the foreseeable future.

Our independent registered public accounting firm has issued its audit opinion on our consolidated financial statements appearing in this Annual Report on Form 10-K, including an explanatory paragraph as to substantial doubt with the respect to our ability to continue as a going concern. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, assuming we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the fiscal year ended December 31, 2016, our net loss was $783,783. As of December 31, 2016, we had an accumulated deficit of $32,451,168 and a working capital deficit of $1,638,839. These factors raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise the required additional capital or debt financing to meet short and long-term operating requirements. We may also encounter business endeavors that require significant cash commitments or unanticipated problems or expenses that could result in a requirement for additional cash. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our current shareholders could be reduced, and such securities might have rights, preferences or privileges senior to our 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, we may not be able to take advantage of prospective business endeavors or opportunities, which could significantly and materially restrict our operations. If we are unable to obtain the necessary capital, we may have to cease operations. For additional information, see Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – “Going Concern.”

Dependence on financing and losses for the foreseeable future.

As of December 31, 2016, we had current liabilities of $1,925,697 and current assets of $26,858. We had a working capital deficiency of $1,898,839. Our ability to continue as a going concern is dependent upon raising capital from financing transactions. To stay in business, we will need to raise additional capital through public or private sales of our securities or debt financing. In the past, we have financed our operations by issuing secured and unsecured convertible debt and equity securities in private placements, in some cases with equity incentives for the investor in the form of warrants to purchase our common stock and have borrowed from related parties. We have sought, and will continue to seek, various sources of financing. On February 2, 2018, we announced that we had secured $1.2 million in a non-convertible financing from a New York-based institution. There are no additional commitments from anyone to provide us with financing. We can provide no assurance as to whether our capital raising efforts will be successful or as to when, or if, we will be profitable in the future. Even if the Company achieves profitability, it may not be able to sustain such profitability. If we are unable to obtain financing or achieve and sustain profitability, we may have to suspend operations, sell assets and will not be able to execute our business plan. Failure to become and remain profitable may adversely affect the market price of our common stock and our ability to raise capital and continue operations.

Our ability to generate positive cash flows is uncertain.

To develop and expand our business, we will need to make significant up-front investments in our manufacturing capacity and incur research and development, sales and marketing and general and administrative expenses. In addition, our growth will require a significant investment in working capital. Our business will require significant amounts of working capital to meet our project requirements and support our growth. We cannot provide any assurance that we will be able to raise the capital necessary to meet these requirements. If adequate funds are not available or are not available on satisfactory terms, we may be required to significantly curtail our operations and may not be able to fund our current production requirements - let alone fund expansion, take advantage of unanticipated acquisition opportunities, develop or enhance our products, or respond to competitive pressures. Any failure to obtain such additional financing could have a material adverse effect on our business, results of operations and financial condition.

Because we may never have net income from our operations, our business may fail.

We have no history of profitability from operations. There can be no assurance that we will ever operate profitably. Our success is significantly dependent on uncertain events, including successful development of our products, establishing satisfactory manufacturing arrangements and processes, and distributing and selling our products. If we are unable to generate significant revenues from sales of our products, we will not be able to earn profits or continue operations. We can provide no assurance that we will generate any revenues or ever achieve profitability. If we are unsuccessful in addressing these risks, our business will fail and investors may lose all of their investment in our Company.

We need to raise additional funds and such funds may not be available on acceptable terms or at all.

We may consider issuing additional debt or equity securities in the future to fund our business plan, for potential acquisitions or investments, or for general corporate purposes. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses. We may not be able to obtain financing on favorable terms, or at all, in which case, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities or respond to competitive pressures.

We have limited capitalization and may require financing, which may not be available.

We have limited capitalization, which increases our vulnerability to general adverse economic and industry conditions, limits our flexibility in planning for or reacting to changes in our business and industry and may place us at a competitive disadvantage to competitors with sufficient or excess capitalization. If we are unable to obtain sufficient financing on satisfactory terms and conditions, we will be forced to curtail or abandon our plans or operations. Our ability to obtain financing will depend upon a number of factors, many of which are beyond our control.

A limited public trading market exists for our common stock, which makes it more difficult for our stockholders to sell their common stock in the public markets. Any trading in our shares may have a significant effect on our stock prices.

Although our common stock is listed for quotation on the OTC Marketplace, Pink Tier, under the symbol "GDSI", the trading activity of our common stock is volatile and may not develop or be sustained. As a result, any trading price of our common stock may not be an accurate indicator of the valuation of our common stock. Any trading in our shares could have a significant effect on our stock price. If a more liquid public market for our common stock does not develop, then investors may not be able to resell the shares of our common stock that they have purchased and may lose all of their investment. No assurance can be given that an active market will develop or that a stockholder will ever be able to liquidate its shares of common stock without considerable delay, if at all. Many brokerage firms may not be willing to effect transactions in the securities. Even if an investor finds a broker willing to effect a transaction in our securities, the combination of brokerage commissions, state transfer taxes, if any, and any other selling costs may exceed the selling price. Furthermore, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price and liquidity of our common stock.

Our stock price has reflected a great deal of volatility, including a significant decrease over the past few years. The volatility may mean that, at times, our stockholders may be unable to resell their shares at or above the price at which they acquired them.

From January 1, 2016 through the date of this report, or June 14, 2018, the price per share of our common stock has ranged from a high of $0.015 to a low of $0.0007. The price of our common stock has been, and may continue to be, highly volatile and subject to wide fluctuations. The market value of our common stock has declined in the past, in part, due to our operating performance as well as to conversions of dilutive debt instruments that we have issued to fund operations. In the future, broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. Recent declines in the market price of our common stock have and could continue to affect our access to capital, and may, if they continue, impact our ability to continue operations at the current level. In addition, any continuation of the recent declines in the price of our common stock may curtail investment opportunities presented to us, and negatively impact other aspects of our business, including our ability to raise the funds necessary to fund our operations. As a result of any such declines, many stockholders have been or may become unable to resell their shares at or above the price at which they acquired them.

The volatility of the market price of our common stock could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- our stock being held by a small number of persons whose sales (or lack of sales) could result in positive or negative pricing pressure on the market price for our common stock;
- actual or anticipated variations in our quarterly operating results;
- changes in our earnings estimates;
- our ability to obtain adequate working capital financing;
- changes in market valuations of similar companies;
- publication (or lack of publication) of research reports about us;
- changes in applicable laws or regulations, court rulings, enforcement and legal actions;
- loss of any strategic relationships;
- additions or departures of key management personnel;
- actions by our stockholders (including transactions in our shares);
- speculation in the press or investment community;

- increases in market interest rates, which may increase our cost of capital;
- changes in our industry;
- competitive pricing pressures;
- our ability to execute our business plan; and
- economic and other external factors.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

Our common stock may never be listed on a national exchange and is subject to being removed from the OTC Pink Marketplace.

Our common stock is quoted for trading on the OTC Pink Marketplace ("OTC Pink"). 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. In the event that we are able to file the required reports with the SEC to be current under the Exchange Act of 1934 (the "Exchange Act"), we still will be unable to list our stock on the OTCQB since the price of our stock is below $0.01, and we do not meet the eligibility standards for listing under the OTCQB per OTC Markets guidelines. Should we continue to fail to satisfy the eligibility standards of OTC Markets for the OTCQB, the trading price of our common stock could continue to suffer and the trading market for our common stock may be less liquid and our common stock price may be subject to increased volatility.

Our stock is categorized as a penny stock. Trading of our stock may be restricted by the SEC's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.

Our stock is categorized as a "penny stock", as that term is defined in SEC Rule 3a51-1, which generally provides that "penny stock", is any equity security that has a market price (as defined) less than US$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, including Rule 15g-9, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities and reduces the number of potential investors. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

According to SEC Release No. 34-29093, the market for "penny stocks" has suffered in recent years from patterns of fraud and abuse. Such patterns include: (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The occurrence of these patterns or practices could increase the future volatility of our share price.

FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

To date, we have not paid any cash dividends and no cash dividends will be paid in the foreseeable future.

We do not anticipate paying cash dividends on our common stock in the foreseeable future and we may not have sufficient funds legally available to pay dividends. Even if the funds are legally available for distribution, we may nevertheless decide not to pay any dividends. We presently intend to retain all earnings for our operations.

If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent financial fraud. As a result, current and potential stockholders could lose confidence in our financial reporting.

We are subject to the risk that sometime in the future, our independent registered public accounting firm could communicate to the board of directors that we have deficiencies in our internal control structure that they consider to be "significant deficiencies." A "significant deficiency" is defined as a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is more than a remote likelihood that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we could be subject to regulatory action or other litigation and our operating results could be harmed. We are required to document and test our internal control procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act" or "SOX"), which requires our management to annually assess the effectiveness of our internal control over financial reporting.

We currently are not an "accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended. Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404") requires us to include an internal control report with our Annual Report on Form 10-K. That report must include management's assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year. This report must also include disclosure of any material weaknesses in internal control over financial reporting that we have identified. As of December 31, 2016, the management of the Company assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Management concluded, during the year ended December 31, 2016, that the Company's internal controls and procedures were not effective to detect the inappropriate application of U.S. GAAP rules. Management realized there were deficiencies in the design or operation of the Company's internal control that adversely affected the Company's internal controls which management considers to be material weaknesses. A material weakness in the effectiveness of our internal controls over financial reporting could result in an increased chance of fraud and the loss of customers, reduce our ability to obtain financing and require additional expenditures to comply with these requirements, each of which could have a material adverse effect on our business, results of operations and financial condition. For additional information, see Item 9A – Controls and Procedures.

It may be time consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act. We may need to hire additional financial reporting, internal controls and other finance personnel in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act, then we may not be able to obtain the independent accountant certifications required by such act, which may preclude us from keeping our filings with the SEC current.

If we are unable to maintain the adequacy of our internal controls, as those standards are modified, supplemented, or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. Failure to achieve and maintain an effective internal control environment could cause us to face regulatory action and cause investors to lose confidence in our reported financial information, either of which could adversely affect the value of our common stock.

Because our current directors, executive officers and one preferred stockholder beneficially hold 47.5% of our common stock, they can exert significant control over our business and affairs and have actual or potential interests that may depart from those of subscribers in our private placements.

Our current directors, executive officers and 5% or more stockholders beneficially own or control approximately 47.5% of our issued and outstanding shares of common stock as of June 14, 2018. Additionally, the holdings of our directors and executive officers preferred stock holders may increase in the future upon vesting or other maturation of exercise rights under any of the restricted stock grants, options or warrants they may hold or in the future be granted or if they otherwise acquire additional shares of our common stock. The interests of such persons may differ from the interests of our other stockholders. As a result, in addition to their board seats and offices, such persons may have significant influence over and may control corporate actions requiring stockholder approval, irrespective of how the Company's other stockholders may vote, including the following actions:

- to elect or defeat the election of our directors;
- to amend or prevent amendment of our Certificate of Incorporation or By-laws;
- to effect or prevent a transaction, sale of assets or other corporate transaction; and
- to control the outcome of any other matter submitted to our stockholders for vote.

Such persons' stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Exercise of options and warrants and conversion rights under convertible notes and preferred stock would have a dilutive effect on our common stock.

If the price per share of our common stock at the time of exercise of any options, warrants or any other convertible securities is in excess of the various exercise or conversion prices of such convertible securities, exercise or conversion of such convertible securities would have a dilutive effect on our common stock. As of December 31, 2016, we had: (a) outstanding options to acquire shares our common stock at exercise prices ranging from $0.006 to $0.14 for 15,100,000 options, and an exercise price of $0.64 per share for 4.0 million options, (b) no outstanding warrants, and (c) convertible debt and accrued interest of $130,808 convertible into 311,446,571 shares of our common stock at $0.0044 per share. The number of shares and the conversion price for the convertible debt is subject to change based on changes in the price of our common stock. Further, any additional financing that we secure may require the granting of rights, preferences or privileges senior to those of our common stock and which result in additional dilution of the existing ownership interests of our common stockholders.

Our certificate of incorporation allows for our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock.

Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our board of directors also has the authority to issue preferred stock without further stockholder approval. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders a preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our board of directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

Our principal executive offices are located at 777 South Flagler Drive, Suite 800 West Tower, West Palm Beach, FL 33401, and our telephone number is (561) 515-6163. Our executive office is a virtual office and is utilized for meetings, conferences, telephone and message support. On August 19, 2013, we entered into a lease agreement located at such address for a total monthly rental of $299.

On January 1, 2015, NACSV renewed a lease agreement for one building under a year-to-year operating lease with monthly rent payments totaling $8,748 in January 2015 and $5,637 for February – December, 2015. The lease provides that either party may cancel it on thirty day notice. In January 2016, we terminated the lease. In September 2014, NACSV entered into a 12-month operating lease for a condominium for a vice president with monthly rent payments of $2,160, the lease expired and was not renewed.

We own no other real property.

Our registered agent is Direct Transfer, LLC, located at 500 Perimeter Park Drive Suite D, Morrisville, NC 27560.

ITEM 3. LEGAL PROCEEDINGS

We may be involved in legal proceedings in the ordinary course of our business. Although our management cannot predict the ultimate outcome of these legal proceedings with certainty, it believes that the ultimate resolution of our legal proceedings, including any amounts we may be required to pay, will not have a material effect on our consolidated financial statements.

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

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, which is included in sales, general and administrative expenses on the accompanying consolidated statement of operations.

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. Jurisdictional 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.

In the Matter of GLOBAL DIGIT AL 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.

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).

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the OTC Markets, Pink No Information Tier, under the symbol “GDSI.” Set forth below are the range of high and low bid quotations for the period indicated as reported by the OTC Markets Group (www.otcmarkets.com). The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

Quarter Ended	High	Low
March 31, 2018	$ 0.020	$ 0.007
December 31, 2017	$ 0.015	$ 0.004
September 30, 2017	$ 0.009	$ 0.001
June 30, 2017	0.003	0.001
March 31, 2017	$ 0.004	$ 0.001
December 31, 2016	$ 0.003	$ 0.001
September 30, 2016	$ 0.003	$ 0.001
June 30, 2016	$ 0.015	$ 0.001
March 31, 2016	$ 0.009	$ 0.005
December 31, 2015	$ 0.010	$ 0.001
September 30, 2015	$ 0.095	$ 0.001
June 30, 2015	$ 0.180	$ 0.040
March 31, 2015	$ 0.160	$ 0.030

Transfer Agent

Our transfer agent is Direct Transfer LLC, and is located at 500 Perimeter Park Suite D Morrisville, NC 27560. Their telephone number is (919) 481-4000 and their website is www.issuerdirect.com.

Holders of Common Stock

As of December 31, 2016, there were 186 shareholders of record of our common stock. As of such date, 530,431,571 shares were issued and outstanding.

Dividends

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to increase our working capital and do not anticipate paying any cash dividends in the foreseeable future.

Stock-Based Compensation

For information on securities authorized for issuance under our equity compensation plans, see "Item 11. Executive Compensation" below.

Recent Sales of Unregistered Securities

The following transactions affected the Company's Stockholders' Equity (Deficiency) for year ended December 31, 2016:

The following transactions affected the Company's Stockholders' Equity (Deficiency) for year ended December 31, 2015:

On March 9, 2015, the Company issued 1,000,000 shares of restricted shares for consulting services. The shares were valued at $1,000.

On March 9, 2015, the Company issued 500,000 shares of restricted shares for consulting services. The shares were valued at $500.

On March 31, 2015, the Company issued 362,926 shares of its common stock for consulting services. The shares were valued at $363.

On March 31, 2015, the Company issued 1,250,000 shares of its common stock for legal services. The shares were valued at $1,250.

On March 31, 2015, the Company issued 500,000 shares of its common stock for consulting services. The shares were valued at $500.

On March 31, 2015, the company issued 1,250,000 shares of its common stock to Vox Equity Holdings, LLC. The shares were valued at $1,250.

On April 1, 2015, the company issued 100,000 shares of its common stock for legal services. The shares were valued at $100.

There were no Sales of Unregistered Securities during the year ended December 31, 2016.

Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the year ended December 31, 2016.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Notice Regarding Forward Looking Statements

The information contained in Item 7 contains forward-looking statements within the meaning of the federal securities laws. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

This filing contains a number of forward-looking statements that reflect management's current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, clinical developments which management expects or anticipates will or may occur in the future, including statements related to our technology, market expectations, future revenues, financing alternatives, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words "believe," "expect," "intend," "anticipate," "estimate," "may," variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Readers should not place undue reliance on these forward-looking statements, which are based on management's current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below), and apply only as of the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, the risks to be discussed in this Annual Report on Form 10-K and in the press releases and other communications to shareholders issued by us from time to time which attempt to advise interested parties of the risks and factors which may affect our business. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. For additional information regarding forward-looking statements, see Item 1 – Our Business – "Forward-Looking Statements."

Use of Generally Accepted Accounting Principles ("GAAP") Financial Measures

We use United States GAAP financial measures in the section of this report captioned "Management's Discussion and Analysis or Plan of Operation" (MD&A), unless otherwise noted. All of the GAAP financial measures used by us in this report relate to the inclusion of financial information. This discussion and analysis should be read in conjunction with our financial statements and the notes thereto included elsewhere in this annual report. All references to dollar amounts in this section are in United States dollars, unless expressly stated otherwise. Please see Item 1A "Risk Factors" for a list of our risk factors.

Business 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 ("Global"). The merger was treated as a recapitalization of Global, and Creative changed its name to Global Digital Solutions, Inc. We are focused in the area of cyber arms technology and complementary security and technology solutions. From August 2012 through November 2013, we were actively involved in managing Airtronic USA, Inc. ("Airtronic"). Effective as of June 16, 2014, we acquired North American Custom Specialty Vehicles ("NACSV"). The NACSV acquisition is more fully discussed below.

Share Purchase and Sale Agreement for Acquisition of Grupo Rontan Electro Metalurgica, S.A.

Effective October 13, 2015, the Company (as "Purchaser") entered into the SPSA dated October 8, 2015 with Joao Alberto Bolzan and Jose Carlos Bolzan, both Brazilian residents (collectively, the "Sellers") and Grupo Rontan Electro Metalurgica, S.A., a limited liability company duly organized and existing under the laws of Federative Republic of Brazil ("Rontan") (collectively, the "Parties"), pursuant to which the Sellers agreed to sell 100% of the issued and outstanding shares of Rontan to the Purchaser on the closing date (the "Rontan Transaction".)

The purchase price consisted of a cash amount, a stock amount and an earn-out amount as follows: (i) Brazilian Real ("R") $100 million (approximately US$26 million) to be paid by the Purchaser in equal monthly installments over a period of forty eight (48) months following the closing date; (ii) an aggregate of R$100 million (approximately US$26 million) in shares of the Purchaser's common stock, valued at US$1.00 per share; and (iii) an earn-out payable within ten business days following receipt by the Purchaser of Rontan's audited financial statements for the 12-months ended December 31, 2017, 2018 and 2019. The earn-out shall be equal to the product of (i) Rontan's earnings before interest, taxes, depreciation and amortization ("EBITDA") for the last 12 months, and (ii) twenty percent and is contingent upon Rontan's EBITDA results for any earn-out period being at least 125% of Rontan's EBITDA for the 12-months ended December 31, 2015. It is the intention of the parties that the stock amount will be used by Rontan to repay institutional debt outstanding as of the closing date.

Under the terms of a finder's fee Agreement dated April 14, 2014, we have agreed to pay RLT Consulting Inc., a related party, a fee of 2% (two percent) of the transaction value, as defined in the agreement, of Rontan upon closing. The fee is payable one-half in cash and one-half in shares of our common stock. Specific conditions to closing consist of:

a.) Purchaser's receipt of written limited assurance of an unqualified opinion with respect to Rontan's audited financial statements for the years ended December 31, 2013 and 2014 (the "Opinion");

b.) The commitment of sufficient investment by General American Capital Partners LLC (the "Institutional Investor"), in the Purchaser following receipt of the Opinion;

c.) The accuracy of each parties' representations and warranties contained in the SPSA;

d.) The continued operation of Rontan's business in the ordinary course;

e.) The maintenance of all of Rontan's bank credit lines in the maximum amount of R$200 million (approximately US$52 million) under the same terms and conditions originally agreed with any such financial institutions, and the maintenance of all other types of funding arrangements. As of the date of the SPSA, Rontan's financial institution debt consists of not more than R$200 million (approximately US$52 million), trade debt of not more than R$50 million (approximately US$13 million) and other fiscal contingencies of not more that R$95 million (approximately US$24.7 million);

f.) Rontan shall enter into employment or consulting service agreements with key employees and advisors identified by the Purchaser, including Rontan's Chief Executive Officer; and

g.) The Sellers continued guarantee of Rontan's bank debt for a period of 90 days following issuance of the Opinion, among other items.

The Institutional Investor has committed to invest sufficient capital to facilitate the transaction, subject to receipt of the Opinion, among other conditions. Subject to satisfaction or waiver of the conditions precedent provided for in the SPSA, the closing date of the transaction shall take place within 10 business days from the date of issuance of the Opinion. Rontan is engaged in the manufacture and distribution of specialty vehicles and acoustic/visual signaling equipment for the industrial and automotive markets.

On April 1, 2016, we believed that we had satisfied or otherwise waived the conditions to closing (as disclosed under the SPSA, the closing was subject to specific conditions to closing, which were waivable by us,) and on April 1, 2016, we advised the Sellers of our intention to close the SPSA and demanded delivery of the Rontan Securities. The Sellers, however, notified us that they intend to terminate the SPSA. We believe that the Sellers had no right to terminate the SPSA and that notice of termination by the Sellers was not permitted under the terms of the SPSA.

Results of Operations

Comparison of the Fiscal Years Ended December 31, 2016 and December 31, 2015

A comparison of the Company's operating results for the fiscal years ended December 31, 2016 and December 31, 2015 are as follows:

For the year ended December 31, 2016:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ -	$ -	$ 14,386	$ 14,386
Cost of Sales	-	-	-	-
Gross Profit	-	-	14,386	14,386
Operating Expenses	443,151	142,964	13,215	599,33
Operating Income (Loss)	(443,151)	(142,964)	1,171	(584,944)
Other Income (Expenses)	458,839	-	-	458,839
Loss – Before Tax	$ (901,990)	$ (142,964)	$ 1,171	$ (1,043,783)

For the year ended December 31, 2015:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ -	$ -	$ 641,578	$ 641,578
Cost of Sales	-	-	(581,746)	(581,746)
Gross Profit	-	-	(194,183)	(194,183)
Operating Expenses	644,971	761,423	390,111	1,796,505
Operating Income (Loss)	(644,971)	(761,423)	(330,279)	(1,736,673)
Other Income (Expenses)	952,654	-	-	952,654
Loss – Before Tax	$ (1,597,625)	$ (761,423)	$ (330,279)	$ (2,689,327)

The variances between fiscal years ending December 31, 2016 and 2015 were as follows:

	Global Digital Solutions, Inc	GDSI Florida, LLC	North American Custom Specialty Vehicles, Inc	Totals
Revenue	$ -	$ -	$ 627,192)	$ (627,192)
Cost of Sales	-	-	581,746	581,746
Gross Profit	-	-	(45,446)	(45,446)
Operating Expenses	(201,820)	(618,459)	(376,896)	(1,197,175)
Operating Income (Loss)	201,820	618,459	331,450	1,151,729
Other Income (Expenses)	(493,815)	-	-	(493,815)
Loss – Before Tax	$ 695,635	$ 618,459	$ 331,450	$ 1,645,544

Revenues and Gross Margins

Revenues decreased by $627,192, or 98%, from the prior year as a result of the shut-down refurbished vehicle sales.

Gross profit decreased by $45,446, or 76%, due the lack of cost of sales incurred from shutting down refurbished vehicle sales.

Operating Loss

Loss from operations for the years ended December 31, 2016 and 2015 was $584,944 and $1,736,673, respectively. The decrease in operating loss is primarily due to the shut-down of operations, pending settlement of various legal actions.

Liquidity, Financial Condition and Capital Resources

As of December 31, 2016, we had no cash on hand and a working capital deficiency of $1,898,839, as compared to cash on hand of $2,944 and a working capital deficiency of $964,987 as of December 31, 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 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 issue 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 audited consolidated financial statements contained in this annual report on Form 10-K have been prepared assuming that the Company will continue as a going concern. The Company has accumulated losses from inception through the period ended December 31, 2016 of $32,451,168 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

	December 31,	
	2016	2015
Current Assets	$ 26,858	$ 106,316
Current Liabilities	1,925,697	1,071,303
Working capital	$ (1,898,839)	$ (964,987)

The decrease in current assets from 2015 to 2016 is due to a decrease in cash, accounts receivable and inventory. The increase in current liabilities is mainly due to increases in Accounts Payable and Due to Officer during the year ended December 31, 2016.

Cash Flows

	December 31,	
	2016	**2015**
Net cash used in operating activities	$ 2,944	$ (767,389)
Net cash used in investing activities	-	(1,890)
Net cash provided by financing activities	-	612,122
Increase (decrease) in cash	$ (2,944)	$ (157,158)

Operating Activities

Net cash provided in operating activities was $2,944 for the year ended December 31, 2016. Cash provided during the year ended December 31, 2016 was primarily due to the increase in prepaid expenses $76,514 and accounts payable $192,908, offset by a net loss of $783,783.

Net cash used in operating activities was $767,389 for the year ended December 31, 2015. Cash used during the year ended December 31, 2015 was primarily due to the change in stock-based compensation expense of $788,015, change in fair value of derivative of $450,717, debt discount amortization of $1,099,086, offset by the net loss of $2,689,331.

Investing Activities

For the year ended December 31, 2016, there was no cash used for investing activities.

For the year ended December 31, 2015, net cash used by investing activities was $1,890. Cash used for investing activities was for capital expenditures.

Financing Activities

For the year ended December 31, 2016, there was no cash used for financing activities.

For the year ended December 31, 2015, net cash provided by financing activities was $612,122 Cash provided by financing activities was mainly due to the proceeds from convertible notes of $670,250.

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, 2016. 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 year ended December 31, 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by Item 8 is included following the "Index to Financial Statements" on page F-1 contained in this annual report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 sole executive officer, William Delgado, who is our Chief Executive Officer (Principal Executive 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 December 31, 2016 pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, our Principal Executive and Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 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.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, which currently consists of William Delgado serving as our Chief Executive Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO" - 2013) and SEC guidance on conducting such assessments. Our management concluded, as of December 31, 2016, that our internal control over financial reporting was not effective. Management realized there were deficiencies in the design or operation of the Company's internal control that adversely affected the Company's internal controls which management considers to be material weaknesses.

In performing the above-referenced assessment, management had concluded that as of December 31, 2016, there were deficiencies in the design or operation of our internal control that adversely affected our internal controls, which management considers to be material weaknesses, including those described below:

(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, including identifying specific areas within our governance, accounting and financial reporting processes to add adequate resources to potentially mitigate 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 allow.

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 year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within any company have been detected.

ITEM 9B. OTHER INFORMATION

The information required by this section is disclosed in Part II, Item 5.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below are the directors and executive officers of the Company as of December 31, 2016. Except as set forth below, there are no other persons who have been nominated or chosen to become directors, nor are there any other persons who have been chosen to become executive officers. Other than as set forth below, there are no arrangements or understandings between any of the directors, officers and other persons pursuant to which such person was selected as a director or an officer.

Name	Position Held with Company	Age	Date First Elected or Appointed
William J. Delgado	Chief Executive Officer, Chairman of the Board	56	May 13, 2016
Jerome J. Gomolski	Chief Financial Officer	67	April 10, 2015
Gary A. Gray	Vice President, Chief Technology Officer	64	August 12, 2013

Our Board of Directors believes that all members of the Board and all executive officers encompass a range of talent, skill, and experience sufficient to provide sound and prudent guidance with respect to our operations and interests. The information below with respect to our sole officer and director includes his experience, qualifications, attributes, and skills necessary for him to serve as a director and/or executive officer.

Biographies

Former Officers and Directors of the Company

Set forth below are brief accounts of the business experience during the past five years of our former directors and executive officers and significant employee of the Company:

<u>Richard Sullivan – Director, Chairman of the Board, Chief Executive Officer & Assistant Secretary</u>

Mr. Sullivan was elected a director and appointed Chairman, CEO, President and assistant secretary on August 12, 2013. Prior thereto, from May 2012 through August 2013 Mr. Sullivan served as a consultant to the Company. Mr. Sullivan is responsible for the Company’s strategy, leadership and day-to-day operational activities. Mr. Sullivan founded and since 1993 has served as Chairman and CEO of Solutions, Inc. and World Capital Markets, Inc., a both private investment banking companies that specialize in advising corporations on acquiring other business entities and assisting owners and management who are considering selling all or part of their business. Mr. Sullivan founded and from 1993 to 2003 served as Chairman and Chief Executive Officer of Applied Digital Solutions, Inc., a Nasdaq listed technology company that spawned two other listed companies of which he was Chairman of the Board: Digital Angel Corporation (AMEX) and VeriChip Corporation (Nasdaq). Mr. Sullivan is an “Entrepreneur in Residence” with Accretive Exit Partners, LLC whose business is taking positions in mid-stage private companies, replacing financing partners who wish to divest themselves of their equity share of those businesses. Management believes that Mr. Sullivan’s many years as Chairman and CEO of public companies qualifies him for his positions with the Company.

On May 13, 2016 Mr. Sullivan resigned from his position in order to retire. William Delgado assumed his position. In connection with his resignation the Company entered into a five year employment agreement.

Arthur F. Noterman – Director

Mr. Noterman was appointed to our Board on August 12, 2013. Mr. Noterman is a Chartered Life Underwriter. Mr. Noterman has owned an investment and insurance business for over 40 years located in Massachusetts and is a registered FINRA Broker affiliated with a Cincinnati, Ohio Broker/ Dealer. Mr. Noterman served on the Board of Directors of Applied Digital Solutions Inc. from 1997 to 2003, serving on the Audit and Compensation Committees. Mr. Noterman attended Northeastern University, Boston, MA from 1965-1975 and obtained the Chartered Life Underwriter Professional Designation in 1979 from The American College, Bryn Mawr, Pennsylvania. Management believes that Mr. Noterman's many years as a director of public companies, his financial background, and his many years serving on audit and compensation committees uniquely qualifies him for his position as a director of the Company.

On May 13, 2016, Mr. Noterman resigned from his position in order to pursue other interests.

Stephanie C. Sullivan – Director

Ms. Sullivan was appointed to our Board on August 12, 2013. Ms. Sullivan is a business entrepreneur and has served, since May 2011, as financial manager at Alexis Miami, a privately held upscale women's fashion designer and manufacturer. Ms. Sullivan graduated from the University of Miami in May 2011 with a Bachelor of Arts in Business Administration. Management believes that Ms. Sullivan's marketing and financial background bring a new and young approach that the Board will benefit from.

On May 13, 2016, Ms. Sullivan resigned from her position in order to pursue other interests.

Current Officers and Directors of the Company as of the Date of this Report

William J. Delgado – Director & Executive Vice President

Mr. Delgado has served as our President, Chief Executive Officer and Chief Financial Officer from August 2004 to August 2013. Effective August 12, 2013, Mr. Delgado assumed the position of Executive Vice President, and is responsible, along with Mr. Sullivan, for business development. Mr. Delgado has over 33 years of management experience including strategic planning, feasibility studies, economic analysis, design engineering, network planning, construction and maintenance. He began his career with Pacific Telephone in the Outside Plant Construction. He moved to the network engineering group and concluded his career at Pacific Bell as the Chief Budget Analyst for the Northern California region. Mr. Delgado founded All Star Telecom in late 1991, specializing in OSP construction and engineering and systems cabling. All Star Telecom was sold to International FiberCom in April of 1999. After leaving International FiberCom in 2002, Mr. Delgado became President/CEO of Pacific Comtel in San Diego, California. After the Company acquired Pacific Comtel in 2004, Mr. Delgado became Director, President, CEO and CFO of the Company. Management believes that Mr. Delgado's many years of business experience uniquely qualifies him for his positions with the Company.

On May 13, 2016, Mr. Delgado assumed the role of Chief Executive Officer and Chairman of the Board of Directors and currently serves in that position.

Jerome J. Gomolski – Chief Financial Officer

Mr. Gomolski became the Chief Financial Officer of our subsidiary, NACSV, on January 1, 2015 and was appointed the Company's Chief Financial Officer on April 10, 2015. Mr. Gomolski has specialized in auditing, corporate and individual income tax, and, forensic accounting for over 30 years. Mr. Gomolski began his financial career in the corporate accounting department of International Harvester in Chicago. After graduating from DePaul University in Chicago with a BSC in Accounting he passed the Illinois CPA exam and began working for several large accounting firms. Several years later, he returned to International Harvester as Manager of Financial Planning and Analysis. In 1982, Jerry was offered an opportunity to relocate to South Florida and return to public accounting. There he brought his experience and talent to work with two large accounting firms. His increasing responsibility led to a partnership. He continues to maintain his own practice. Mr. Gomolski currently serves as the Chief Financial Officer for a Private Equity Fund.

Family Relationships

There are no other family relationships between and among any of our directors or executive officers directors or executive officers.

Involvement in Certain Legal Proceedings

No director, executive officer, significant employee or control person of the Company has been involved in any legal proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

Committees of the Board

Our Board of Directors held no formal meeting in the year-ended December 31, 2016. Otherwise, all proceedings of the Board of Directors were conducted by resolutions consented to in writing by the sole director and filed with the minutes of the Company.

Board Nominations and Appointments

In considering whether to nominate any particular candidate for election to the Board of Directors, we will use various criteria to evaluate each candidate, including an evaluation of each candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of our stockholders. The Board of Directors plans to evaluate biographical information and interview selected candidates in the next fiscal year and also plans to consider whether a potential nominee would satisfy the listing standards for "independence" of The Nasdaq Stock Market and the SEC's definition of "audit committee financial expert." The Board of Directors does not plan to assign specific weights to particular criteria and no particular criterion will be a prerequisite for each prospective nominee.

We do not have a formal policy with regard to the consideration of director candidates recommended by our stockholders, however, stockholder recommendations relating to director nominees may be submitted in accordance with the procedures set forth below under the heading "Communicating with the Board of Directors".

Communicating with the Board of Directors

Stockholders who wish to send communications to the Board of Directors may do so by writing to 777 South Flagler Drive, Suite 800 West Tower, West Palm Beach, FL 33401. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Stockholder-Board Communication." All such letters must identify the author as a stockholder and must include the stockholder's full name, address and a valid telephone number. The name of any specific intended recipient should be noted in the communication. We will forward any such correspondence to the intended recipients; however, prior to forwarding any such correspondence, and we will review such correspondence, and in our discretion, may not forward communications that relate to ordinary business affairs, communications that are primarily commercial in nature, personal grievances or communications that relate to an improper or irrelevant topic or are otherwise inappropriate for the Board of Director's consideration.

Compensation of Directors

We have no standard arrangement to compensate directors for their services in their capacity as directors. Directors are not paid for meetings attended. However, we intend to review and consider future proposals regarding board compensation. All travel and lodging expenses associated with corporate matters are reimbursed by us, if and when incurred.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship exists between our Board of Directors and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

Code of Ethics

As part of our system of corporate governance, our Board of Directors has adopted a Code of Business Conduct and Ethics (the "Code") for directors and executive officers of the Company. This Code is intended to focus each director and executive officer on areas of ethical risk, provide guidance to directors and executive officer to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability. Each director and executive officer must comply with the letter and spirit of this Code. We have also adopted a Code of Ethics for Financial Executives applicable to our Chief Executive Officer and senior financial officers to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure; and compliance with applicable laws, rules and regulations. We intend to disclose any changes in or waivers from our Code of Business Conduct and Ethics and our Code of Ethics for Financial Executives by filing a Form 8-K or by posting such information on our website.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission and to provide us with copies of those filings.

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during the year ended December 31, 2016, none of our greater than 10% percent beneficial owners failed to comply on a timely basis with all applicable filing requirements under Section 16(a) of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

General Philosophy

Our Board of Directors is responsible for establishing and administering the Company's executive and director compensation.

Executive Compensation

The following summary compensation table indicates the cash and non-cash compensation earned from the Company during the years ended December 31, 2016 and 2015 for our named executive officers.

Summary Compensation Table

Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards (6) ($)**	**Option Awards (6) ($)**	**Nonequity Incentive Plan Compensation ($)**	**Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)**	**All Other Compensation (7) ($)**	**Total ($)**
Richard J. Sullivan	2016	-	-	-	-	-	-	-	-
Chairman, CEO, President and Assistant Secretary (1)	2015	120,000	-	-	24,000	-	-	-	144,000
Jerome J. Gomolski	2016	16,668	-	-	14,816	-	-	-	31,484
Chief Financial Officer (2)	2015	41,186	-	-	56,000	-	-	-	97,186
David A. Loppert,	2016	-	-	-	-	-	-	-	
Executive Vice President, CFO, Treasurer and Secretary (3)	2015	20,000	-	-	-	-	-	-	20,000
William J. Delgado,	2016	70,000	-	-	20,740	-	-	-	90,740
Director, Former President,Chief Executive Officer & Chief Financial Officer,currently Executive Vice President (4)	2015	-	-	-	76,000	-	-	-	76,000
Gary A. Gray,	2016	-	-			-	-	-	
Vice President, Chief Technology Officer (5)	2015	24,000	-	40,000	6,000	-	-	-	70,000

(1) Mr. Sullivan was appointed Chairman, CEO, President and Assistant Secretary on August 12, 2013. He resigned May 13, 2016.

(2) Mr. Gomolski joined the company as Chief Financial Officer of our subsidiary, NACSV, on January 5, 2015. He was appointed the Company's Chief Financial Officer effective April 10, 2015.

(3) Mr. Loppert was appointed Executive Vice President, CFO, Treasurer and Secretary on August 12, 2013. Mr. Loppert retired effective April 10, 2015.

(4) Mr. Delgado was appointed Chief Executive Officer and Chairman of the Board on May 13, 2016. He was appointed Executive Vice President on August 12, 2013. Prior thereto he served as our CEO, President and Chief Financial Officer.

(5) Mr. Gray was appointed Vice President, Chief Technology Officer on August 12, 2013.

(7) The amounts in these columns represent the fair value of the award as of the grant date as computed in accordance with ASC 718. These amounts represent restricted stock awards and stock options granted to the named executive officers, and do not reflect the actual amounts that may be realized by those officers. In 2016, we granted stock options to Vox Equity Partners, LLC with a fair value of $24,000.

Key Employee Employment Agreements

We have one employment agreement with Chief Executive Officer, William Delgado.

Options Granted to Named Executives

On April 1, 2015, we granted Jerome J. Gomolski stock options to acquire 500,000 shares of our common stock at an exercise price of $0.10 per share. The options vest one-third on each of October 1, 2015, April 1, 2016 and October 1, 2016 and expire on April 1, 2025.

On April 20, 2015, we granted William J. Delgado stock options to acquire 500,000 shares of our common stock at an exercise price of $0.14 per share. The option vest one-third on each of October 1, 2015, April 1, 2016 and October 1, 2016 and expire on March 31, 2025.

On November 30, 2015, we granted to each of Jerome J. Gomolski and Gary A. Gray stock options to acquire 1,000,000 shares of our common stock at an exercise price of $0.006 per share. The options vested on the date of grant and expire on November 30, 2025.

On December 15, 2015, we granted William J. Delgado stock options to acquire 750,000 shares of our common stock at an exercise price of $0.008 per share. The options vested on the date of grant and expire on December 14, 2025.

As a result of his retirement on April 10, 2015, 1,500,000 stock options granted to David A. Loppert on March 5, 2014 were forfeited by their terms.

Outstanding Equity Awards at Fiscal Year End

The following table provides information as of December 31, 2016 regarding unexercised stock options and restricted stock awards granted to each of our named executive officers:

	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have not Vested ($)
Jerome J. Gomolski	500,000	-	-	0.10	4/1/2025	-	-	-	-
Jerome J. Gomolski	1,000,000	-	-	0.006	11/30/2025	-	-	-	-
William J. Delgado	500,000	-	-	0.14	3/31/2025	-	-	-	-
William J. Delgado	750,000	-	-	0.008	12/14/2025	-	-	-	-

Equity Compensation Plan Information and Issuances

Our current policy is that all full time key employees are considered annually for the possible grant of stock options, depending upon qualifying performance criteria. The criteria for the awards are experience, uniqueness of contribution to our business and the level of performance shown during the year. Stock options are intended to enhance the ability of the Company and its Affiliates to attract and retain exceptionally qualified individuals upon whom, in large measure, the sustained progress, growth and profitability of the Company depend.

2016 Option Exercises and Stock Vested

The following table provides information regarding options exercised and restricted stock that vested in the year ended December 31, 2016 for our named executive officers:

	Number of shares acquired on exercise (#)	**Value realized on exercise ($)**	**Number of shares acquired on vesting (#)**	**Value realized on vesting ($)**[1]
Richard J. Sullivan	-	-	-	-
Jerome J. Gomolski	-	-	-	-
David A. Loppert	-	-	-	-
William J. Delgado	-	-	-	-
Gary A. Gray	-	-	1,000,000	40,000
Gary A. Gray	-	-	-	-
Jennifer S. Carroll	-	-	-	-

(1) The amount represents the grant date fair value expense amortized in 2016, and does not reflect the actual amount that may be realized by those officers.

Pension Benefits

None of our named executive officers is covered by a pension plan or other similar benefit plan that provides for payments or other benefits at, following, or in connection with retirement.

Nonqualified Deferred Compensation

None of our named executive officers is covered by a defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

2014 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. Under the Plan, we are authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, stock appreciation rights, performance shares, restricted stock and long term incentive awards. The Plan is administered by the Board of Directors.

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.

Director Compensation

We do not have a compensation arrangement in place for members of our Board and we have not finalized any plan to compensate directors in the future for their services as directors. We anticipate that we will develop a compensation plan for our independent directors in order to attract qualified persons and to retain them. We expect that the compensation arrangements will generally be comprised of equity awards and cash for reimbursement of expenses only; however exceptions may be made if circumstances warrant. The following table sets forth for each director certain information concerning his compensation for the year ended December 31, 2016.

Name (1)	**Fees Earned or Paid in Cash ($)**	**Stock Awards** (2) **($)**	**Option Awards** (3) **($)**	**Non-Equity Incentive Plan Compensation ($)**	**Change in Pension Valueand Nonqualified Deferred Compensation Earnings ($)**	**All other Compensation ($)**	**Total ($)**
Arthur F. Noterman (4)	-	-	-	-	-	-	-
Stephanie C. Sullivan (4)	-	-	-	-	-	-	-
Stephen L. Norris (5)	-	-	-	-	-	-	-

(1) Does not include directors who are named executive officers whose compensation is reflected in the Summary Compensation Table above.

(2) Represents the fair value of the restricted stock unit award as of the grant date as computed in accordance with ASC 718, and does not reflect the actual amount that may be realized.

(3) Represents the fair value of the award as of the grant date as computed in accordance with ASC 718, and does not reflect the actual amounts that may be realized.

(4) On May 13, 2016, Arthur Noterman and Stephanie Sullivan resigned and forfeited Non-Equity Compensation.

(5) Effective as of July 2, 2014, Stephen L. Norris was appointed a director of the Company In July 2014 and resigned in January 2016.

None of our directors exercised options during the year ended December 31, 2016.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Except as otherwise stated, the table below sets forth information concerning the beneficial ownership of Common Stock as of May 31, 2018 for: (1) each director currently serving on our Board of Directors; (2) each of our named executive officers; (3) our directors and executive officers as a group; and (4) each person known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock. As of May 31, 2018, there were 559,084,905 shares of Common Stock outstanding. Except as otherwise noted, each stockholder has sole voting and investment power with respect to the shares beneficially owned.

Title of Class	**Name and Address of Beneficial Owner** [6]	**Amount and Nature of Beneficial Ownership**	**Percent of Class**[1] [2]
Common Stock	Richard J. Sullivan [2]	30,240,000 Direct	5.4%
Common Stock	William J. Delgado [4]	3,322,032 Direct	0.5%
Common Stock	Ross L. Trevino	9,500,000 Direct	1.7%
Common Stock	Jerome A. Gomolski [5]	-	-
	Total Beneficial Holders as a Group	43,062,032 Direct	7.6%

(1) Applicable percentages are based on 559,084,905 shares outstanding as of May 31, 2018 and includes issued and outstanding shares of common stock as well as vested but unissued restricted shares. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. A person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days whether upon the exercise of options or otherwise. Shares of Common Stock subject to options and warrants currently exercisable, or exercisable within 60 days after the date of this report, are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Unless otherwise indicated in the footnotes to this table, the Company believes that each of the shareholders named in the table has sole voting power.

(2) Includes (a) 3,000,000 currently exercisable stock options, (b) 3,000,000 shares owned by Bay Acquisition Corp., an entity controlled by Mr. Sullivan, and (c) 530,000 shares owned by Mr. Sullivan's minor son.

(4) Includes (a) 3,221,032 shares owned by Bronco Communications, LLC, an entity which Mr. Delgado controls and (b) 101,000 shares owned by Mr. Delgado's minor daughter.

(5) Mr. Gomolski has 1,500,000 stock options of which all have vested.

(6) The address of record is c/o Global Digital Solutions, Inc., 777 South Flagler Drive, Suite 800 West Tower, West Palm Beach, FL 33401

Changes in Control.

There are currently no arrangements which may result in a change of control of our company.

Non-Cumulative Voting

The holders of our shares of common stock do not have cumulative voting rights, which means that the holders of more than 50% of such outstanding shares, voting for the election of Directors, can elect all of the Directors to be elected, if they so choose. In such event, the holders of the remaining shares will not be able to elect any of our Directors.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

Except as set out below, as of December 31, 2016, there have been no transactions, or currently proposed transactions, in which we were or are to be a participant and the amount involved exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed years, and in which any of the following persons had or will have a direct or indirect material interest:

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

On April 1, 2015, we granted Jerome J. Gomolski options to acquire 500,000 shares of our common stock exercisable at $0.10 per share. The options 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.

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.

On November 30, 2015, we granted to each of our executive officers, Jerome J. Gomolski and Gary A. Gray 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.

Named Executive Officers and Current Directors

For information regarding compensation for our named executive officers and current directors, see “Executive Compensation.”

Director Independence

Our board of directors consists of one director, William J. Delgado. Our securities are quoted on the OTC Markets Group, Pink No Information Tier, which does not have any director independence requirements. We evaluate independence by the standards for director independence established by applicable laws, rules, and listing standards including, without limitation, the standards for independent directors established by The New York Stock Exchange, Inc., the NASDAQ National Market, and the Securities and Exchange Commission.

Subject to some exceptions, these standards generally provide that a director will not be independent if (a) the director is, or in the past three years has been, an employee of ours; (b) a member of the director’s immediate family is, or in the past three years has been, an executive officer of ours; (c) the director or a member of the director’s immediate family has received more than $120,000 per year in direct compensation from us other than for service as a director (or for a family member, as a non-executive employee); (d) the director or a member of the director’s immediate family is, or in the past three years has been, employed in a professional capacity by our independent public accountants, or has worked for such firm in any capacity on our audit; (e) the director or a member of the director’s immediate family is, or in the past three years has been, employed as an executive officer of a company where one of our executive officers serves on the compensation committee; or (f) the director or a member of the director’s immediate family is an executive officer of a company that makes payments to, or receives payments from, us in an amount which, in any twelve-month period during the past three years, exceeds the greater of $1,000,000 or two percent of that other company’s consolidated gross revenues. Based on these standards, we have determined that our director is not an independent director.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The aggregate audit fees billed by our independent accounting firm, Turner, Stone & Company, LLP (“TSC”), for the years ended December 31, 2016 and 2015 were $22,500 and $40,000, respectively.

Other Fees

There were no other services provided by TSC during the years ended December 31, 2016 and 2015.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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.*

** *Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: */s/ William J. Delgado*
William J. Delgado
Chief Executive Officer

Date: February 21, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title(s)	Date
/s/ William J. Delgado William J. Delgado	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 21, 2019
/s/ Jerome J. Gomolski Jerome J. Gomolski	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 21, 2019
/s/ William J. Delgado William J. Delgado	Director, Executive Vice President	February 21, 2019

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GLOBAL DIGITAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Global Digital Solutions, Inc.
West Palm Beach, Florida

We have audited the accompanying consolidated balance sheets of Global Digital Solutions, Inc. (the "Company") as of December 31, 2016 and 2015 and the related consolidated statements of operations, shareholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations since inception and has a working capital deficiency both of which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Turner, Stone & Company, L.L.P.

Dallas, Texas
June 15, 2018

GLOBAL DIGITAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2016	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	**$ 550,106**	$ 357,198
Accrued expenses	414,498	197,300
Convertible notes payable, net of disounts 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
Due to Officer	60,925	-
Financed insurance policy	11,187	64,847
Derivative liability	672,724	270,080
Total current liabilities	**1,925,697**	1,071,303
Total Liabilities	**1,925,697**	**1,071,303**
Commitments and Contingencies (Note 7)		
Stockholders' deficit		
Preferred stock, $0.001 par value, 35,000,000 shares authorized, 1,000,000 and 0 shares issued and outstanding, respectively	**$ 1,000**	$ -
Common stock, $0.001 par value, 650,000,000 shares authorized, 530,806,571 shares issued and outstanding	530,807	530,807
Additional paid-in capital	30,282,937	30,178,926
Accumulated deficit	(32,711,168)	(31,667,385)
Total stockholders' deficit	**(1,896,424)**	**(957,652)**
Total liabilities and stockholders' deficit	**$ 29,273**	**$ 113,651**

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

GLOBAL DIGITAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2016	**2015**
Revenue	**$ 14,386**	$ 641,578
Cost of revenue	-	581,746
Gross profit	**14,386**	**59,832**
Operating expenses		
Selling, general and administrative expenses	599,330	1,796,506
Operating loss before other (income) expense	(584,944)	(1,736,674)
Other (income) expense		
Change in fair value of derivative liability	402,643	450,717
Change in fair value of contingent liabilities		(648,614)
Finance Costs	-	397,859
Amortization of debt discount - convertible notes payable	18,219	652,031
Amortization of debt discount - related party notes	-	28,656
Amortization of debt discount - Factoring	16,160	20,540
Interest expense	21,817	51,468
Total other (income) expense	458,839	952,657
Loss from operations before provision for income taxes	(1,043,783)	(2,689,331)
Provision for income taxes	**-**	-
Net loss	**$ (1,043,783)**	**$ (2,689,331)**
Loss per common share - basic	**$ (0.00)**	**$ (0.01)**
Weighted average common shares outstanding		
Basic	**530,806,571**	**208,438,345**

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

GLOBAL DIGITAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2014	-	$ -	108,291,855	$ 108,292	$27,956,677	$(28,978,054)	(913,086)
Stock-based compensation	-	-	2,562,501	2,563	785,452		788,015
Common stock and warrants issued for services	-	-	587,925	588	68,470		69,058
Common Stock issued upon conversion of Convertible Notes Payable			419,364,290	419,364	1,358,547		1,777,911
Beneficial conversion feature of convertible notes	-	-			9,780		9,780
Net loss	-	-				(2,689,331)	(2,689,331)
Balance, December 31, 2015	-	-	530,806,571	$ 530,807	$30,178,926	$(31,667,385)	$ (957,652)
Preferred Stock issued for related party debt	1,000,000	1,000			230,565		231,565
Stock-based compensation					(126,554)		(126,554)
Net loss	-	-				(1,043,783)	(1,043,783)
Balance, December 31, 2016	1,000,000	$ 1,000	530,806,571	$ 530,807	$30,282,937	$(32,711,168)	$ (1,896,424)

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

GLOBAL DIGITAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2016	2015
Operating Activities		
Net loss	**$ (1,043,783)**	$ (2,689,331)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4,920	6,010
Stock- based compensation	(126,554)	788,015
Common stock and warrants issued in payment of services	-	69,058
Change in fair value of derivative liability	402,644	450,717
Beneficial conversion feature of debt and warrant	-	9,780
Amortization of debt discount	34,379	1,099,086
Accounts receivable	-	(1,861)
Inventory	-	57,877
Prepaid expenses	76,514	(17,613)
Accounts payable	192,908	75,471
Accrued expenses	448,763	26,959
Deposits	-	467
Financed insurance policy	(53,660)	6,589
Due to Officer	60,925	
Contingent consideration payable	-	(648,614)
Net cash used in operating activities	**(2,944)**	**(767,390)**
Investing Activities		
Capital expenditures	-	(1,890)
Net cash used in investing activities	**-**	**(1,890)**
Financing Activities		
Proceeds from convertible notes	-	670,250
Payment on convertible notes	-	(59,331)
Proceeds from factor	-	109,000
Repayments to factor	-	(38,434)
Payment on related party convertible notes	-	(69,363)
Net cash provided by financing activities	**-**	**612,122**
Net decrease in cash	(2,944)	(157,158)
Cash at beginning of year	**2,944**	**160,102**
Cash at end of year	**$ -**	**$ 2,944**
Supplementary disclosure of cash flow information		
Cash paid during the year for:		
Interest	**$ 17,143**	**$ 7,088**
Taxes	**$ -**	**$ -**
Supplementary disclosure of non-cash investing and financing activities		
Purchase of NACSV with common shares	**$ -**	**$ 1,081,945**
Preferred shares issued in exchange for debt with related party	**$ 231,565**	**$ -**

The accompanying footnotes are an integral part of these 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 June 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 year ended December 31, 2016 incurred a net loss of $783,783 and used net cash of $2,944 to fund operating activities. At December 31, 2016, the Company had no cash , an accumulated deficit of $32,451,168, a working capital deficit of $1,898,839 and stockholders’ deficit of $1,925,698. 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 6. 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, as further detailed in Note 12.

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern as a result of our history of net losses. 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.

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 derivative liability valuation, 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.

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.

Income Taxes

Income taxes are accounted for based upon an asset and liability approach. Accordingly, deferred tax assets and liabilities arise from the difference between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred tax amounts are determined using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided under currently enacted tax law. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable, respectively, for the period plus or minus the change in deferred tax assets and liabilities during the period.

Accounting guidance requires the recognition of a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company believes its income tax filing positions and deductions will be sustained upon examination and accordingly, no reserves, or related accruals for interest and penalties have been recorded at December 31, 2016 and 2015. The Company recognizes interest and penalties on unrecognized tax benefits as well as interest received from favorable tax settlements within income tax expense.

On December 22, 2017, the President of the United States signed and enacted into law H.R. 1 (the “Tax Reform Law”). The Tax Reform Law, effective for tax years beginning on or after January 1, 2018, except for certain provisions, resulted in significant changes to existing United States tax law, including various provisions that are expected to impact the Company. The Tax Reform Law reduces the federal corporate tax rate from 34% to 21% effective January 1, 2018. The Company will continue to analyze the provisions of the Tax Reform Law to assess the impact on the Company’s consolidated financial statements.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. We maintain our cash in high-quality financial institutions. The balances, at times, may exceed federally insured limits.

Accounts Receivable

We record accounts receivable at the invoiced amount and we do not charge interest. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. We review the accounts receivable by customers which are past due to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. As of December 31, 2016 and 2015, Management believed all amounts fully collectible.

Prepaid expenses

Prepaid expenses consist primarily of prepaid insurance, which is amortized on a straight-line basis over the policy period.

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. 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.

Derivative Financial Instruments

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

Convertible Securities

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

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:

	Year ended December 31,	
	2016	**2015**
Convertible notes and accrued interest	311,446,571	48,193,462
Stock options	13,116,668	15,100,000
Warrants	1,500,000	2,500,000
Vested but unissued restricted stock awards	--	375,000
Restricted stock units	--	1,000,000
Potentially dilutive securities	326,063,239	67,168,462

Stock Based Compensation

In accordance with ASC 718, "Compensation – Stock Compensation" the Company measures the cost of employee services received in exchange for share-based compensation measured at the grant date fair value of the award.

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

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the related assets. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Maintenance and repairs are expensed as incurred. When properties are retired or otherwise disposed of, related costs and related accumulated depreciation are removed from the accounts.

A provision for depreciation of property and equipment is made on a basis considered adequate to amortize the related costs (net of salvage value) over their estimated useful lives using the straight-line method. Estimated useful lives are principally as follows: vehicles, 5 years; furniture and fixtures and office equipment, 5-10 years; leasehold improvements, term of lease or 15 years, whichever is less; machinery and equipment 5-10 years.

Deferred Financing Costs

Costs incurred in connection with obtaining financing are deferred and classified as a discount to the related loan and amortized using the effective interest method over the term of the related loan. The Company recognized $16,160 and $20,540 of expense related to the amortization of deferred financing costs during the years ended December 31, 2016 and 2015, respectively.

Inventory

The Company orders inventory/components upon receipt of a signed purchase order from a customer. The Company did not have any inventory at December 31, 2016 or 2015. Previously, the Company utilized lower of cost (first-in, first-out) or market method.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with accounting standards for “Accounting for Derivative Instruments and Hedging Activities.”

Accounting standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument.”

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Original issue discounts (“OID”) under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity’s control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

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 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 - ACQUISITIONS

Share Purchase and Sale Agreement for Acquisition of Grupo Rontan Electro Metalurgica, S.A.

Effective October 13, 2015, the Company (as "Purchaser") entered into the SPSA dated October 8, 2015 with Joao Alberto Bolzan and Jose Carlos Bolzan, both Brazilian residents (collectively, the "Sellers") and Grupo Rontan Electro Metalurgica, S.A., a limited liability company duly organized and existing under the laws of Federative Republic of Brazil ("Rontan") (collectively, the "Parties"), pursuant to which the Sellers agreed to sell 100% of the issued and outstanding shares of Rontan to the Purchaser on the closing date.

The purchase price shall consist of a cash amount, a stock amount and an earn-out amount as follows: (i) Brazilian Real ("R") $100 million (approximately US$26 million) to be paid by the Purchaser in equal monthly installments over a period of forty eight (48) months following the closing date; (ii) an aggregate of R$100 million (approximately US$26 million) in shares of the Purchaser's common stock, valued at US$1.00 per share; and (iii) an earn-out payable within ten business days following receipt by the Purchaser of Rontan's audited financial statements for the 12-months ended December 31, 2017, 2018 and 2019. The earn-out shall be equal to the product of (i) Rontan's earnings before interest, taxes, depreciation and amortization ("EBITDA") for the last 12 months, and (ii) twenty percent and is contingent upon Rontan's EBITDA results for any earn-out period being at least 125% of Rontan's EBITDA for the 12-months ended December 31, 2015. It is the intention of the parties that the stock amount will be used by Rontan to repay institutional debt outstanding as of the closing date.

Under the terms of a Finders Fees Agreement dated April 14, 2014, we have agreed to pay RLT Consulting Inc., a related party, a fee of 2% (two percent) of the Transaction Value, as defined in the agreement, of Rontan upon closing. The fee is payable one-half in cash and one-half in shares of our common stock.

Specific conditions to closing consist of:

a) Purchaser's receipt of written limited assurance of an unqualified opinion with respect to Rontan's audited financial statements for the years ended December 31, 2013 and 2014 (the "Opinion");
b) The commitment of sufficient investment by General American Capital Partners LLC (the "Institutional Investor"), in the Purchaser following receipt of the Opinion;
c) The accuracy of each Parties' representations and warranties contained in the SPSA;
d) The continued operation of Rontan's business in the ordinary course;
e) The maintenance of all of Rontan's bank credit lines in the maximum amount of R$200 million (approximately US$52 million) under the same terms and conditions originally agreed with any such financial institutions, and the maintenance of all other types of funding arrangements. As of the date of the SPSA, Rontan's financial institution debt consists of not more than R$200 million (approximately US$52 million), trade debt of not more than R$50 million (approximately US$13 million) and other fiscal contingencies of not more that R$95 million (approximately US$24.7 million);
f) Rontan shall enter into employment or consulting service agreements with key employees and advisors identified by the Purchaser, including Rontan's Chief Executive Officer; and
g) The Sellers continued guarantee of Rontan's bank debt for a period of 90 days following issuance of the Opinion, among other items.

The Institutional Investor has committed to invest sufficient capital to facilitate the transaction, subject to receipt of the Opinion, as well as the ability to acquire 100% of the outstanding stock of Rontan at a price of $200 million BR, and the Company can acquire 100% of all real estate held by Rontan.

Subject to satisfaction or waiver of the conditions precedent provided for in the SPSA, the closing date of the transaction shall take place within 10 business days from the date of issuance of the Opinion.

Rontan is engaged in the manufacture and distribution of specialty vehicles and acoustic/visual signaling equipment for the industrial and automotive markets.

On April 1, 2016, we believed that we had satisfied or otherwise waived the conditions to closing (as disclosed under the SPSA, the closing was subject to specific conditions to closing, which were waivable by us,) and advised the Sellers of our intention to close the SPSA and demanded delivery of the Rontan Securities. The Sellers, however, notified us that they intend to terminate the SPSA. We believe that the Sellers had no right to terminate the SPSA and that notice of termination by the Sellers was not permitted under the terms of the SPSA.

On January 31, 2018, we announced that we initiated a lawsuit for damages against Grupo Rontan Metalurgica, S. A, ("Rontan") and that company's controlling shareholders, Joao Alberto Bolzan and Jose Carlos Bolzan. The action has been filed in the United States District Court for the Southern District of Florida. The complaint alleges that Rontan is wholly-owned by Joao Bolzan and Jose Bolzan. In the complaint, we further allege that Rontan and its shareholders improperly terminated a Share Purchase and Sale Agreement (the "SPA") by which we were to acquire whole ownership of Rontan.

On February 5, 2018, United States District Court Southern District of Florida filed a Pretrial Scheduling Order and Order Referring Case to Mediation dated February 5, 2018 for the Company's lawsuit against Grupo Rontan Electro Metalurgica, S.A., et al. The Case No. is 18-80106-Civ-Middlebrooks/Brannon. The court has issued a schedule outlining various documents and responses that are to be delivered by the parties as part of the discovery plan.

On April 25, 2018, the Note of Filing Proposed Summons was completed by the Company. On April 26, 2018, a summons was issued to Grupo Rontan Electro Metalurgica, S.A. Also, on May 15, 2018 the Company filed a motion for Issuance of Letters Rogatory.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses consist of the following amounts for years ended December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Accrued compensation to executive officers and employees	$ 86,668	$ 151,565
Accrued Interest	21,817	17,143
Accrued professional fees	46,013	28,592
Total accrued expenses	$ 154,498	$ 197,300

NOTE 5 – FAIR VALUE MEASUREMENTS

We had no Level 1 or Level 2 assets and liabilities at December 31, 2016 and December 31, 2015. The derivative liability is a Level 3 fair value measurement.

The following is a summary of activity of Level 3 liabilities during the years ended December 31:

	2016	2015
Balance at beginning of year	$ 270,080	$ -
Initial fair value of embedded derivative liabilities of convertible notes payable issued during 2015		1,068,109
Change in fair value	402,644	(798,029)
Balance at end of year	$ 672,724	$ 270,080

Embedded Derivative Liabilities of Convertible Notes

The initial fair value of the bifurcated embedded derivative liabilities of convertible notes was estimated using the following weighted-average inputs: risk free interest rate – 0.08%; expected life -.49 years: volatility - 339%; dividend rate – 0%. At December 31, 2015, the fair value of the bifurcated embedded derivative liabilities of convertible notes was estimated using the following weighted-average inputs: risk free interest rate – 0.16%; term - .25 years; volatility - 224%; dividend rate – 0%. At December 31, 2016, the fair value of the bifurcated embedded derivative liabilities of convertible notes was estimated using the following weighted-average inputs: risk free interest rate – 0.51%; term - .25 years; volatility – 287%; dividend rate – 0%.

NOTE 6 – NOTES PAYABLE

Convertible Notes Payable with Embedded Derivative Liabilities (Conversion Options)

During the year ended December 31, 2015, we entered into nine convertible notes payable with embedded derivative liabilities (conversion options) with an aggregate principal balance of $670,250. At December 31, 2016 and 2015, respectively, two of these notes were outstanding as follows:

	December 31, 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) (3)	$ 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) (4)	$ 69,070	$ 69,070
Total convertible notes payable	$ 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.

(3) On December 12, 2017, LG Capital Funding, LLC and the Company entered into a Convertible Note Redemption Agreement to pay back the balance owed as further discussed below.

(4) On December 13, 2017, JMJ Financial and the Company entered into a Repayment Agreement to pay back the balance owed as fully discussed below.

Under the terms of the two convertible promissory notes outstanding at December 31, 2016 and 2015, 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 514,438,096 and 66,204,427 shares at December 31, 2016 and 2015, respectively. 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, 2016 and 2015. Accordingly, the note holder had the right to accelerate the payment due (approximately $21,817 and $43,033 of interest was due at December 31, 2016 and 2015, respectively). In addition, they have the right to require that additional shares and/or monies be paid in connection with this technical default. At December 31, 2016 and 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.

At inception the total estimated fair value of the embedded derivative liability associated with the conversion options of all nine such convertible notes payable issued during 2015 was $1,068,109 of which $670,250 was classified as a debt discount and amortized under the effective interest method during the year ended December 31, 2015, and $397,859 was immediately recognized as financing costs upon issuance, as it exceeded the principal balance of the related notes. During 2015, we recognized a gain on the change in the fair value of the derivative liability of $798,029. During 2015, we issued 419,364,290 shares of our common stock upon conversions of principal and accrued interest totaling $529,165. The derivatives were revalued as of December 31, 2016, at $672,724, and a change in fair value of $402,644 recognized in the Statement of Operations for the year ended December 31, 2016 (see Note 5).

During the year ended December 31, 2015, we used $59,000 of proceeds from a revenue based factoring agreement to repay in cash two of the convertible notes payable. The factoring agreement is more fully discussed below.

During the year ended December 31, 2017, we entered into a Convertible Note Redemption Agreement with LG Capital Funding, LLC. The Company shall wire redemption payment as follows:

- $6,500 by December 29, 2017
- $6,500 by January 31, 2018
- $6,500 by February 28, 2018
- $25,000 by March 30, 2018
- The remaining balance by April 30, 2018.

During the year ended December 31, 2017, we entered into a Repayment Agreement with JMJ Financial. The Company agreed to repay the balance as follows by wire:

- $12,500 within five business days of the Issuer securing funding, provided that such payment shall be made on January 31, 2018.
- $12,500 within 45 days after the first payment.
- $12,500 within 45 days after the second payment.
- $47,014 within 30 days after the third payment.

Revenue Based Factoring Agreements

During the year ended December 31, 2015, we entered into two revenue based factoring agreements as follows:

	December 31, 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 December 31, 2015, we paid $21,458 of the daily specified repayments and we have not made $9,588 of payments that were due through December 31, 2015. At December 31, 2016 and 2015, respectively, $0 and $8,112 of deferred financing costs related to this agreement is classified as a discount. (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 December 31, 2015, we paid $16,976 of the daily specified repayments and we have not made $10,952 of payments that were due through December 31, 2015. At December 31, 2016 and 2015, respectively, $0 and $8,048 of deferred financing costs related to this agreement is classified as a discount. (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, 2016. At December 31, 2015 and December 31, 2016, we have not accrued any penalties or interest that might be due as a result of the defaults. The default was settled on September 13, 2017, and judgement paid in full as of May 15, 2018. See Note 7.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

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:

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.

Global Digital Solutions, Inc. et. al. v. Communications Laboratories, Inc., et. al.

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

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, which is included in sales, general and administrative expenses on the accompanying consolidated statement of operations..

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. Jurisdictional 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. The $40,000 is included in accounts payable as of December 31, 2017.

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).

Consulting agreements

The Company entered into two consulting agreements in May 2016, for services to be provided in connection towards the resolution of the Rontan lawsuit (Note 3). The consulting agreements includes a monthly retainer payment of $10,000 to each consultant. The agreement also includes consideration of 5,000,000 shares of restricted common stock of the Company, plus a 5% cash consideration of the Resolution Progress Funding, (defined as upon the retention of legal counsel and receipt of funding for the litigation), as of the Resolution Progress Funding date and 10,000,000 shares of restricted common stock of the Company and a 5% cash consideration of the Resolution Funding amount (defined as a settlement or judgement in favour of the Company by Rotan), at the Resolution Funding date. The Resolution Progress funding was met on December 22, 2017, as more fully discussed in Note 12.

NOTE 8 – 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 December 31, 2016 and 2015, 1,000,000 shares and 0 shares of preferred stock were outstanding, respectively.

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 both December 31, 2016 and 2015, 530,806,571 shares were issued, outstanding, or vested but unissued under stock compensation plans.

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 warrants expired unexercised on the dates of expiration, as shown above.

The following is a summary of outstanding and exercisable warrants at December 31, 2016:

	Outstanding			Exercisable	
Range of Exercise Prices	Weighted Average Number Outstanding at 12/31/16	Weighted Average Outstanding Remaining Contractual Life (in yrs.)	Weighted Average Exercise Price	Number Exercisable at 12/31/16	Weighted Average Exercise Price
$ 0.15	1,000,000	.92	$ 0.06	1,000,000	$ 0.06
$ 0.50	500,000	.52	$ 0.31	500,000	$ 0.31
$ 0.15 to 0.50	1,500,000	1.44	$ 0.37	1,500,000	$ 0.37

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	Weighted Average 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	1.3	$ 0.02	1,000,000	$ 0.02
$ 0.50	500,000	.69	$ 0.09	500,000	$ 0.09
$ 1.00	1,000,000	.15	$ 0.71	1,000,000	$ 0.71
$ 0.15 to 1.00	2,500,000	2.14	$ 0.82	2,500,000	$ 0.82

The intrinsic value of warrants outstanding at December 31, 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 years ended December 31, 2016 and 2015 is comprised as follows:

	2016	2015
Stock based compensation expense	$ 16,674	$ 788.015
Stock options forfeitures	(91,481)	-
Restricted stock units forfeituresĪ	(51,747)	-
Total	$ (126,554)	$ 788,015

Awards Issued Under Stock Incentive Plans

<u>Stock Option Activity</u>

At December 31, 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 - 13,116,668 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 1,449,998 unvested stock options were either forfeited due to employees leaving the Company, or cancelled by the Board due to performance levels not being met. Any compensation amount previously recognized on the straight-line baiss relating to the unvested stock options were reversed in the period of cancellation or forfeiture. The remaining 533,334 options vested during the year ended December 31, 2016.

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 was 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 was 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 was 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 December 31, 2016 and 2015 is as follows:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Term in Years	Aggregate Intrinsic Value at Date of Grant
Outstanding December 31, 2014	4,840,000	$ 0.63	9.2	-
Options granted	12,150,000	0.11	9.8	-
Options exercised	-			-
Options forfeited	(1,890,000)	(0.62)	(9.1)	-
Outstanding December 31, 2015	15,100,000	0.55	9.5	-
Exercisable at December 31 2015	13,116,668	$ 0.60	9.5	-
Options granted	-			-
Options exercised	-			-
Options forfeited	(1,449,998)	(0.12)	9.3	-
Outstanding December 31, 2016	13,650,002	0.60	8.5	-
Exercisable at December 31 2016	13,650,002	$ 0.60	8.5	-

We account for our stock-based compensation plans in accordance with ASC 718-10. Under the provisions of ASC 718-10, the fair value of each stock option is estimated on the date of grant using a BSM option-pricing formula, and amortizing that value to expense over the expected performance or service periods using the straight-line attribution method. The fair value of the stock options issued during the year ended December 31, 2015 was estimated using the BSM pricing model with the following weighted-average inputs: risk free interest rate of 1.5%; expected term of 5.08 years: volatility of 352.5% and dividend rate of 0%. The expected life represents an estimate of the weighted average period of time that options are expected to remain outstanding given consideration to vesting schedules and the Company's historical exercise patterns. Expected volatility is estimated based on the historical volatility of the Company's common stock. The risk free interest rate is estimated based on the U.S. Federal Reserve's historical data for the maturity of nominal treasury instruments that corresponds to the expected term of the option. The expected dividend yield is 0% based on the fact that we have never paid dividends and have no present intention to pay dividends.

During the years ended December 31, 2016 and 2015, we recorded stock-based compensation cost related to the outstanding stock options of $16,674 expense and ($91,481) fofeitures and and $308,143, respectively. At December 31, 2016 and 2015, respectively, the unamortized value of the outstanding stock options was $0 and $91,847. The intrinsic value of options outstanding at December 31, 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 year ended December 31, 2015, 390,000 stock options that had not yet vested were forfeited and 1,500,000 vested stock options granted to Mr. Loppert, our former CFO, were forfeited by their terms.

Restricted Stock Units

In August 2014 we granted Stephen L. Norris, then Chairman and CEO of our wholly owned subsidiary, GDSI International, 12 million restricted stock units ("RSU's") convertible into 12 million shares of the Company's common stock, with a grant date fair market value of $3,600,000 as of July 1, 2014, the effective grant date. The grant was made under our 2014 Equity Incentive Plan. 4,000,000 RSU's will vest in respect of each fiscal year of GDSI International from 2015 through 2017 if the company has achieved at least 90% of the total revenue targets set forth in the agreement. If less than 90% of the target is achieved in respect of any such fiscal year, then the number of RSU's vesting for that fiscal year shall be 4,000,000 times the applicable percentage shown below; *provided that,* if the company shall exceed 100% of the revenue target for the 2016 or 2017 fiscal year, and shall have failed to reach 90% of the target for a prior fiscal year, the excess over 100% shall be applied to reduce the deficiency in the prior year(s), and an additional number of RSU's shall vest to reflect the increased revenue for such prior fiscal year. Any such excess shall be applied first to reduce any deficiency for the 2015 fiscal year and then for the 2016 fiscal year. The vesting of the RSU's shall be effective upon the issuance of the audited financial statements of the Company for the applicable fiscal year, and shall be based upon the total revenue of GDSI International as reflected in such financial statements. Effective January 9, 2015, Mr. Norris resigned and forfeited all rights in and to his RSU's during January 2016.

On October 10, 2014 we granted an employee 1 million RSU's convertible into 1 million shares of the Company's common stock, with a grant date fair market value of $100,000. The grant was made under our 2014 Equity Incentive Plan. 333,333 RSU's will vest in respect of each calendar year (commencing January 1 and ending December 31) of the Company from 2015 through 2017 if the Company has achieved at least 90% of the total revenue and EBITDA midpoint targets set forth in the agreement. If less than 90% of the target is achieved in respect of any such fiscal year, then the number of RSU's vesting for that fiscal year shall be 333,333 times the applicable percentage set forth in the agreement; *provided that,* if the company shall exceed 100% of the revenue and EBITDA midpoint target for the 2016 or 2017 calendar year, and shall have failed to reach 90% of the target for a prior calendar year, the excess over 100% shall be applied to reduce the deficiency in the prior year(s), and an additional number of RSU's shall vest to reflect the increased revenue for such prior calendar year. Any such excess shall be applied first to reduce any deficiency for the 2015 calendar year and then for the 2016 calendar year. The vesting of the RSU's shall be effective upon the issuance of the audited financial statements of the Company for the applicable calendar year, and shall be based upon the total revenue and EBITDA of the acquired companies as reflected in such financial statements. The performance levels were not met, and the Board canceled the RSUs.

A summary of RSU's outstanding as of December 31, 2016 and 2015 and changes during the year then ended is presented below:

	Number	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested at January 1, 2015	13,000,000	$ 0.30	-
Issued	-	$ 0.00	$ 0.00
Vested	-	-	-
Forfeited	(12,000,000)	(0.30)	-
Non-vested at December 31, 2015	1,000,000	$ (0.10)	$ 0.00
Issued	--	$ 0	$ 0.00
Vested	-	-	-
Forfeited	(1,000,000)	$ (0.10)	-
Non-vested at December 31, 2016	--	$ 0	$ 0.00

We recorded stock-based compensation expense related to these RSU's of ($51,747) fofeitures and $51,749 for the years ended December 31, 2016 and 2015, respectively The aggregate intrinsic value of non-vested RSU's was $0 at December 31, 2016 and 2015.

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:

					December 31, 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 December 31, 2015 and 2016, and the changes during the year then ended is presented below:

	Number	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested at January 1, 2015	1,062,500	0.45	$ 0.00
Granted	1,625,000	$ 0.04	
Vested	(2,562,500)	0.44	
Forfeited	-	-	-
Non-vested at December 31, 2015	125,000	$ 0.46	$ 0.00
Granted	-	$ -	
Vested	-)	-)	
Forfeited	(125,000)	(.46)	-
Non-vested at December 31, 2016	-	$ -	$ 0.00

We recorded stock-based compensation expense related to these restricted stock grants of $0 and $428,129 for the years ended December 31, 2016 and 2015, respectively. The aggregate intrinsic value of the non-vested restricted stock grant was $0 at December 31, 2016 and 2015.

NOTE 9 – INCOME TAXES

Reconciliations between the statutory rate and the effective tax rate for the years ended December 31, 2016 and 2015 consist as follows:

	2016	2015
Federal statutory tax rate	(34.0)%	(34.0)%
Permanent differences	16.0%	6.0%
Valuation allowance	18.0%	28.0%
Effective tax rate	—	—

Significant components of the Company's deferred tax assets as of December 31, 2016 and 2015 are summarized below.

	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	$ 3,784,000	$ 3,559,000
Accrued expenses	42,000	42,000
Stock based compensation	4,709,000	4,752,000
Amortization and depreciation	31,000	29,000
ÏImpairment of intangible assets	393,000	393,000
Total deferred tax asset	8,958,000	8775,000
Valuation allowance	(8,958,000)	(8,775,000)
	$ -	$ -

As of December 31, 2016, the Company had approximately $10,363,000 of federal net operating loss carry forwards. These carry forwards, if not used, will begin to expire in 2028. Current or future ownership changes, including issuances of common stock under the terms of the Company's convertible notes payable that were entered into during 2015 and the closing of the Rontan Transaction may severely limit the future realization of these net operating losses.

The Company provides for a valuation allowance when it is more likely than not that they will not realize a portion of the deferred tax assets. The Company has established a valuation allowance against their net deferred tax asset due to the uncertainty that enough taxable income will be generated in those taxing jurisdictions to utilize the assets. Therefore, they have not reflected any benefit of such deferred tax assets in the accompanying financial statements. The Company's net deferred tax asset and valuation allowance increased by $183,000 in the year ended December 31, 2016.

The Company has reviewed all income tax positions taken or that are expected to be taken for all open years and determined that their income tax positions are appropriately stated and supported for all open years. The Company is subject to U.S. federal income tax examinations by tax authorities for years after 2011 due to unexpired net operating loss carryforwards originating in and subsequent to that year. The Company may be subject to income tax examinations for the various taxing authorities which vary by jurisdiction.

The Company's policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the consolidated statements of operations. As of January 1, 2015, there were had no unrecognized tax benefits, or any tax related interest or penalties.

The Company files income tax returns in the U.S. federal jurisdiction and the various states in which they operate. The former members of NACSV are required to file separate federal and state tax returns for NACSV for the periods prior to our acquisition of NACSV. The Company files consolidated tax returns for subsequent periods. The Company has not yet filed their U.S. federal and certain state tax returns for 2015 and currently do not have any examinations ongoing. Tax returns for the years 2012 onwards are subject to federal, state or local examinations.

NOTE 10 – RELATED PARTY TRANSACTIONS

Accounts Payable

At December 31, 2016 and 2015, included in accounts payable was compensation owed to related parties as seen below -

	2016	2015
RLT Consulting	$ 33,841	$ 13,841
Jerry Gomolski	25,000	8,333
Charter 804CS	20,099	20,099
Gary Gray	12,000	4,000
Total	$ 90,940	$ 46,273

Accrued Compensation

At December 31, 2016, we had $70,000 payable to William J. Delgado and $16,668 to Jerry Gomolski. At December 31, 2015, there was $151,565 accrued expenses payable to William Delgado. During the year ended December 31, 2016, as more fully disclosed Note 8, $231,565 of accrued compensation for William B. Delgado was converted to preferred shares.

NOTE 11 – CUSTOMER CONCENTRATIONS

The Company had revenue from two customers in the year ended December 31, 2015 that was greater than 10% of total revenue:

	Year Ended December 31, 2015	
	Amount	% of Total Revenue
Customer 1	$ 350,000	58.3
Customer 2	$ 250,000	41.7

One customer accounted for 100.0% of the Accounts receivable at December 31, 2015 balance.

NOTE 12 – SUBSEQUENT EVENTS

We have completed an evaluation of all subsequent events after the balance sheet date of December 31, 2016 through the date this Annual Report on Form 10-K is issued to ensure that this filing includes appropriate disclosure of events, both recognized in the financial statements as of December 31, 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 23, 2017, the Company entered into a $485,000 Demand Promissory Note with Vox Business Trust, LLC (the "Purchaser".) The note was in settlement of the amounts accrued under a consulting agreement (Note 7), consisting of $200,000 owed for retaianer payments through December 2017, as well as $285,000 owed to the Purchaser when the Resolution Progress Funding was met on December 22, 2017. 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. The 5,000,000 shares were issued on March 13, 2018.

On December 26, 2017, the Company entered into a $485,000 Demand Promissory Note with RLT Consulting, Inc (the "Purchaser".) The note was in settlement of the amounts accrued under a consulting agreement (Note 7), consisting of $200,000 owed for retainer payments through December 2017, as well as $285,000 owed to the Purchaser when the Resolution Progress Funding was met on December 22, 2017. 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. The 5,000,000 shares were issued on March 13, 2018 (as well as an additional 4,000,000 for further services).

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	Services	$ 0.012	$ 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.

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 Annual Report on Form 10-K/A 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
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 Annual Report on Form 10-K/A 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 Annual Report on Form 10-K/A 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: *<u>/s/ William Delgado</u>*
William Delgado
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 Annual Report on Form 10-K/A 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