



Revolutionizing Global Distribution

QUARTERLY REPORT

ENDING JUNE 30, 2012

TRITON DISTRIBUTION SYSTEMS, INC.
QUARTERLY REPORT

Item 1 The exact name of the issuer and the address of its principle executive offices.

105 Barbaree Way
Tiburon, California 94920
(415) 381-4806
www.tritonds.com
info@tritonds.com

Item 2 Shares outstanding.

Common Shares

As of the end of the quarter ending June 30, 2012:

- a. There were 1,000,000,000 common shares authorized;
- b. There were 253,695,597 common shares issued and outstanding;
- c. There were 141,010,602 freely tradable common shares (public float);
- d. The Company had approximately 285 shareholders of record.

Preferred Shares

As of the end of the quarter ending June 30, 2012:

- a. There were 168,000,100 preferred shares authorized;
- b. There were 18,338,051 preferred shares issued and outstanding;
- c. Preferred shares do not have a public market;
- d. The Company had approximately 8 preferred shareholders of record.

Item 3 Interim financial statements.

Financial statements containing the balance sheet, statement of operation, statement of income, state of changes in stockholders equity, and notes to the financials for the quarter ending March 31, 2011 are attached to this report and are herein incorporated by reference.

Item 4 Management's Discussion and Analysis or Plan of Operation.

Initially, our emphasis was on Southeast Asia and China. Our current plans consist of continued focus in China and Europe. The lack of decentralization of the travel industry in these geographic areas remains attractive for the implementation and use of our electronic distribution system of travel inventory from airlines, travel agencies, cruise operators, and other travel related service providers. Additionally, we are concentrating our efforts on the business to business (B2B) market which appears to be relatively "un-tapped" by our significant competitors. Current estimates indicate 80% of global airline tickets and 70% of all travel is booked by service providers in our target markets. The estimated Forecast for Travel and Tourism distribution market Worldwide, for global travel was approximately \$10 billion as of reports available from 2006.

We believe our internet-based distribution platform and low-fee structure provides us certain advantages in penetrating our target markets since our main competitors' distribution systems generally operate on high-cost, legacy mainframe technology platforms. This appears to be particularly true in less technologically advanced countries such as China.

In addition to these opportunities in Southeast Asia, the Company decided to diversify and invest into other industries. Therefore the Company on September 7, 2011, the Company created a new wholly owned subsidiary, Efactor Holdings, Inc. ("EHI") and issued 4,000,000 shares of EHI to the Company. On September 24, 2011, EHI entered into a Share Exchange Agreement with EFactor Corp., a Delaware corporation ("EFactor"), pursuant to which EHI obtained all of the issued and outstanding shares of common stock of EFactor, in exchange for the issuance of an aggregate of 14,000,000 shares of EHI common stock. Pursuant to a License Agreement with the Company, EHI obtained from the Company a non-exclusive right and license to use, reproduce and market the Reservation Expert (the "Software"), for the purpose of providing services to its Members. Through its use of the license, Efactor's Members will be able to make travel reservations, book airline seats, issue airline tickets, book hotels, cars and holiday packages, cruises and other holiday destination packages worldwide from its website.

We expect to continue to devote funding and personnel to research and product development as well as to the enhancement of existing product lines and the fulfillment of foreign joint ventures. We plan to develop new "add-ons" and extension modules in response to client needs and requests. Included in our projected development-pipeline are booking systems for private corporate executive jets and regional air flights, air cargo carriers, railroad travel, ferries, private clubs and bed and breakfast establishments.

Our plans include additional acquisitions that are dependent upon our ability to obtain financing on terms that are not further detrimental to the Company.

Item 5 Legal proceedings.

There are no new legal proceedings or updates to prior legal proceedings involving the Company.

Item 6 Defaults upon senior securities.

None.

Item 7 Other information.

None

Item 8 Exhibits.

None

Item 9 Issuer's Certifications.

I, Gregory E. Lykiardopoulos, certify that:

1. I have reviewed this Quarterly Report of Triton Distribution Systems, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading with respect to the period covered by this disclosure statement and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 10, 2012

By: /s/Gregory Lykiardopoulos
Gregory Lykiardopoulos
Chief Executive Officer

EXHIBIT "A"

Quarterly Financial Reports

Ending June 30, 2012

Triton Distribution Systems, Inc.
(a Development Stage Company)
Consolidated Balance Sheet

	March 31, 2012 (unaudited)	June 30, 2012 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 80,000	\$ 55,000
Accounts receivable	-	-
Other current assets	1,800,000	1,925,000
Prepaid consulting	170,000	210,000
Prepaid Leases & Licenses	75,000	75,000
TOTAL CURRENT ASSETS	2,125,000	2,265,000
FURNITUTRE AND EQUIPMENT	81,000	81,000
INVESTMENTS	-	-
WEBSITE DEVELOPMENT COSTS	750,000	750,000
INTELLECTUAL PROPERTY	9,500,000	9,500,000
INVESTMENT IN	-	-
GOODWILL	1,500,000	1,500,000
TOTAL ASSETS	<u>\$ 13,956,000</u>	<u>\$ 14,096,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Deferred Income	\$ 125,000	375,000
Accounts payable	850,000	630,000
Accrued expenses	180,000	89,000
Accrued payroll	335,000	250,000
Accrued lease liability	10,000	10,000
Loan Payable	3,500,000	3,500,000
TOTAL CURRENT LIABILITIES	<u>\$ 5,000,000</u>	<u>\$ 4,854,000</u>
STOCKHOLDERS' EQUITY		
Preferred A stock ; no par value; 100 shares authorized; 1 shares issued and outstanding	5,000,000	5,000,000
Preferred B stock ; no par value; 6,000,000 shares authorized; 1,508,500 shares issued and outstanding	9,051,000	9,051,000
Preferred C stock ; no par value; 6,000,000 shares authorized; 0 shares issued and outstanding	-	-
Preferred D stock ; no par value; 2,000,000 shares authorized; 0 shares issued and outstanding	-	-
Preferred E stock ; no par value; 4,000,000 shares authorized; 580,000 shares issued and outstanding	580,000	580,000
Preferred F stock ; no par value; 60,000,000 shares authorized; 12,000,000 shares issued and outstanding	-	-
Preferred G stock ; no par value; 40,000,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock; no par value; 1,000,000,000 shares authorized; 253,695,597 shares issued and outstanding	85,313,397	85,599,397
Additional paid-in capital	4,500,588	4,500,588
Deficit accumulated during the development stage	(95,488,985)	(95,488,985)
Accumulated balance of other comprehensive income	-	-
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 8,956,000</u>	<u>\$ 9,242,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 13,956,000</u>	<u>\$ 14,096,000</u>

Triton Distribution Systems, Inc.
(A Development Stage Company)
Consolidated Statements of Operations

SALES:

ITEMS	3 Months Ended June 30 2012 (Unaudited)	3 Months Ended June 30 2011 (Unaudited)	(May 31 2006) to (June 30 2012) (Unaudited)
Net Sales	\$ 1,140,000	\$ 348,000	\$ 6,480,000
Cost of Sales	\$ 570,000	\$ 174,000	\$ 3,240,000
GROSS PROFIT	\$ 570,000	\$ 174,000	\$ 3,240,000

OPERATING EXPENSES:

Payroll and related benefits	\$ 98,560	\$ 98,560	\$ 2,500,000
Professional fees	\$ 7,500	\$ 25,000	\$ 590,000
Marketing and advertising	\$ 45,000	\$ 75,000	\$ 1,800,000
Other general and administrative expenses	\$ 30,000	\$ 55,000	\$ 1,440,000
TOTAL OPERATING EXPENSES	\$ 181,060	\$ 253,560	\$ 6,330,000
GAIN OR LOSS FROM OPERATIONS	\$ 388,940	\$ (79,560)	\$ (3,090,000)

OTHER INCOME (EXPENSE):

Debt forgiveness	\$ 99,200	\$ -	\$ -
Interest Expenses for Loans	\$ -	\$ -	\$ 4,513,979
Finance Expense	\$ -	\$ -	\$ 2,077,643
TOTAL OTHER INCOME (EXPENSE)	\$ 99,200	\$ 21,768	\$ 6,591,622
GAIN OR LOSS BEFORE TAXES	\$ 289,740	\$ (101,328)	\$ (9,681,622)
INCOME TAXES	\$ -	\$ -	\$ -
NET GAIN OR LOSS	\$ 289,740	\$ (101,328)	\$ (9,681,622)
OTHER COMPREHENSIVE INCOME	\$ -	\$ -	\$ -
COMPREHENSIVE GAIN OR LOSS	\$ 289,740	\$ (101,328)	\$ (9681,622)

Triton Distribution Systems, Inc. (a Development Stage Company)
Consolidated Statement of Stockholders' Equity
For the Period from Inception (January 1, 2007) to June 30, 2012

	Preferred Stock		Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage Restated	Accumulated other comprehensive income	Total Shareholders Equity (Deficit)
	Shares	Par Value	Shares	Par Value				
Issuance of common stock to investor relations firm			1,100,000	2,271,156				2,271,156
Fair value of employee stock compensation			860,147	1,607,047				1,607,047
Cancellation of stock compensation			(260,147)	(554,113)				(554,113)
Fair value of employee stock options					897,663			897,663
Exercise of options			99,478	79,582				79,582
Exercise of warrants			186,875	149,501				149,501
Issuance of warrants for short term loans					2,884,381			2,884,381
Issuance of shares to consultants			1,000,000	630,000				630,000
Capital contribution					188,500			188,500
Cancellation and terminations					(119,405)			(119,405)
Net loss						(12,525,169)		(12,525,169)
Foreign currency translation loss							(12,712)	(12,712)
								-
Balance at December 31, 2007	-	-	2,986,353	4,183,173	3,851,139	(12,525,169)	(12,712)	(4,503,569)
Fair value of employee stock options					195,248			195,248
Exercise of Employee Stock Options Q2					183,309			183,309
Issuance of Shares to Legal Counsel and Accounts Payable								
Vendors			1,805,543	295,690				295,690
Capital contribution				1,430,983	882,853			2,313,836
Cancellations and terminations					(983,787)			(983,787)
Net loss						(9,944,839)		(9,944,839)
Foreign currency translation gain (loss)							(4,735)	(4,735)
Balance at December 31 2008	-	-	4,791,896	5,909,846	4,128,762	(22,470,008)	(17,447)	(12,448,847)
Exercise of Employee Stock Options			398,904	15,996				15,996
Issuance of restricted stock to employee			10,000,000	401,008				401,008
Issuance of Shares to Legal Counsel and Accounts Payable								
Vendors			16,210,130	4,983,304				4,983,304
Capital contribution					172,129			172,129
Issuance of Preferred A share	1	5,000,000						5,000,000
Issuance of preferred B shares	1,500,000	9,000,000						9,000,000
Effect of reverse split 1 for 150			(75,906,646)					-
Issuance of restricted stock			649,500,000	43,945,000				43,945,000
Issuance of common shares			50,000,000	-				-
Capital contribution					59,718			59,718
Issuance of preferred B shares	8,500	51,000						51,000
Issuance of preferred E shares	580,000	580,000						580,000
Issuance of common shares			55,000,000	-				-
Net loss						(65,887,687)		(65,887,687)
Foreign currency translation gain (loss)								-
Balance at December 31 2009	2,088,501	14,631,000	709,994,284	55,255,154	4,360,609	(88,357,695)	(17,447)	(14,128,379)
Effect of reverse split 1 for 100			(754,996,784)					-
Issuance of restricted stock			100,000,000					-
Issuance of common shares			90,000,000	150,000				150,000
Issuance of preferred F shares	12,000,000							-
Net loss						(579,211)		(579,211)
Balance at December 31 2010	14,088,501	14,631,000	144,997,500	55,405,154	4,360,609	(88,936,906)	(17,447)	(14,557,590)
Issuance of common stock for acquisition			51,001,104	10,000,000				10,000,000
Issuance of common stock for services			12,684,780	16,490				16,490
Issuance of preferred C shares		23,670,062						23,670,062
Adjustment						5,592,810		5,592,810
Net loss						6,140,980		6,140,980
								-
Balance at December 31, 2011	14,088,501	38,301,062	205,697,031	61,238,471	509,470	(64,677,947)	(4,735)	35,366,321
Issuance of common stock for acquisition			51,001,104	10,000,000				10,000,000
Issuance of common stock for services			12,684,780	16,490				16,490
Issuance of preferred C shares		23,670,062						23,670,062
Adjustment						5,592,810		5,592,810
Net loss						-		-
								-
Balance at June 30, 2012	14,088,501	38,301,062	205,697,031	61,238,471	509,470	(64,677,947)	(4,735)	35,366,321

Triton Distribution Systems, Inc. (a Development Stage Company)
Consolidated Statement of Cash Flow

	For the Three Months Ended June 30 2012	For the Three Month Ended June 30 2011	Inception (January 10, 2006) to June 30 2012
	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Available Cash	\$ 80,000	\$ 2,449,613	\$ (95,488,985)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of discount on note	-	116,000	119,999
Depreciation and amortization expense	-	496,935	496,935
Amortization of prepaid consulting	75,000	58,461	6,390,116
Finance Fee	-	826,757	826,757
Stock compensation for consultants	-	877,619	5,613,304
Debt forgiveness	-	-	-
Fair value of employee stock options & comp expense	-	-	60,958,736
Changes in assets and liabilities	-	-	-
Other current assets	-	-	(31,328)
Loss on disposal of assets.	-	-	(700,952)
Deferred income	-	-	25
Accounts payable	-	2,203,683	2,203,683
Accrued expenses	-	4,509,946	4,509,946
Lease Liability	-	11,284	11,284
Net cash used in operating activities	<u>155,000</u>	<u>11,550,298</u>	<u>(15,090,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of furniture and equipment	-	(250,000)	(250,000)
Disposal of furniture and equipment	-	(541,949)	(541,949)
Payment for web development costs	-	(19,700)	(19,700)
Net cash used in investing activities	<u>-</u>	<u>(811,649)</u>	<u>(811,649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of common stock	-	8,999,626	8,999,626
Proceeds from the issuance of preferred stock	-	51,000	51,000
Payment of offering costs	-	(972,402)	(972,402)
Repurchase of shares of common stock	-	(400,000)	(400,000)
Proceeds from issuance of notes payable	-	10,966,269	10,966,269
Repayment on notes payable	-	(2,746,867)	(2,746,867)
Net cash provided by financing activities	<u>-</u>	<u>15,897,626</u>	<u>15,897,626</u>
NET DECREASE IN CASH AND EFFECT OF EXCHANGE RATES ON CASH	-	4,503	4,503
NET DECREASE IN CASH AND CASH EQUIVALENTS	155,000	26,640,778	155,000
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ 155,000</u>	<u>\$ 26,640,778</u>	<u>155,000</u>

TRITON DISTRIBUTION SYSTEMS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012

(UNAUDITED)

Basis of presentation

The unaudited consolidated financial statements have been prepared by Triton Distribution Systems, Inc. (the Company). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods.

Acquisition

On September 7, 2011, the Company created a new wholly owned subsidiary, Efactor Holdings, Inc. ("EHI") and issued 4,000,000 shares of EHI to the Company. On September 24, 2011, EHI entered into a Share Exchange Agreement with EFactor Corp., a Delaware corporation ("EFactor"), pursuant to which EHI obtained all of the issued and outstanding shares of common stock of EFactor, in exchange for the issuance of an aggregate of 14,000,000 shares of EHI common stock. Pursuant to a License Agreement with the Company, EHI obtained from the Company a non-exclusive right and license to use, reproduce and market the Reservation Expert (the "Software"), for the purpose of providing services to our Members. Through its use of the license, Efactor's Members will be able to make travel reservations, book airline seats, issue airline tickets, book hotels, cars and holiday packages, cruises and other holiday destination packages worldwide from our website.

Organization and line of business

Triton Distribution Systems, Inc. (TDS) was incorporated in the State of Nevada on January 10, 2006. On July 10, 2006, TDS entered into an exchange agreement with Petramerica Oil, Inc. (Petra), a publicly traded company. Subsequent to the exchange agreement, the acquisition was accounted for as a reverse acquisition of Petra by TDS resulting in a recapitalization of TDS for accounting purposes, the Company changed its name to Triton Distribution Systems, Inc.

The Company is a commercially established, next generation web-based travel services distribution business. The Company has developed a proprietary technology platform that provides considerable pricing advantages, better distribution methods and superior travel product offerings compared to established competitors. The travel marketplace is a global arena in which millions of buyers (travel agents and consumers) and sellers (hotels, airlines, car rental agencies, cruise ship lines, tour operators and entertainment companies) intersect.

Our core competency is designed for the electronic distribution of travel inventory from airlines, car rental companies, hotels, tour and cruise operators, and other travel sellers to travel agencies and their clients.

The Company is currently a development stage company under the as defined by Statement of Financial Accounting Standards ("SFAS") No. 7 *Accounting and Reporting by Development Stage Enterprises*. The accompanying financial information has been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP)

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Triton Distribution Systems, Inc. (formerly Petramera Oil, Inc.), a Colorado corporation. All inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Fair value of financial instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less.

Concentration of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents. From time to time we exceed the FDIC \$100,000 insurance limit. The deposits made in foreign banks are not insured. The Company has not experienced any losses, nor do we anticipate incurring any losses.

Furniture and equipment

Furniture and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of 3-7 years.

Intangible assets

The Company's intangible asset was acquired and is carried at its purchase price, net of accumulated amortization, which approximates fair value. In accordance with SFAS No. 142, *Goodwill and Other*

Intangible Assets, the Company evaluates its intangible assets for impairment, on a periodic basis and whenever events or changes in circumstances indicate that the carrying value may

not be recoverable from its estimated future cash flows. Recoverability of intangible assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and is written down to its appropriate fair value on the date of impairment. Amortization is computed using the straight-line method over the estimated useful life of the intellectual property of ten years.

Revenue recognition

The Company applies the guidance within SEC Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements (SAB 104) to determine when to properly recognize revenue. SAB 104 states that revenue generally is realized or realizable and earned when persuasive evidence of an arrangement exists, services have been rendered, the seller's price to the buyer is fixed or determinable and collectability is reasonably assured.

Leases

The Company accounts for its leases under the provisions of SFAS No. 13, *Accounting for Leases*, and subsequent amendments, which require that leases be evaluated and classified as operating or capital leases for financial reporting purposes. The Company's office leases are treated as current operating expenses. The office leases contain certain rent escalation clauses over the life of the leases. The total amount of rental payments due over the lease term is being charged to rent expense on a straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited or charged to accrued lease liability on the accompanying consolidated balance sheet.

Foreign currency translation

The Company's reporting currency is the US dollar (USD).

Stock based compensation

The Company accounts for stock option grants in accordance with SFAS No. 123(R), *Share-Based Payment*. The Company records the cost of employee and non-employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. The grant-date fair value of employee share options and similar instruments is estimated using a Black-Scholes option-pricing model. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award, if any, over the fair value of the original award.

Income taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized

for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

On January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48). The Interpretation gives guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.

Comprehensive Income

The Company reports comprehensive income / (loss) and its components in accordance with SFAS No. 130, *Reporting Comprehensive Income*. The Company's comprehensive income/ (loss) is comprised of net income / (loss) and foreign currency translation adjustments.

Loss per share

The Company reports loss per share in accordance with SFAS No. 128, *Earnings per Share*. Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted loss per share is computed by dividing net income by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding. The Company excludes equity instruments from the calculation of diluted weighted average shares outstanding if the effect of including such instruments is anti-dilutive to earnings per share. For the periods presented, all equity instruments are considered anti-dilutive.

Development Stage Company

The Company is subject to risks and uncertainties, including new product development, actions of competitors, reliance on the knowledge and skills of its employees to be able to service customers, and availability of sufficient capital and a limited operating history. Accordingly, the Company presents its financial statements in accordance with the accounting principles generally accepted in the United States of America that apply in establishing new operating enterprises. As a development stage enterprise, the Company discloses the deficit accumulated during the development stage and the accumulated statement of operations and cash flows from inception of the development stage to the date on the current balance sheet. Contingencies exist with respect to this matter, the ultimate resolution of which cannot presently be determined.

Acquisitions

On September 24, 2009, the Company completed the acquisition of BAUD Acquisition Trust by issuing 300,000,000 shares for all of the outstanding shares of BAUD Acquisition Trust. The Company plans on using the Trust as an acquisition platform.

Management's Discussion and Analysis or Plan of Operations

Special Note Regarding Forward-Looking Information

This Report of Triton Distribution Systems, Inc. contains certain forward-looking statements. All statements in this Report other than statements of historical fact are forward-looking statements for purposes of these provisions, including any statements of the plans and objectives for future operations and any statement of assumptions underlying any of the foregoing. Statements that include the use of terminology such as may, will, expects, believes, plans, estimates, potential, or continue, or the negative thereof or other and similar expressions are forward-looking statements. Forward-looking statements in this report include, but are not limited to, statements regarding expanding the use of our technologies in existing and new markets; diversification of sources of potential revenue; our expected profit margin from all product sales; the future impact of our critical accounting policies, including those regarding revenue recognition, allowance for doubtful accounts, accounting for income taxes, and stock-based compensation; statements regarding the sufficiency of our cash reserves; and our expected rate of return on investments, if any. Actual results may differ materially from those discussed in these forward looking statements due to a number of factors, including: the rate of growth of the markets for our technology; the accuracy of our identification of critical accounting policies and the accuracy of the assumptions we make in implementing such policies; the accuracy of our estimates regarding our taxable income and cash needs for the next twelve months; and fluctuations in interest rate and foreign currencies. These forward-looking statements involve risks and uncertainties, and it is important to note that our actual results could differ materially from those projected or assumed in such forward-looking statements.

Critical Accounting Policy and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Since these estimates are inherently uncertain, actual results may materially differ.

Intangible Assets

The determination of the fair value of certain acquired intangible assets is subjective in nature and often involves the use of significant estimates and assumptions. Further, estimating the useful lives of these assets requires the exercise of judgment due to the rapidly changing technology environment. Historically, we have estimated the fair value of our intangible assets based on the purchase price.

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, we evaluate our intangible assets and other long-lived assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from our estimated future cash flows. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired and it is written down to the

undiscounted cash flow value. We have determined, at the acquisition date, the useful life of our currently held intellectual property was 10 years. We amortize intellectual property using the straight-line method.

Stock Based Compensation

We estimate the fair value of stock option awards to employees using a Black-Scholes pricing model on the grant date in accordance with SFAS No. 123(R) Share Based Payment . The pricing model requires us to make assumptions related to the expected term of the options, which generally differs from the contractual term; expected volatility of our stock price, accounting for known significant events which may have a material impact on the market value of our stock; the risk free interest rate on the grant date for instruments with maturities commensurate with the expected term of the options; and the dividend yield.

Employees

Our employee head count was 20 as of June 30, 2012.

Off-Balance Sheet Arrangements

There are 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 are material to investors.