
GLOBAL DIGITAL SOLUTIONS, INC.
(A New Jersey Corporation)

ANNUAL COMPANY INFORMATION AND DISCLOSURE STATEMENT
Pursuant to Rule 15c2-11

As of December 31, 2012

All information in this information and disclosure Statement has been compiled to fulfill the disclosure requirements of rule 15c2-11 (a) (5) promulgated under the Securities and Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format set forth in the rule.

No Dealer, salesmen or any other person has been authorized to give any information, or to make any representations, not contained herein in connection with the issuer. Such information or representations, if made, must not be relied upon as having been authorized by the issuer, and:

Delivery of this information file does not at any time imply that the information contained herein is correct as of any time subsequent to the date first written above.

Delivery of this information file does not at any time imply that the information contained herein is correct as of any time subsequent to the date first written above.

Contents:

Section (I) - Global Digital Solutions, Inc. Annual Company and Disclosure Statement

*Section (II) - Financial Statements
Annual 2011 and 2012 Financials*

Part A **General Company Information**

Item (I) The exact name of the issuer and its predecessor (if any):

The exact name of the Issuer is Global Digital Solutions, Inc.

The name of its predecessor:

Creative Beauty Supply, Inc.

Item (II) The address and telephone number of its principal executive offices:

9477 Greenback Lane
Suite 524A
Folsom, CA 95630

Phone: 702-479-1631

Fax : 916-990-9172

Item (III) The jurisdictions and date of the issuer's incorporation or organization:

The issuer is a New Jersey corporation.

The Issuer was incorporated in the State of New Jersey on or about August 25, 1995 as Creative Beauty Supply, Inc. Company. Pursuant to a plan of merger, the Issuer changed its name on or about March 23, 2004 to Global Digital Solutions, Inc.

Part B **Share Structure**

Item (IV) The exact title and class of securities outstanding.

Security Symbol: GDSI
CUSIP Number: 37944K106
Common Stock: 175,000,000 authorized and 45,121,522 issued and outstanding
Preferred Stock: 10,000,000 authorized and 0 issued and outstanding.

Item (V) Par or stated value and description of the security.

On February 22, 2012, the company reduced the authorized shares from 880,000,000 to the current level of 175,000,000. The authorized shares now consist of 175,000,000 shares of common stock at par value of \$0.001 per share and 10,000,000 shares of preferred stock at par value of \$0.001

Item (VI) The number of shares or total amount of the securities outstanding for each class of securities authorized.

As at:	December 31, 2012	December 31, 2011	December 31, 2010
Total Common Authorized:	175,000,000	880,000,000	880,000,000
Total Preferred Authorized	10,000,000	10,000,000	10,000,000
Total Common Outstanding:	45,121,522	33,111,054	29,826,323
Free Trading:	10,258,729	5,099,650	2,149,350
Restricted:	34,862,793	28,011,404	27,676,973

Global Digital Solutions, Inc.

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Total Preferred Outstanding	0	1,000,000	1,000,000
Number of Shareholders of Record:	160	154	154

Part C **Business Information**

Item (VII) The name and address of the transfer agent:

Issuer Direct Corporation 500 Perimeter Park Dr. Suite D Morrisville, North Carolina 27560	Phone: (919)481-4000 Fax: (646) 225-7104 E-mail: info@issuerdirect.com
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*Issuer Direct Corporation is registered under the Exchange Act and is an SEC approved Transfer Agent. The regulatory authority of the Transfer Agent is the SEC.

Item (VIII) The nature of the issuer’s business.

A. Business Development

The Issuer was incorporated in the State of New Jersey on or about August 25, 1995 as Creative Beauty Supply, Inc. Company. Pursuant to a plan of merger, the Issuer changed its name on or about March 19, 2004 to Global Digital Solutions, Inc.

On January 8, 2004, Pacific Comtel, Inc.(PCT) merged with Global Digital Solutions, Inc.(GDSI). Prior to the merger, GDSI had no significant operations and had no control over the operations of PCT. On March 19, 2004, GDSI merged with Creative Beauty Supply, Inc. (CBS), a New Jersey Corporation. Prior to the merger with CBS, GDSI, was a Delaware company incorporated in October 2003. In conjunction with the merger in March 2004, the registrants name was changed to Global Digital Solutions, Inc. and the symbol of GDSI was issued. Until the merger with CBS, was completed, GDSI had no control over the operations of CBS.

GDSI, Inc. was designed from its inception, to target the United States government contract marketplace for audio and video services. The U.S. government and commercial marketplaces have budgeted over the long term to upgrade existing telephony, computer, and outsourcing systems across the spectrum of communications, security, and services marketplace segments. Due to significant Capital constraints, GDSI wound down the majority of its operations in June of 2005. The company continues to operate a small operations team in Northern California.

On January 1, 2012, GDSI acquired a 51% stake in Bronco Communications, LLC, a Nevada-California regional telecommunications subcontractor located in Folsom, CA.

On May 1, 2012, GDSI, with support from its major shareholders, made the decision to wind down the operations in the telecommunications area and refocus the company’s efforts in the area of knowledge-based and culturally attuned social consulting and security-related solutions in unsettled areas.

On May 1, 2012, the Company entered into an LOI with a U.S. based company providing these services worldwide. The Company issued 16,000,000 shares of restricted common stock and placed this stock in escrow. On January 17, 2012, by mutual consent, the companies involved in the merger cancelled the Letter of Intent and terminated the merger. The 16,000,000 shares have been returned to the company treasury.

On August 13, 2012, the Company entered a Letter of Intent to acquire 70% of Airtronic, Inc. Airtronic is an electro-mechanical engineering design and manufacturing company. It provides small arms and small arms spare parts to the U.S. Department of Defense, foreign militaries, and the law enforcement market. The company also manufactures medical, avionics, and telecommunications original equipment. The company's products include grenade launchers, rocket propelled grenade launchers, grenade launcher guns, flex machine guns, grenade machine guns, rifles, and magazines. Founded in 1990, the company is based in Elk Grove Village, Illinois. Airtronic is currently in Bankruptcy Court in the Northern District-Chicago.

On October 16, 2012, the company entered into a binding merger agreement with Airtronic USA.

1. The form of organization of the issuer:

Global Digital Solutions, Inc. is a New Jersey corporation.

2. The Year that the issuer (or any predecessor) was organized:

The Issuer was incorporated on August 25, 1995 as Creative Beauty Supply under the laws of the State of New Jersey.

3. Issuer's fiscal year end date:

Our fiscal year end is December 31.

4. Whether the issuer (and or any predecessor) has been in bankruptcy, receivership or any similar proceedings:

Global Digital Solutions, Inc. has never been in bankruptcy, receivership or any similar proceedings.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business:

None.

6. Any default of the terms of any note, loan lease, or other indebtedness or financing arrangement requiring the issuer to make payment;

The Issuer has never had any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments.

7. Any change of control:

On September 9, 2004, Richard Sullivan, chairman of the Board of Directors, Directors Arthur Notterman and Garrett Sullivan, and President/CEO Jerome Artigliere resigned their respective positions in the company. Effective on the same day, Executive Vice-President William J. Delgado was appointed to the Board of Directors as Chairman and was also appointed to the post of President and CEO.

8. Any increase in 10% or more of the same class of outstanding equity securities;

On August 16, 2006, the company's Board of Directors authorized an increase in authorized common shares from 100,000,000 to 880,000,000. On February 22, 2012, The company's Board of Directors reduced the authorized shares from 880,000,000 to 175,000,000.

9. **Describe any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization;**

None.

10. **Any delisting of the Issuer's securities by any securities exchange or NASDAQ or deletion from the OTC Bulletin Board;**

On approximately May 21, 2005, the company received notice that it was being removed from the OTC BB. On June 27, 2011, the company filed a form 15, certification and notice of termination of registration.

11. **Any current, past, pending or threatened legal proceedings or administrative actions either by or against the Issuer that could have material effect on the Issuer's business, financial condition, or operations. Any current, past or pending trading suspensions by a securities regulator;**

None

(B) Business of Issuer.

Describe the Issuer's business so a potential investor can clearly understand it. Please also include, to the extent material to an understanding of the Issuer, the following specific items

Global Digital Solutions Inc. ("the Company") was initially formed to develop telecom and data infrastructure, companies. On or about May 1, 2012 the company has changed its focus from Telecom/Data services to Defense industry solutions. On October 16, 2012, the company entered into a binding merger agreement with Airtronic USA.

Airtronic USA, Inc. is an electro-mechanical engineering design and manufacturing company with a consulting engineering group which focuses on innovative manufacturing solutions for organizations for whom consistent product quality and on-time delivery are important considerations. The company earns the confidence and satisfaction of its customers by focusing on quality, price, and deadlines.

Subsidiaries

The Issuer currently has two subsidiaries: Pacific Comtel and Pacific Comtel-Monterey

1. **The Issuer's primary and secondary SIC Codes;**

Primary: 3484

2. **If the Issuer has never conducted operations, is it in the development stage or is currently conducting operations;**

The Company is currently conducting operations, primarily in the area of telecom engineering, installation, and construction. The company has been winding down operations in the Telecom/Data area and beginning new operation in the Defense Industries area beginning in 2nd quarter of 2013.

3. If the Issuer is considered a “shell company” pursuant to SEC Rule 405 of the Securities Act of 1933;

The Issuer is not a “shell company” pursuant to SEC Rule 405 of the Securities Act of 1933. Though the Issuer has a limited operating history, in footnote 172 to SEC Release No. 33-8869, the SEC clarified its position regarding “shell” companies by stating that a company with a limited operating history “does not meet the condition of having “no or nominal operations”. Therefore, since the Issuer has had a limited operating history and was previously and is currently in operating a development stage company status, and in light of the aforementioned SEC Release, the Issuer believes that it would not presently nor has been classified as a “shell” company pursuant to Rule 415 of the Securities Act.

4. State the names of any parent, subsidiary, or affiliate of the Issuer, and describe its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure;

Parent Company: Global Digital Solutions, Inc.
Wholly owned Subsidiaries: Pacific Comtel and Pacific Comtel-Monterey

Pacific Comtel and Pacific Comtel-Monterey are currently non operating subsidiaries. They continues in existence due to their past operating history and access to certain strategic customers.

5. The effect of existing or probable governmental regulations on the business;

None.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers;

None.

7. Cost and effects of compliance with environmental laws (federal, state and local)

The Issuer is not producing any products that are hazardous to the environment and does not foresee any changes that could adversely affect the environment. The Issuer is not subject to compliance with any federal, state or local laws.

8. Number of total employees and the number of full time employees;

Global Digital Solutions, Inc. currently has one full time employee and one part time employee. The company expects to hire further employees for the following positions. The staffing will be broken down as follows:

Executive Staff	2 professional (1 contract employee)
Operations Management	1 professional (contract employee)

Item (IX) The nature of the products or services offered:

A. Principal products or services and their markets;

Global Digital Solutions, Inc.

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As of December 31, 2012*

Services

The Issuer originally provided telecom and data engineering services to Fortune 500 companies, National Telco wireless and wireline service providers, and Federal, State, and Local governments including the Department of Defense. The new line of Defense Industry business will supply defense hardware products to the Department of Defense and other foreign entities approved by the DOD.

Market

The Issuer markets are as follows:

Department of Defense and foreign entities approved by the DOD.

B. Distribution methods of the services;

We are a business service offering. Our strength lies in our many years of experience in working for and with our targeted clients, both in the discontinued Telecom/Data and the new line of Defense Industry businesses..

C. Status of any publicly announced new product or services;

None at this time

D. Competitive business conditions, the Issuer's competitive position in the industry, and the methods of competition;

The competition is divided among the telecom/data, infrastructure space. The market is highly fragmented and there is not a dominate player in each market. The competition in Defense Industry space that Airtronic operates in is mainly the large defense contractors: Northrop-Grumman, General Dynamics, Remington, Colt Industries.

E. Sources and availability of raw materials and the names of principal suppliers;

Not applicable.

F. Dependence on one or a few major customers;

The Issuer has been dependent on contracts with several major companies, including AT&T, Verizon, and General Dynamics. The new line of Defense industries will also be dependent on contracts from the Department of Defense or contracts monitored by the DOD.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration;

None.

H. The need for any government approval of principal products of services;

The Issuer will be subject to Federal governmental regulations upon the completion of the merger with Airtronic USA..

Item (X) The Nature and extent of the Issuer's facilities:

- 1. Describe the general character and locations of all materially important properties held or intended to be acquired by or leased to the Issuer and describe the present or proposed use of such properties and their suitability and adequacy for such use.**

The Issuer's primary business operations have been established in the greater Sacramento, CA area. Due to our change in business focus, our operations and management will be transferred to West Palm Beach, FL upon completion of the merger with Airtronic USA.

- 2. State the nature of the Issuer's title, or other interest in, such properties and the nature of the Issuer's title to, or other interest in, such properties and the nature and amount of all material mortgages, liens or encumbrances against such properties. Disclose the current principal of each material encumbrance, interest and amortization provisions, prepayment provisions, maturity date and the balance due at maturity assuming no payments;**

The Issuer does not hold title to any real estate properties. Subsequently, the Issuer does not have any mortgages, liens or encumbrances against such properties

- 3. Outline briefly the terms or any lease or any of such properties or any option on contract to purchase or sell of any such properties;**

Not Applicable

- 4. Outline briefly any proposed program for renovation, improvement or development of such properties, including the estimated cost thereof and method of financing to be used. If there are no present plans for the improvement or development of any unimproved or undeveloped property, so state and indicate the purposed for which the property is to held or acquired;**

Not Applicable

- 5. Describe the general competitive conditions to which the properties are or may be subject;**

Not Applicable

- 6. Include a statement as to whether, in the opinion of the management of the issuer, the properties are adequately covered by insurance;**

Not Applicable

- 7. With respect to each improved property which is separately described, provide the following in addition to the above;**

Not applicable

Part D Management Structure and Financial Information

Item (XI) The Name of the Chief Executive Officer, members of the board of directors, as well as control persons

Global Digital Solutions, Inc.

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As of December 31, 2012*

A. Officers and Directors

Business address for all executive officers and directors is:

9477 Greenback Lane Suite 524A Phone: 916-838-8833
Folsom, CA 95630 Fax: 916-990-9172

William J. Delgado - President and CEO

Mr. Delgado brings over 33 years of telecommunications management experience including strategic planning, feasibility studies, economic analysis, design engineering, network planning, construction and maintenance.

Mr. Delgado began his career with Pacific Telephone in the Outside Plant Construction (OSP). 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. Under Mr. Delgado's leadership as President and CEO, first year revenues grew from \$230K in 1992 to \$35M in 1999. 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 merger of Pacific Comtel with Global Digital Solutions, Inc., Mr. Delgado remains President/CEO of Global Digital Solutions.

B. Legal/Disciplinary History

Please also identify whether any of the foregoing persons have, in the last five years, been the subject of:

- 1. A conviction in a criminal proceeding or named as defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);**

None

- 2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;**

None

- 3. A finding or judgment by a court of competent jurisdiction (in a civil action), the SEC, the CFTC, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or**

None

- 4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.**

None

C. Disclosure of Family Relationships

Describe any relationships existing among and between the issuer's officers, directors and shareholders.

None.

D. Disclosure of Related Party Transactions.

None.

E. Disclosure of conflicts of interest

Describe any related party transactions of conflicts of interest

The Issuer is unaware of any conflicts of interest associated with this entity.

Item (XII) Financial information for the issuer's most recent fiscal period.

1. Issuer's financial statements are reviewed by the signing Officer of the Company that they present fairly, in all material respects, the financial position, results of operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied

The following Annual Financial Statements dated December 31, 2011 and December 31, 2012 are included and attached hereto and incorporated herein by reference:

- 1) Unaudited Balance Sheet
- 2) Unaudited Statement of Income
- 3) Unaudited Statement of Cash Flow
- 4) Unaudited Statement of Continuity of Equity

Item (XIV) Beneficial Owners

The following tables set forth as of December 31, 2012 certain information with respect to the Issuer's equity securities owned on record or beneficially by: (a) each officer and director of the Issuer; (b) each person who owns beneficially more than ten percent (10% for non-reporting issuers, 5% for reporting issuers) of each class of the Issuer's outstanding equity securities; and (c) and all directors and executive officers as a group.

The Company currently has 45,121,522 common shares issued and outstanding. The Company has 0 Preferred shares issued and outstanding.

	Common Shares	Percentage (%)
Officers and Directors:		
William J. Delgado 8593 Jaytee Way Fair Oaks, CA 95628	266,000	<1%
5% or Greater Shareholders:		
Richard Sullivan 6015 N. Ocean Blvd. Ocean Ridge, FL 33435	11,500,000	18%
Total Affiliate Ownership	11,766,000	26.1%
Shares Outstanding	45,121,522	100%

Item (XV) The name, address, telephone number and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure

1. Investment Banker

This does not apply to the Issuer

2. Promoters

None at this time

3. Counsel

Owen Naccarato
1100 Quail Street Suite 100
Newport Beach, CA 92660

4. Accountant

PMB Helin Donovan
50 Francisco St.
San Francisco, CA 94133

5. Public Relations Consultant(s)

None

6. Investor Relations

None

7. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement

Legal counsel and in house management assisted the President/Chief Executive Officer in the preparation of this statement.

Item (XVI) Management's Discussion and Analysis or Plan of Operation.

A. Plan of Operation

Financial condition as of December 31, 2012.

At December 31, 2012, we had cash and cash equivalents on hand of \$385,141 and had a working capital deficiency of \$51,506. We plan to increase our expense levels over 2013 levels to fund our acquisition of Airtronics and its operations and our direct sales efforts accordingly. We expect to support these planned expense increases by raising additional capital.

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

Results of Continuing Operations for the Years Ended December 31, 2012 and 2011

Revenues.

Net sales decreased \$ 1,415 or 100% from \$1,415 in December 31, 2011 to \$0 in December 31, 2012. The reduction in revenues is a result of the Bronco Communications revenues of approximately \$144,337 that have been allocated to discontinued operations.

Gross Profit (Loss)

Our Gross Profit ending December 31, 2012 was \$(300) compared to a Gross Profit of \$915 ending December 31, 2011. The decrease in the Gross Profit was due to revenues reduced due to discontinued operations.

Operating Expenses.

For the years ending December 31, 2012 and 2011, our total operating expenses were \$301,284 and \$95,720, respectively. This \$205,564 (215%) increase was primarily due to the increased wage and marketing/investor relations expense.

Other Income and Expense.

For the period ended December 31, 2012, other expense totaled \$299,516, consisting principally of a \$150,000 interest expense related to the warrants issued in conjunction with the bridge loan of \$750,000 and \$150,116 consisting of the cost related to the acquisition of Bronco Communications.

For the period ending December 31, 2011, other income was \$0.

Liquidity and Capital Resources

We have funded our operations since inception through the sale of equity and debt securities and from cash generated by operating activities. As of December 31, 2012, we had \$385,141 in cash and cash equivalents, compared to \$668 as of December 31, 2011. The increase was due primarily to a \$384,473 net cash increase from financing activities and investing activities. The net cash increase attributable to financing activities represents proceeds of \$375,000 from a bridge loan recorded in December 2012. The proceeds from the sale of stock was \$175,000 in 2012 as compared to \$0 in stock sales in 2011. We had a working capital deficiency of \$51,506 on December 31, 2012, compared to a deficiency of \$2,020,482 on December 31, 2011.

C. Off-Balance Sheet Arrangements.

As of the date of this document, the Issuer does not have any off balance sheet arrangements.

Part E Issuance History

Item (XVII) List of securities offerings and shares issued for services in the past two years.

Common Shares

Issuances:

During the year ended December 31, 2012, the Company entered into the following non-cash transactions.

Issued 11,546,701 shares of common stock for settlement of \$1,422,328 of convertible debt

Issued 150,000 shares of common stock in lieu of \$13,500 of rent expense

Issued 1,000,000 shares of common stock in lieu of \$53,000 of services provided

Issued 4,289,029 shares of common stock valued at \$150,116 for the acquisition of a controlling Interest in Bronco Communications

Converted 1,000,000 shares of preferred stock into 500,000 shares of common stock

Part F Exhibits

Item (XVIII) Material Contracts

None.

Item (XIX) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable

Item (XX) Issuers Certification

I, William J. Delgado, certify that:

1. I have reviewed this Annual Disclosure Statement of Global Digital Solutions, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statements 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 statement were made, not misleading with respects 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: April 15, 2013

/S/ William J. Delgado

William J. Delgado, President/Chief Executive Officer/Chief Financial Officer

Supplemental Information

(Exhibits attached hereto)

Annual Disclosure GDSI.pdf
Annual 2011 and 2012 Financials.pdf

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Consolidated Balance Sheets

	December 31, 2012	December 31, 2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 385,141	\$ 668
Total Current Assets	385,141	668
PROPERTY AND EQUIPMENT		
	-	-
OTHER ASSETS		
Assets from discontinued operations being held for sale	395,133	-
Total Other Assets	395,133	-
TOTAL ASSETS	\$ 780,274	\$ 668
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 191,499	\$ 77,013
Current portion of long term debt	504,309	1,926,637
Notes payable, current portion	92,500	17,500
Total Current Liabilities	788,308	2,021,150
LONG-TERM LIABILITIES		
Notes payable, non-current portion	375,100	-
Total Long-Term Liabilities	375,100	-
OTHER LIABILITIES		
Liabilities from discontinued operations	33,974	-
Total Other Liabilities	33,974	-

Total Liabilities	1,197,382	2,021,150
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, par value \$0.001 per share, 10,000,000 shares authorized; 0 and 1,000,000 shares issued and outstanding, respectively	0	1,000
Common stock, par value \$0.001 per share, 100,000,000 shares authorized; 52,513,451 and 33,111,054 shares issued and outstanding, respectively	52,264	33,111
Additional paid-in-capital	7,116,336	5,045,429
Accumulated deficit	(7,701,122)	(7,100,022)
Total stockholders' equity (deficit)	(532,522)	(0)
Noncontrolling interest	115,414	0
Total Stockholders' Equity (Deficit)	(417,108)	(2,020,482)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 780,274	\$ 668

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

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Consolidated Statement of Operations

**For the Years Ended
December 31,
2012 2011**

REVENUES

Sales revenues	\$	-	\$	1,415
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Total Revenues		-		1,415
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COST OF REVENUES

Revenue costs		300		500
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Total Cost of Revenues		300		500
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GROSS PROFIT (LOSS)		(300)		915
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OPERATING EXPENSES

License and permits		-		720
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Salaries and wages		200,000		51,900
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Other general and administrative		101,284		43,100
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Total Operating Expenses		301,284		95,720
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LOSS FROM OPERATIONS		(301,584)		(94,805)
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OTHER INCOME (EXPENSE)

Interest expense		(150,000)		(-)
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Bronco purchase expense		(150,116)		(-)
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Other income		600		(-)
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Total Other Income (Expense)		(299,516)		-
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NET LOSS BEFORE INCOME TAXES		(601,100)		(94,805)
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INCOME TAXES		-		-
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NET LOSS BEFORE DISCONTINUED	\$	(601,100)	\$	(94,805)
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OPERATIONS

NET LOSS FROM DISCONTINUED OPERATIONS	(58,806)	(-)
NET LOSS AFTER DISCONTINUED OPERATIONS	(659,906)	(-)
LESS: NET INCOME ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	(28,815)	(-)
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	\$ (631,091)	\$ (94,805)

LOSS PER COMMON SHARE - BASIC & DILUTED

Net loss per share before discontinued operations attributable to Global Digital Solutions, Inc., and Subsidiary common shareholders	\$ (.012)	\$ (.002)
Discontinued operations attributable to Global Digital Solutions, Inc., and Subsidiary common shareholders	\$ -	\$ -
Net loss per share attributable to Global Digital Solutions, Inc., and Subsidiary common shareholders	\$ (.012)	\$ (.002)

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC & DILUTED	52,263,451	39,668,115
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The accompanying notes are an integral part of these consolidated financial statements.

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Statements of Consolidated Stockholders' Equity (Deficit)
For the year ended December 31, 2012 and 2011

	Preferred Stock		Common Stock		Additional	Retained	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Interest	Equity
Ending Balance - June 30, 2010	1,000,000	\$ 1,000	30,136,054	\$ 30,136	\$ 5,042,454	\$ (7,005,217)	\$ -	\$ (1,931,627)
Common stock issued for conversion of debt	-	-	2,975,000	2,975	2,975	-	-	5,950
Current period deficit	-	-	-	-	-	(94,805)	-	(94,805)
Ending Balance - June 30, 2011	1,000,000	\$ 1,000	33,111,054	\$ 33,111	\$ 5,045,429	\$ (7,100,022)	\$ -	\$ (2,020,482)
Shares issued for Bronco	-	-	4,289,029	4,289	145,827	-	-	150,116
Assumption of Bronco assets	-	-	-	-	1,009,657	(685,321)	-	324,336
Assumption of Bronco equity	-	-	-	-	(859,541)	715,312	144,229	-
Private placements	-	-	1,666,667	1,667	148,333	-	-	150,000
Common stock issued for conversion of debt	-	-	11,546,701	11,547	1,410,781	-	-	1,422,328
Common stock issued for rent	-	-	150,000	150	13,350	-	-	13,500
Common stock issued in lieu of payment for services	-	-	1,000,000	1,000	52,000	-	-	53,000
Issuance of warrants	-	-	-	-	150,000	-	-	150,000
Conversion of preferred shares to common	(1,000,000)	(1,000)	500,000	500	500	-	-	-
Current period deficit	-	-	-	-	-	(631,091)	(28,815)	(659,906)
	-	\$ -	52,263,451	\$ 52,264	\$ 7,116,336	\$ (7,701,122)	\$ 115,414	\$ (417,108)

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

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Consolidated Statement of Cash Flows

	For the Years Ended December 31,	
	2012	2011
Increase (decrease) in cash and cash equivalents:		
Net income/(loss)	\$ (659,906)	\$ (94,805)
Adjustments to reconcile net loss to net cash used		
in operating activities:		
Common stock issued in payment of rent	13,500	-
Common stock issued in payment of services	53,000	-
Value of warrants issued	150,000	-
Bronco purchase expense	150,116	-
Changes in operating assets and liabilities:		
(Increase) decrease in net assets of discontinued	80,238	-
Increase (decrease) in accounts payable and accrued expenses	(26,858)	26,069
Increase (decrease) in accrued wages	141,344	50,000
Increase (decrease) in liabilities of discontinued	(117,060)	-
Net cash used in operating activities	(215,626)	(18,736)
Cash flow from investing activities:		
Net cash used in investing activities	-	-
Cash flow from financing activities:		
Proceeds from short-term debt	197,500	17,500
Payments on short-term debt	(122,500)	-
Proceeds from long-term debt	375,100	-
Proceeds from sale of common stock	150,000	-
Net cash generated by financing activities	600,100	17,500
Net increase in cash and cash equivalents	384,474	(1,236)
Cash and cash equivalents at beginning of year	668	1,904
Cash and cash equivalents at end of year	\$ 385,142	\$ 668
Supplementary disclosures of cash flow information		
Cash paid during the year for		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

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

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Consolidated Statement of Cash Flows (Continued)

During the year ended December 31, 2011, the Company entered into the following non-cash transactions.

Issued 2,975,000 shares of common stock for settlement of \$5,950 of convertible debt

During the year ended December 31, 2012, the Company entered into the following non-cash transactions.

Issued 11,546,701 shares of common stock for settlement of \$1,422,328 of convertible debt

Issued 150,000 shares of common stock in lieu of \$13,500 of rent expense

Issued 1,000,000 shares of common stock in lieu of \$53,000 of services provided

Issued 4,289,029 shares of common stock valued at \$150,116 for the acquisition of a controlling interest in Bronco Communications

Converted 1,000,000 shares of preferred stock into 500,000 shares of common stock

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

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY

Notes to Consolidated Financial Statements

NOTE 1 - NATURE OF ORGANIZATION AND LIQUIDITY AND MANAGEMENT PLANS

Effective January 8, 2004, Global Digital Solutions, Inc., and Subsidiary purchased 100 percent of the common stock of Pacific Comtel, Inc. Global Digital Solutions, Inc., and Subsidiary was the surviving entity in the merger. Global applied the "push down" accounting rules to this transaction, and, as such, a new basis of accounting was created on that date. Global Digital Solutions, Inc., and Subsidiary was formed in October 2003 to acquire Pacific Comtel, Inc. Global had no substantive operations prior to its acquisition of Pacific Comtel, Inc.

Effective March 25, 2004, Creative Beauty Supply, Inc. ("CBS") purchased Global Digital Solutions, Inc., and Subsidiary CBS issued 23,879,817 shares of its common stock in a 1 for 1 exchange with the shareholders of Global. Upon completion of this transaction, the shareholders of Global owned approximately 87 percent of the outstanding stock of CBS. Additionally, CBS issued 2,100,000 Series A warrants and 370,000 Series B warrants to the existing warrant holders of Global in exchange for their previously held warrants.

Given Global's ownership in CBS upon completion of the merger, and the fact that CBS was not considered a "business" for accounting purposes, the merger is treated as a recapitalization of Global, and not a business combination. Although CBS will be the legal acquiror, the historic Consolidated Financial Statements presented will be those of Global.

The Company was originally incorporated on April 1, 1996, in New Jersey.

GDSI changed its fiscal year end from June 30th, to December 31st in June of 2009.

On January 1, 2012, GDSI acquired a 51% stake in Bronco Communications, LLC, a Nevada-California regional telecommunications subcontractor located in Folsom, Ca.

On May 1, 2012, GDSI, with support from its major shareholders, made the decision to wind down the operations in the telecommunications area and refocus the company's efforts in the area of knowledge-based and culturally attuned social consulting and security-related solutions in unsettled areas. See Note 12.

At December 31, 2012, the Company had cash and cash equivalents of approximately \$385,141, a working capital deficit of approximately \$51,506 and an accumulated deficit of \$7,701,122. Due to these circumstances, the Company's management monitors and attempts to minimize, to the extent possible, all cash expenditures. The Company's management believes it will generate sufficient revenues to meet its working capital needs in future periods. Because of these conditions, the Company will require additional working capital to continue operations and develop its business in the current fiscal year. The Company intends to raise additional working capital to support its operations, either through private placements and/or bank financing.

There are no assurances that the Company will be able to achieve a level of revenues adequate to generate sufficient cash flow from operations or obtain additional financing through private placements and/or bank financing necessary to support the Company's working capital requirements. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company. If adequate working capital is not available, the Company may not be able to continue its operations or execute its business plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Global Digital Solutions,

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Notes to Consolidated Financial Statements

Inc., and Subsidiary, and are prepared in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual method of accounting.

c. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

The Company's cash and cash equivalents, at December 31, consisted of the following:

	2012	2011
Cash in bank	\$ 385,141	\$ 668
Money market funds	0	0
Cash and cash equivalents	<u>\$ 385,141</u>	<u>\$ 668</u>

d. Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. Cash and cash equivalents are deposited in demand and money market accounts in two financial institutions in the United States. Accounts at financial institutions in the United States are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, the Company's deposits or investments may exceed federally insured limits. At December 31, 2012, the Company had approximately \$385,141 at the one financial institution. The Company has not experienced any losses in such accounts.

e. Use of Estimates

The preparation of accompanying consolidated 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reported period. The Company's significant estimates include primarily those required in the valuation or impairment analysis of capitalization of goodwill, stock-based compensation, warrants and valuation allowances for deferred tax assets. Although the Company believes that adequate accruals have been made for unsettled issues, additional gains or losses could occur in future years from resolutions of outstanding matters. Actual results could differ materially from original estimates.

f. Property and Equipment

Property and equipment is recorded at cost. Major additions and improvements are capitalized, while ordinary maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of equipment retired or sold are removed from the accounts and any differences between the non-depreciated amount and the proceeds from the sale are recorded as gain or loss on asset disposals. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging as follows:

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Notes to Consolidated Financial Statements

Computer hardware/software	3 years
Fleet vehicles	5 years
Furniture and fixtures	5 to 7 years

Depreciation expense on property and equipment was \$19,230 and \$0 for the years ended December 31, 2012 and 2011, respectively.

g. Long-lived Assets

The Company reviews its long-lived assets including property and equipment for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Examples of such events could include a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business or a significant change in the operations of an acquired business.

An impairment test involves a comparison of undiscounted cash flows from the use of the asset to the carrying value of the asset. Measurement of an impairment loss is based on the amount that the carrying value of the asset exceeds its fair value. No impairment losses were incurred in the periods presented.

h. Fair Value of Financial Instruments

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

The fair value framework requires a categorization of assets and liabilities, which are required at fair value, into three levels based upon the assumptions (inputs) used to price the assets and liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

At December 31, 2012 and 2011, the Company had no such assets or liabilities that were reported at fair value.

I. Revenue Recognition

Revenue under long-term contracts are accounted for under the percentage of completion method. Revenues are recognized as the actual cost of work performed related to the estimate at completion. Profits expected to be realized on contracts are based on the Company's estimates of total contract sales value and costs at completion. Assumptions used for recording sales and earnings are adjusted in the period of change to reflect revisions in contract value and estimated costs. In the period in which it is determined that a loss will be incurred on a contract, the entire amount of the estimated loss is charged to income. The Company assesses the ability to collect from its customers based on a number of factors, including credit worthiness of the customer and past transaction history of the customer. If the customer is not deemed credit worthy, the Company defers all revenue from the arrangement until payment is received and all other revenue recognition criteria have been met.

j. Income Taxes

The Company accounts for income taxes under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which are recorded on the Company's Consolidated Balance Sheets. The Company must assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes that recovery is not likely, the Company must establish a valuation allowance. Changes in the Company's valuation allowance in a period are recorded through the income tax provision on the Consolidated Statement of Operations. The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The Company periodically assesses uncertain tax positions that the Company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company evaluated its tax positions and determined that there were no uncertain tax positions for the years ended December 31, 2012 and 2011.

k. Basic and Fully Diluted Loss Per Share

Loss per common share is computed on the weighted average number of common shares outstanding during each year. Basic loss per share is computed as net income/loss applicable to common stockholders divided by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities when the effect would be dilutive

The Company's common stock equivalents, at December 31, consisted of the following and have not been included in the calculation because they are anti-dilutive:

	<u>2012</u>	<u>2011</u>
Convertible Debentures Outstanding	0	0
Warrants Outstanding	3,000,000	0
Stock Options Outstanding	0	0
Preferred Stock Outstanding	0	1,000
Dividends on Preferred Stock Outstanding	0	0
Total Common Stock Equivalents	<u><u>3,000,000</u></u>	<u><u>1,000</u></u>

l. Stock Based Compensation

The Company accounts for all share-based payment transactions using a fair-value based measurement method. The Company calculates stock option-based compensation by estimating the fair value of each option as of its date of grant using the Black-Scholes option pricing model. These amounts are expensed over the respective vesting periods of each award using the straight-line attribution method. The Company has not historically issued stock options and vested and non-vested stock grants to employees.

m. Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries in which the Company has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company's consolidated financial statements include 100% of the assets, liabilities and earnings of a subsidiary that is more than 50% owned and control is established. The ownership interest of the minority owners of the Company's subsidiary is called non-controlling interest.

n. Goodwill

Goodwill and indefinite-lived intangible assets are not amortized. Rather, they are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Contracts in place, is the only intangible asset with an indefinite life on our consolidated balance sheets. We have elected December 31 as the date to perform our annual impairment test.

Goodwill is included in the accompanying financial statements as a component of Assets of Discontinued Operations because the benefits of the acquired Goodwill were never realized by GDSI

o. Newly Adopted Pronouncements

Testing for Goodwill Impairment

In September 2011, the Financial Accounting Standards Board (“FASB”) amended guidance on testing goodwill for impairment. Under the new guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying value amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. The new guidance does not change how goodwill is calculated, nor does it revise the requirement to test goodwill annually for impairment or between tests if events or circumstances warrant. The amended guidance is effective for the Company for fiscal year 2012, with earlier adoption permitted. The Company does not anticipate that this new guidance will have a material impact on its Consolidated Financial Statements.

Presentation of Other Comprehensive Income

In June 2011, the FASB issued guidance that requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. The guidance removes the option to present the components of other comprehensive income (“OCI”) as part of the statement of equity. This guidance is effective for the Company for fiscal year 2012, and must be applied retrospectively for all periods presented in the consolidated financial statements. The new guidance does not apply to entities that have no items of OCI in any period presented. The Company does not anticipate that this new guidance will have a material impact on our consolidated financial statements.

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Notes to Consolidated Financial Statements

NOTE 4 - INCOME TAXES

There are no taxes payable in FY 2011 or 2012.

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Notes to Consolidated Financial Statements

NOTE 5 - NOTES PAYABLE

Notes payable as of December 31, 2012 and 2011 consisted of the following:

Type	Collateral (If any)	Interest Rate	Monthly Payments	Maturity	December 31,	
					2012	2011
Private		0%	\$ 0	Mar 2012	0	12,500
Private		5%	\$ 0		5,000	5,000
Private		10%	\$ 0	Dec. 2013	37,500	0
Private		10%	\$ 0	May 2013	50,000	0
Private	Assets	0%	0	Dec 2016	375,100	0
Total notes payable					\$ 517,600	\$ 17,500
Less: Current portion					\$ (142,500)	\$ (17,500)
Long-term portion					\$ 375,100	\$ 0

Future principal payments on long-term debt is as follows:

2013	\$ 0
2014	0
2015	0
2016 & thereafter	375,100
Total	\$ 375,100

** Imputed interest was immaterial in 2011 and 2010

NOTE 6 - CONVERTIBLE NOTES PAYABLE

Throughout 2004, the Company received a total of \$1,926,637 in proceeds from unrelated individuals and a institution from the issuance of convertible notes payable. The 1,422,328 of the notes bear simple interest at 0% per annum. The notes may be converted into shares of the Company's common stock at the holder's option at a conversion rate of \$0.50 per

share. Of the convertible notes issued, notes with an aggregate principal amount totaling \$1,422,328 matured in September 2012. The other note held by Laurus Master Fund, is at a fixed conversion price to convert the debt to equity will be equal to the average closing price for the ten days prior to the closing of the transaction.

Convertible notes payable at December 31, 2012 and December 31, 2011 are summarized as follows:

	December 31,	
	<u>2012</u>	<u>2011</u>
Total convertible notes payable	\$ 504,309	\$ 1,926,637
Less; unamortized note discount	\$ --	\$ --
Convertible notes payable, net	\$ 504,309	\$ 1,926,637
Less: current portion	\$ (504,309)	\$ (1,926,637)
Convertible notes payable, net, long-term portion	<u>\$ --</u>	<u>\$ --</u>

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Notes to Consolidated Financial Statements

NOTE 7 - STOCK TRANSACTIONS

During the year ended December 31, 2012, the Company entered into the following non-cash transactions.

Issued 11,546,701 shares of common stock for settlement of \$1,422,328 of convertible debt

Issued 150,000 shares of common stock in lieu of \$13,500 of rent expense

Issued 1,000,000 shares of common stock in lieu of \$53,000 of services provided

Issued 4,289,029 shares of common stock valued at \$150,116 for the acquisition of a controlling interest in Bronco Communications

Converted 1,000,000 shares of preferred stock into 500,000 shares of common stock

GLOBAL DIGITAL SOLUTIONS, INC., AND SUBSIDIARY
Notes to Consolidated Financial Statements

The 3,000,000 warrants granted have an exercise price of \$0.15 per share and expire on December 31, 2012

The following is a summary of outstanding and exercisable warrants at December 31, 2012:

Range of Exercise Prices	Outstanding			Exercisable	
	Weighted Average Number Outstanding at 12/31/12	Outstanding Remaining Contractual Life (in yrs.)	Weighted Average Exercise Price	Number Exercisable at 12/31/12	Weighted Average Exercise Price
0.15	3,000,000	3.0	0.15	3,000,000	0.15
\$ 0.15	3,000,000	3.0	\$ 0.15	3,000,000	\$ 0.15

The fair values for warrants granted were determined using the Black-Scholes option-pricing model. As of December 31, 2012, warrant for 3,000,000 shares were granted associated with convertible notes payable with exercise price of \$0.15 per share. At December 31, 2012, the 3,000,000 outstanding warrants had an aggregate intrinsic value of \$450,000

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Consulting Agreements

Effective May 9, 2012, the Company entered into a one year “referral compensation agreement” with a third party consulting firm. Pursuant to this agreement, the firm would facilitate meetings and introductions on behalf of the Company with certain potential investors in return for the Company’s agreement to pay the consulting firm compensation for these introductory. The consulting firm was issued 250,000 shares of restricted shares of commons stock valued at \$15,000.

Effective July 27 2012, the Company entered into a one year “referral compensation agreement” with a third party consulting firm. Pursuant to this agreement, the firm would facilitate meetings and introductions on behalf of the Company with certain potential investors in return for the Company’s agreement to pay the consulting firm compensation for these introductory. The consulting firm was issued 250,000 shares of restricted shares of commons stock valued at \$13,000.

Effective May 15 2012, the Company entered into a one year “referral compensation agreement” with a third party consulting firm. Pursuant to this agreement, the firm would facilitate meetings and introductions on behalf of the Company with certain potential investors in

return for the Company's agreement to pay the consulting firm compensation for these introductory. The consulting firm was issued 500,000 shares of restricted shares of common stock valued at 25,000.

Office Leases

Through January 2010, the Company had an operating leases for its office space, at 9477 Greenback lane, Suite 524A, Folsom California, 95630. This lease is on a month-to-month basis. The lease required a monthly payment of \$300 per month and could be terminated by either party at any time

Litigation

We are not currently involved in any material legal proceedings. From time-to-time we anticipate we will be involved in legal proceedings, claims, and litigation arising in the ordinary course of our business and otherwise. The ultimate costs to resolve any such matters could have a material adverse effect on our Consolidated Financial Statements. We could be forced to incur material expenses with respect to these legal proceedings, and in the event there is an outcome in any that is adverse to us, our financial position and prospects could be harmed.

NOTE 11 - LOSS PER SHARE

Loss per share has been calculated using the weighted average number of shares outstanding during each period. The Company's 3,000,000 warrants outstanding at December 31, 2012, and the Company's 1,000 shares of Convertible Preferred Shares at December 31, 2011 constituted potentially dilutive securities. However, the net loss for both years would have made these securities anti-dilutive. Therefore, basic and fully diluted loss per share are the same."

Earnings (loss) per share of common stock are calculated as follows:

	2012	2011
BASIC AND DILUTED LOSS PER SHARE OF COMMON STOCK:		
Net Loss available to GDSI	\$ 631,091	\$ 94,805
Weighted average common shares outstanding	52,263,451	39,668,115
Basic loss per share of common stock	<u>\$.012</u>	<u>\$.002</u>

NOTE 12 - ACQUISITION AND DISPOSITION OF BRONCO COMMUNICATIONS

In January 2012, Global Digital acquired 51% of Bronco through the issuance of common stock. GDSI issued 4,289,029 shares of common stock valued at \$0.035 per share.

The Company obtained controlling interest in Bronco by purchasing outstanding shares for \$150,116, in common stock. The purchase price was allocated to the assets acquired based on the fair values at the acquisition date. The goodwill acquired was valued at \$351,653. The financial results of Bronco are included in these financial statements beginning on January 1, 2012, the date control was acquired, in accordance with the accounting guidance for business combinations. The purchase price was allocated as follows:

Cash and cash equivalents		5,325
Accounts receivable		53,342
Other current assets		-
Property and Equipment		63,792
Deposits		-
	Total	
	Assets	122,459
Accounts payable and accrued expenses		79,536
Notes payable		71,498
	Total Liabilities	151,034
Contract in place		-
	Net Assets Acquired	(28,575)
Fair value of common stock		150,116
Fair value of Series B preferred stock		
Fair value of non controlling interest		14,002
	Fair value of Consideration Paid	164,689

Since the Company acquired a 51% controlling interest, the remaining 49% is accounted for as non controlling interest.

NOTE 13 - DISCONTINUED OPERATIONS

In accordance with ASC Topic 205, “Presentation of Financial Statements-Discontinued Operations” (“ASC 205”), the Company has presented the results of operations of Bronco as discontinued operations for the year ended December 31, 2012. The following table details the operating results included in discontinued operations for the period presented:

	<u>December 31, 2012</u>
Net sales	\$ 444,337
Cost of goods sold, including buying, distribution and occupancy costs	114,071
Gross margin	30,266
Selling, general and administrative expenses	89,072
Operating income (loss)	(58,806)
Income expense (benefit)	-
Income (loss) from discontinued operations	\$ 58,806

	<u>December 31, 2012</u>
ASSETS	
Cash and cash equivalents	\$ 98
Property, Plant and Equipment, Net	43,382
Goodwill	351,653
Total Assets	395,133
LIABILITIES	
Accounts payable and accrued expenses	33,974
Total Liabilities	33,974

NOTE 14 - REVENUE RECOGNITION POLICY

The Company recognizes revenue only when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;

- The fee for the arrangement is fixed or determinable; and
- Collectability is reasonably assured.

Persuasive Evidence of an Arrangement—The Company documents all terms of an arrangement in a written contract signed by the customer prior to recognizing revenue.

Delivery Has Occurred or Services Have Been Performed—The Company performs all services or delivers all products prior to recognizing revenue. Monthly services are considered to be performed ratably over the term of the arrangement. Professional consulting services are considered to be performed when the services are complete. Equipment is considered delivered upon delivery to a customer's designated location.

The Fee for the Arrangement Is Fixed or Determinable—Prior to recognizing revenue, a customer's fee is either fixed or determinable under the terms of the written contract. Fees for most monthly services, professional consulting services, and equipment sales and rentals are fixed under the terms of the written contract. Fees for certain monthly services, including certain portions of networking, storage, and content distribution and caching services, are variable based on an objectively determinable factor such as usage. Those factors are included in the written contract such that the customer's fee is determinable. The customer's fee is negotiated at the outset of the arrangement and is not subject to refund or adjustment during the initial term of the arrangement.

Collectability Is Reasonably Assured—The Company determines that collectability is reasonably assured prior to recognizing revenue. Collectability is assessed on a customer by customer basis based on criteria outlined by management. New customers are subject to a credit review process, which evaluates the customer's financial position and ultimately its ability to pay. The Company does not enter into arrangements unless collectability is reasonably assured at the outset. Existing customers are subject to ongoing credit evaluations based on payment history and other factors. If it is determined during the arrangement that collectability is not reasonably assured, revenue is recognized on a cash basis