

# INTELLIGENT HIGHWAY SOLUTIONS, INC.

## FORM 10-K (Annual Report)

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Address	8 LIGHT SKY COURT SACRAMENTO, CA 95828
Telephone	916-379-0324
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-55154

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
(Exact name of registrant as specified in its charter)

**Nevada**  
State or other jurisdiction of  
incorporation or organization

**30-0680119**  
(I.R.S. Employer Identification No.)

**8 Light Sky Court**  
**Sacramento, CA**  
(Address of principal executive offices)

**95828**  
(Zip Code)

Registrant's telephone number, including area code **(916) 379-0324**

Securities registered under Section 12(b) of the Act: **None**

Securities registered under Section 12(g) of the Act: **Common Stock, par value \$0.00001 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

☐

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

Large accelerated filer

☐ Accelerated filer

☐

Non-accelerated filer

☐ Smaller reporting company

☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2014: \$1,605,313.

As of May 7, 2015, the registrant had 35,865,589 shares of its common stock outstanding.

Documents Incorporated by Reference: None.

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## **PART I**

### **Item 1. Business.**

#### **Overview**

On August 22, 2013, Intelligent Highway Solutions, Inc. (the “Company”) entered into a distribution agreement (the “Distribution Agreement”) with SCS Lighting Solutions Inc. (“SCS”), whereby SCS appointed the Company as its exclusive distributor of SCS products in Sacramento, California and other locations, as determined by both parties in the future. The SCS products include standard lighting solutions, as well as custom lighting products for indoor and outdoor applications. The Distribution Agreement is no longer exclusive.

The Distribution Agreement’s term automatically renews for one (1) year increments, unless either party elects to terminate the Agreement by giving not less than sixty (60) days’ notice prior to the end of the current term.

On March 19, 2014, the Company announced it had received a significant purchase order from Honeywell International Inc. (“Honeywell”) for the installation of a temperature control system and associated sensors in a state owned office building in Alameda, California.

On July 1, 2014, the Company announced it had received a second purchase order from Honeywell. The purchase order is for additional work in office buildings owned by the State of California.

#### **Expatriate Corporation Status and Eligibility to Bid and Receive California Contracts**

California Public Contract Code Section 10286 (the “Code”) disallows any California state agency to enter into any contract with an Expatriate Corporation. Section 10286.1 of the Code defines Expatriate Corporation. The definition of Expatriate Corporation includes foreign incorporated entities that publicly trade in the United States. However, foreign incorporated entities are entities that are created or organized under the laws of a foreign country or reside in a foreign country. We do not believe we are an Expatriate Corporation within the definition expressed in the Code.

In addition, the Company possesses a C-10 Electrical License from the Contractors State License Board from the State of California and is licensed as a small business with the State of California. This license allows us to contract with the State and grants us a five percent bidding preference over non-qualified entities.

Given that we are not an Expatriate Corporation, we possess a C-10 Electrical License, and we are licensed as a small business with the State of California, we believe that we are qualified to bid on, receive and enter into contracts with the State of California.

### **Going Concern**

Based on our financial history since inception, our independent registered public accounting firm has expressed substantial doubt as to our ability to continue as a going concern. We have generated very little revenue and have limited tangible assets. Our company has a limited operating history. Our company's operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to on a profitable basis. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

### **Our Corporate History and Background**

Devon Jones and Philip Kirkland have worked together for several years as independent electrical contractors involved with a number of contracts associated within the transportation sector. These contracts included, but were not limited to, the pulling of fiber optic cable, installation of video equipment, and the service, maintenance and installation of traffic operations systems for Caltrans. After over five years of working in the transportation industry, they decided to pool their talents and contacts and the two formed a new company to expand beyond a services based business and introduce new technology to the transportation market.

In April 2011, Jones and Kirkland re-organized their operations under Intelligent Highway Solutions, Inc.

### **Growth Strategy**

IHS plans on expanding beyond the service business and plans to become more involved with all aspects of the intelligent transportation systems ("ITS") sector. The Company will service other electrical contracting opportunities as they arise during the development phase of intelligent transportation systems technologies.

**Phase One** : The Traffic Operations Systems Networks contract with our customer was completed. There are currently no plans to pursue similar agreements.

**Phase Two** : Growth will occur in the installation division: this includes but is not limited to the installation of the new technology that the Company has licensed, acquired and/or developed. It also includes expansion beyond the borders of California.

**Phase Three** : Introduction of the Company's proprietary technology, including, but not limited to, a new wireless and battery-less traffic sensor that can be embedded in the road and used to measure traffic flow, speed, and approximate vehicle weight.

### **Research and Development**

#### *Development of an alternative to inductive loop system*

The Company entered into an agreement with a third party to test market, distribute and install an alternative to the existing loop detection technology. The flexible, dependable, low-cost, wireless vehicle detection system uses magneto-resistive wireless sensors—with what the Company's management believes is an unprecedented 10-year battery life—to detect vehicle presence and movement.

The Company's management believes the in-ground wireless sensors are rugged, install in minutes, deploy in a matter of hours, and can begin transmitting accurate, real-time detection data to signal controllers, traffic management centers, and traveler information systems. The Company's management believes installation is fast and simple, minimizing road closures and worker exposure, and greatly reducing operating and maintenance spending. The Company's management believes the in-ground wireless sensors have the following qualities:

- In-pavement installation with no wires or lead-in cabling
- 10-year battery life
- Impervious to weather
- Rapid installation and deployment reduces road closures and worker exposure
- Patented, ultra-low "NanoPower" communications protocol

- Superior accuracy, dependability, and extensibility
- Universal platform for all traffic detection applications
- Self-calibrating, self-tuning
- Re-usable and remotely upgradeable
- Easily deployed in complex configurations
- Capable of over 300 million detections

The objective is to use existing sensor technology and existing wireless technology to reduce the development time of this project.

The Company's management expects that once fully developed and tested, the new system would replace traditional inductive loop systems. To install a loop detector and calibrate it, it is sometimes necessary to shut down traffic on the road for as much as 2 days. The Company's management believes the new sensors can be installed by drilling a slot across the lane in the road surface of 1 inch width and 2 inches depth. Most importantly, no wiring is needed from the traffic lane to the roadside data acquisition unit. It is expected that the installation will only take a few minutes.

The new sensor on the roadway require no external power supply while inductive loop detectors have to be continuously powered all the time, even during the night when traffic flow might be really low.

The new sensors can measure number of axles and vehicle length, in addition to traffic flow rate. Thus they can be used for vehicle classification.

### **Future Products and Their Market**

In the future, the Company plans on developing ITS to improve traffic flow, reduce emissions and synchronize traffic signals for public safety and public transportation vehicle priority. ITS can collect information at signals all around the city, correlate the real-time data and automatically regulate traffic policies across a city. ITS includes a range of applications that can benefit cities such as:

- **Intelligent Traffic Signal Management** - Actively managed and coordinated traffic signals can reduce congestion and moderate traffic speeds, smoothing traffic flow and reducing auto emission levels.
- **Video Analytics** - Real-time video enables traffic controllers to identify problems, record and ticket red light runners, gather traffic analytics information and enforce special traffic zones. Public safety workers may also access the video to identify traffic conditions so they can route around congested roads when responding to an emergency.
- **Information and Alerts** - Variable message signs can quickly broadcast information such as weather, road conditions, stolen vehicle and other timely local information to drivers.

### **Customers**

Currently, our only customer is Honeywell.

### **Employees**

We currently have 3 full time employees, consisting of three executives.

### **Item 1A. Risk Factors.**

Not applicable because we are a smaller reporting company.

### **Item 1B. Unresolved Staff Comments.**

Not applicable because we are a smaller reporting company.

### **Item 2. Properties.**

Our principal executive office is located at 8 Sky Light Court, Sacramento, CA 95828, and our telephone number is (916) 379-0324. We lease our office space, which consists of 9,300 square feet of office and warehouse space and pay a monthly rent of \$3,700. Our lease will expire on January 9, 2016.

### Item 3. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company, threatened against or affecting our company, our common stock, any of our company's officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

On January 29, 2015, we received a notification from the Internal Revenue Service (the "IRS") regarding deficiencies in our tax return for the year ended December 31, 2011. The notice was the result of not filing our tax return for the year then ended and included the results of an IRS examination which yielded an income tax amount due of \$92,804 plus penalties and interest totaling \$34,337 for a total amount due of \$127,141. While we believe we will be able to successfully reduce the tax liability and assessed penalties to zero or near zero due to our net loss sustained during the year ended December 31, 2011, the possibility exists we will be unsuccessful and could face an assessment for the full amount of \$127,141. There is no accrued liability for this potential payout as of December 31, 2014 given the inestimable nature of the outcome at this point.

### Item 4. Mine Safety Disclosures.

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

Our common stock trades on the OTCQB and OTCBB under the symbol "IHSI". The OTCQB and OTCBB are quotation services that display real-time quotes, last-sale prices, and volume information in over-the-counter equity securities. The closing price of the common stock on May 6, 2015 was \$0.0112 per share. As our stock started trading on April 24, 2013, the high and low bid prices for trading of our stock for each of the second, third, and fourth quarters of 2013 as well as each quarter of 2014 was as follows:

	<u>High</u>	<u>Low</u>
<b>Fiscal Year 2013</b>		
Second quarter ended June 30, 2013	\$ 1.18	\$ 0.99
Third quarter ended September 30, 2013	\$ 1.14	\$ 0.52
Fourth quarter ended December 31, 2013	\$ 0.88	\$ 0.60
<b>Fiscal Year 2014</b>		
First quarter ended March 31, 2014	\$ 0.70	\$ 0.20
Second quarter ended June 30, 2014	\$ 0.58	\$ 0.12
Third quarter ended September 30, 2014	\$ 0.30	\$ 0.038
Fourth quarter ended December 31, 2014	\$ 0.0999	\$ 0.0199

#### Approximate Number of Equity Security Holders

As of April 30, 2015, there were approximately 50 stockholders of record.

#### Dividends

Holders of our common stock are entitled to receive dividends if, as and when declared by the Board of Directors out of funds legally available therefore. We have never declared or paid any dividends on our common stock. We intend to retain any future earnings for use in the operation and expansion of our business. Consequently, we do not anticipate paying any cash dividends on our common stock to our stockholders for the foreseeable future.

#### Securities Authorized for Issuance under Equity Compensation Plans

We do not have in effect any compensation plans under which our equity securities are authorized for issuance.

### Item 6. Selected Financial Data.

Not applicable because we are a smaller reporting company.

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following plan of operation provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read along with our financial statements and notes thereto. This*



*section includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our predictions.*

## Overview

Intelligent Highway Solutions, Inc. (the “Company” or “IHS”) was formed in April 22, 2011; IHS is a technology based intelligent highway solutions contractor. The Company’s primarily focus is in the California transportation market providing services that range from providing labor, materials, and related equipment for corrective service and maintenance services for the state’s transportation infrastructure. Additionally, the Company intends to develop transportation technology services that enable vehicles, roads, traffic lights, message signs, and other elements to become “intelligent” by embedding them with microchips and sensors and by empowering them to communicate with each other via wireless technologies. The acceleration of data collection and communication will allow state governments to improve transportation system performance by reducing congestion and increasing both traveler safety and convenience. While the Company develops technologies related transportation technology, it will accept general electrical contracting work as a revenue source.

## Plan of Operations

On August 22, 2013, the Company entered into the Distribution Agreement with SCS, whereby SCS appointed the Company as its exclusive distributor of SCS products in Sacramento, California and other locations, as determined by both parties in the future. The SCS products include standard lighting solutions, as well as custom lighting products for indoor and outdoor applications. The Distribution Agreement is no longer exclusive.

The Distribution Agreement’s term automatically renews for one (1) year increments, unless either party elects to terminate the Agreement by giving not less than sixty (60) days’ notice prior to the end of the current term.

On March 19, 2014, the Company announced it had received a significant purchase order from Honeywell for the installation of a temperature control system and associated sensors in a state owned office building in Alameda, California.

On July 1, 2014, the Company announced it had received a second purchase order from Honeywell. The purchase order is for additional work in office buildings owned by the State of California.

These purchase orders with Honeywell were the Company’s sole source of income in 2014.

## Results of Operations

### *Comparison of the year ended December 31, 2014 and 2013*

#### Revenue

In 2013, we generated revenue through servicing contracts with Caltrans for the maintenance of the Tosnet system within certain areas of California.

In 2014, we generated revenue through our purchase orders from Honeywell for the installation of a temperature control system.

	Year ended December 31,		
	2014	2013	Change
Revenue	\$ 1,016,489	\$ 833,528	\$ 182,961

Revenues for the year ended December 31, 2014 were \$1,016,489 compared to \$833,528 for the year ended December 31, 2013. The increase of \$182,961 or 22% is the result of the Company receiving purchase orders from Honeywell in 2014 which did not exist in 2013. The Company stopped servicing the contracts to maintain the Tosnet systems effective in the second quarter of 2013 which limited the potential for revenue during the second half of 2013. The Honeywell project was completed during the first quarter of 2015 and a new electrical contracting project started shortly thereafter. We will continue to accept general electrical contracting projects while we develop technologies related to our planned business of intelligent transportation services.

### Cost of Goods Sold

Cost of revenues include all direct material, sub-contract, labor, and certain other direct costs, as well as those indirect costs related to contract performance, such as indirect labor and fringe benefits.

	Year ended December 31,		
	2014	2013	Change
Labor	\$ 666,304	\$ 582,791	\$ 83,513
Fuel	5,421	57,504	(52,083)
Vehicle Lease	49,804	105,523	(55,719)
Other	66,370	32,321	34,049
Total	<u>\$ 787,899</u>	<u>\$ 778,139</u>	<u>\$ 9,760</u>

Cost of goods sold for the year ended December 31, 2014 was \$787,899 compared to \$778,139 during the year ended December 31, 2013. The increase of \$9,760 or 1% is the result of increased direct labor costs associated with carrying out services for a greater number of months during the year ended December 31, 2014 than the year ended December 31, 2013 offset by decreases in fuel and vehicle lease costs. The decrease in fuel costs is due to decreased travel required to service the Honeywell projects that existed in 2014 when compared to the CalTrans projects that existed in 2013. The decreased vehicle lease costs are due to the company purchasing vehicles it previously leased early in 2014.

### Operating Expenses

	Year ended December 31,		
	2014	2013	Change
Salaries and wages	\$ 279,735	\$ 238,081	\$ 41,654
Professional services	1,328,814	1,028,533	300,281
Accounts receivable factoring fees	-	55,684	(55,684)
Other	154,290	169,621	(15,331)
Total	<u>\$ 1,762,839</u>	<u>\$ 1,491,919</u>	<u>\$ 270,920</u>

Operating expenses for the year ended December 31, 2014 were \$1,762,839 compared to \$1,491,919 for the year ended December 31, 2013. The increase of \$270,920 or 18% is the result of increased professional services resulting from the recognition of stock based professional fees and other expenses.

### Other Income and Expenses

Other income and expenses consist of interest expense on our notes payable net of interest income, fair value adjustments to our derivative liabilities, gains or losses on extinguishments of debt and losses on settlements.

	Year ended December 31,		
	2014	2013	Change
Interest expense, net	\$ (1,535,044)	\$ (490,195)	\$ (1,044,849)
Gain on extinguishment of debt	108,576	(87,219)	195,795
Loss on derivative fair value adjustment	(128,969)	27,428	(156,397)
Penalties	(124,398)	-	(124,398)
Legal settlements	(354,064)	-	(354,064)
Total	<u>\$ (2,033,899)</u>	<u>\$ (549,986)</u>	<u>\$ (1,483,913)</u>

Other income and expenses during the year ended December 31, 2014 were \$2,033,899 compared to \$549,986 during the year ended December 31, 2013. The increase of \$1,483,913 or approximately 270% was the result of additional non-cash interest expense recognized on the amortization of debt discounts totaling \$994,126 during the year ended December 31, 2014 compared to \$240,925 during the year ended December 31, 2013. The \$354,064 increase in legal settlements during the year ended December 31, 2014 is the result of one-time settlement events with two separate claimants occurring in 2014 that was not present in 2013. The increase in penalties is the result of events occurring during the year ended December 31, 2014 that did not exist during the year ended December 31, 2013 including common stock issued as default penalties on notes payable, a pre-payment penalty on a retired convertible note payable and penalties associated with the late payment of employee payroll.

**Net loss**

	Year ended December 31,		
	2014	2013	Change
Net loss	\$ (3,568,148)	\$ (1,986,516)	\$ (1,581,632)
As a percentage of revenue	-351%	-238%	

Net loss for the year ended December 31, 2014 was \$3,568,148, or (351%) of revenue, compared to \$1,986,516, or (238%) of revenue, for the year ended December 31, 2013. The increase in net loss of \$1,581,632 is the result of increased professional fees as described above and the recognition of non-cash operating and interest expenses associated with debt discounts and derivative liabilities on certain convertible notes.

### **Liquidity and Capital Resources**

As of December 31, 2014, we had cash of \$95,251, total current assets of \$524,826 and total current liabilities of \$2,141,993 creating a working capital deficit of \$1,617,167. Current assets consisted of \$95,251 in cash, \$139,908 of contracts receivable, \$115,801 of costs and estimated earnings in excess of billings, \$77,161 in prepaid expenses and \$96,705 in deferred loan costs. Current liabilities consisted of a bank overdraft of \$40, accounts payable \$170,529, current notes payable of \$185,000, current convertible notes payable net of discounts of \$528,929, a derivative liability of \$167,970, accrued interest of \$76,671 and accrued expenses and other liabilities of \$1,002,854.

### **Cash Flows from Operating Activities**

Net cash used in operating activities during the year ended December 31, 2014 was \$703,809 which consisted of a net loss of \$3,568,148, non-cash expenses and gains of \$2,942,236 and negative changes in working capital of \$77,897. Net cash used in operating activities during the same period in 2013 was \$710,006 which consisted of a net loss of \$1,986,516, non-cash expenses and gains of \$1,035,539 and positive changes in working capital of \$240,971. The change in net cash used in operating activities was primarily due to an increase in net loss of \$1,581,632 and a greater change in accounts payable and accrued expenses.

We expect our cash used in operating activities will increase over the next twelve months as we are uncertain of our opportunities to generate revenue in the near term while we will still recognize significant non-cash expenses.

### **Cash Flows from Financing Activities**

Cash flows from financing activities during the year ended December 31, 2014 were \$790,708 compared to \$738,670 during the same period in 2013. Cash provided by financing activities during the year ended December 31, 2014 consisted of proceeds from convertible notes payable of \$583,500, proceeds from notes payable of \$435,000, repayments of notes payable of \$150,000, repayments of convertible notes payable of \$171,508, proceeds from related party notes payable was \$10,000, proceeds from common stock issued for cash of \$87,916, and the cost of purchase of treasury stock of \$4,200. Cash provided by financing activities during the year ended December 31, 2013 consisted of proceeds from convertible notes payable of \$760,836, proceeds from notes payable of \$20,000, repayments of notes payable of \$40,528, the repayment of a bank overdraft of \$1,678 and proceeds from a separate bank overdraft of \$40.

During the next twelve months, we anticipate generating additional cash from financing activities from entering into additional debt agreements and the additional issuance of common stock for cash as these activities will be required to fund operations.

### *Outstanding Loans*

On November 21, 2011 the Company received a loan in the amount of \$27,000 from Byrd & Company LLC, Emerging Markets Consulting LLC, and Douglas S. Hackett (\$9,000 from each party). The loan is unsecured and bears a simple interest of 12% per annum to be amortized in 6 equal installments of principal and interest commencing January 1, 2012 through June 1, 2012. Our Chief Executive Officer, Devon Jones, and our Chief Financial Officer and Chief Operating Officer, Philip Kirkland, have personally guaranteed this loan. On March 1, 2012, the Company issued Emerging Markets Consulting, LLC shares of common stock equivalent to \$19,000, \$10,000 for cash and \$9,000 in satisfaction of the outstanding loan. Accordingly, the loan from Emerging Markets Consulting, LLC is no longer outstanding. Byrd & Company was repaid \$3,803 and \$3,917 during the years ended December 31, 2013 and 2012 with the remaining balance of \$1,200 being forgiven during the year ended December 31, 2013. During the year ended December 31, 2014, the Company issued a total of 200,000 shares of common stock in satisfaction of the remaining \$9,000 principal on the note with accrued interest of \$2,888 being forgiven. There was \$0 and \$9,000 in principal plus accrued interest of \$0 and \$2,278 due at December 31, 2014 and 2013, respectively.

On April 14, 2014, the Company received a loan in the amount of \$90,000 from Innovest, LLC. The loan was due on August 14, 2014 with \$30,000 payment due on each June 14, 2014; July 14, 2014 and August 14, 2014. The loan is unsecured and non-interest bearing. In the event of default, the note shall bear interest at 18% per annum. Additionally, the Company is obligated to issue 50,000 shares of common stock in the event of late payments. The note holder was also issued 75,000 shares of common stock as an incentive to enter into the note. The Company did not make the required principal payment on July 17, 2014 resulting in 50,000 shares of common stock being issued to Innovest and the note beginning to accrue interest at the rate of 18% per annum. Additionally, the Company did not make the required principal payment on August 17, 2014 resulting in an additional 50,000 shares of common stock being issued to Innovest. There was \$60,000 of principal plus accrued interest of \$900 outstanding as of December 31, 2014.

On May 22, 2014, the Company entered into two separate note agreements for \$50,000 (\$100,000 total). The notes carried a fixed interest amount of \$400 and were due on June 15, 2014. If the loans were not repaid by the due date, the Company had the obligation to issue 25,000 shares of common stock to each note holder for each consecutive week the notes were outstanding. Additionally, the note holders each received 100,000 shares of common stock as an incentive to enter into the notes and had the right to sell back 25,000 shares of common stock to the Company for \$2,100. The notes, including the fixed interest amounts, were repaid on June 26, 2014. Additionally, each note holder exercised its right to sell back 25,000 shares of common stock each to the Company for \$2,100. Late penalties yielded an additional 50,000 common shares being issued to each note holder.

On August 5, 2014, the Company entered into two separate note agreements for \$50,000 (\$100,000 total). The notes carried a fixed interest amount of \$800 and are due on October 4, 2014. If the loans were not repaid by the due date, the Company had the obligation to issue 25,000 shares of common stock to each note holder for each consecutive week the notes were outstanding. The Company did not repay the notes during the year ended December 31, 2014 resulting in 325,000 common shares being issued to each note holder (750,000 total common shares) as penalties. Additionally, the note holders each received 125,000 shares of common stock as an incentive to enter into the notes and had the right to sell back 50,000 shares of common stock to the Company for \$4,200. There was a total of \$100,000 in principal and \$1,600 of accrued interest due at December 31, 2014.

On April 17, 2014, the Company received a loan in the amount of \$20,000 from Seton Securities. An additional \$5,000 was received on July 15, 2014. The loans are unsecured, due on demand and non-interest bearing. There was \$25,000 and \$0 in principal and no accrued interest due at December 31, 2014 and 2013.

On September 25, 2014, the Company received a loan from an unrelated party totaling \$10,000. The note carried a fixed interest amount of \$700 and was due on October 9, 2014. The note holder is entitled to receive 10,000 shares of common stock for each week beyond the due date the note is not repaid. The note was repaid on November 13, 2014 resulting in a total of 60,000 common shares being issued as a penalty. Additionally, the Company issued 25,000 shares of common stock as an incentive to enter into the note. There was no principal or accrued interest due as of December 31, 2014.

On October 22, 2014, the Company receive a loan from an unrelated party totaling \$100,000. The note carries an interest rate of 12% per annum and is due on October 22, 2016. Additionally, the note is secured by the vehicles owned by the company. There was \$100,000 of principal and accrued interest of \$2,302 due as of December 31, 2014.

On October 26, 2012, the Company received a loan totaling \$30,000 from an unrelated party. The note bears interest at 10% per annum and had an original maturity date of April 26, 2013; however, the Company is in negotiations to extend the maturity date. There was \$30,000 in principal plus accrued interest of \$6,542 and \$3,542 at December 31, 2014 and 2013. The principal and accrued interest may be converted at the option of the holder to common stock at \$0.30.

On February 27, 2014, the Company received a loan totaling \$339,026 from an unrelated party. The note bears interest at 10% per annum and matures February 27, 2015. Of the \$339,026 total note, \$212,526 was paid to former note holders on our behalf and \$1,500 was withheld as debt issue costs resulting in net cash proceeds to the company of \$125,000. Additionally, the note may be converted to common stock at the option of the holder at a rate equal to a 35% discount from the lowest daily volume weighted average price in the five days prior to conversion, but not less than \$0.00004. On various dates during the year ended December 31, 2014, the Company accepted twenty separate partial conversions of the note resulting in a total of 4,063,247 shares of common stock being issued in exchange for \$242,526 of principal. Additionally, the Company accepted a single conversion of accrued interest resulting in 408,727 shares being issued in exchange for \$8,369 of accrued interest. There was \$96,500 in principal plus \$10,380 in accrued interest due at December 31, 2014.

On January 30, 2014, the Company entered into a note with an unrelated party to borrow up to \$300,000 which would carry \$35,000 as an original issue discount bringing the total note to \$335,000 if fully borrowed. Upon closing the agreement, the Company received a loan totaling \$50,000 which carried a prorated original issue discount of \$5,833 bringing the total note to \$55,833. An additional \$55,000 was borrowed during the year ended December 31, 2014 which carried a prorated original issue discount of \$17,137. Additionally, the note may be converted to common stock at the option of the holder at a rate equal to the lesser of \$0.65 or 60% of the lowest trade price in the twenty five (25) trading days prior to conversion and become convertible 180 days after the effective date which is July 29, 2014. The note requires a minimum of two million five hundred thousand (2,500,000) to be held in reserve in the instance of conversion. The note carried interest at 12% per annum and is due on January 30, 2016. During the year ended December 31, 2014, the Company accepted six separate partial conversions from the note holder resulting in 2,500,000 shares of common stock being issued in exchange for \$66,462 of principal and made cash repayments of \$61,508. There was no interest or principal due as of December 31, 2014.

On September 3, 2014, the Company received a loan totaling \$100,000 from an unrelated party. The note carried fixed interest of \$10,000 and was due on September 11, 2014. Additionally, the note may be converted to common stock at the option of the holder at a rate equal to a 35% discount from the lowest daily volume weighted average price in the five days prior to conversion, but not less than \$0.00004. The note holder did not elect to convert any portion of the note and the principal plus fixed interest totaling \$110,000 was repaid on September 11, 2014.

On November 13, 2014, the Company received a loan totaling \$104,000 from an unrelated party. The note carries interest at 8% per annum and is due on August 17, 2015 with a default interest rate of 22% should the note not be repaid by the maturity date. The holder has the right to convert the principal and accrued but unpaid interest to common stock at any time after 180 days from the note date at a 52% discount from the average of the lowest three trading prices of the Company's common stock during the preceding ten trading days. There was \$104,000 of principal and \$1,094 of accrued interest payable at December 31, 2014.

On December 16, 2014, the Company received a loan totaling \$54,000 from an unrelated party. The note carries interest at 8% per annum and is due on September 18, 2015 with a default interest rate of 22% should the note not be repaid by the maturity date. The holder has the right to convert the principal and accrued but unpaid interest to common stock at any time after 180 days from the note date at a 52% discount from the average of the lowest three trading prices of the Company's common stock during the preceding ten trading days. There was \$54,000 of principal and \$178 of accrued interest payable at December 31, 2014.

On December 12, 2014, the Company received a loan totaling \$50,000 from an unrelated party. The note carries interest at 10% per annum and is due on December 12, 2015. The holder has the right to convert the principal and accrued but unpaid interest to common stock at any time after 180 days from the note date at a 40% discount from the lowest closing bid price for the Company's common stock for the fifteen prior trading days. There was \$50,000 of principal and \$260 of accrued interest payable at December 31, 2014. During the year ended December 31, 2013, the Company entered into debt agreements with various individuals to borrow a total of \$900,000, of which \$55,664 went directly to third parties to pay off amounts owed by the Company, \$83,500 went to the placement agent and were recorded as debt issuance costs to be amortized over the life of the note, leaving the Company with net proceeds of \$760,836. The notes accrue interest at 10% per annum and are due in full between January and December 2015 with no repayments due before maturity. The principal and accrued interest may be converted at the option of the holder to common stock at \$0.30.

During the year ended December 31, 2014, the Company entered into additional debt agreements with various individuals to borrow a total of \$80,000 which was \$75,000 in cash and \$5,000 as a reduction of accounts payable. The notes accrue interest at 10% per annum and are due in full between March and April 2016 with no repayments due before maturity. The principal and accrued interest may be converted at the option of the holder to common stock at \$0.30. The intrinsic value of the conversion feature in these notes resulted in debt discounts totaling \$80,000 which will be amortized over the lives of the notes. \$30,171 of the debt discounts were recognized in interest expense during the year ended December 31, 2014 leaving an unamortized discount of \$49,829 at December 31, 2014. Additionally, during the year ended December 31, 2014, the Company accepted the full conversion of nine notes and the partial conversion of another to common stock at \$0.30 per share resulting in 1,733,332 shares of common stock being issued in consideration of \$610,000 of principal plus 174,201 shares of common stock being issued in consideration of \$55,358 of accrued interest.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable because we are a smaller reporting company.





**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Intelligent Highway Solutions, Inc.

We have audited the accompanying balance sheets of Intelligent Highway Solutions, Inc. (the Company) as of December 31, 2014 and 2013 and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Intelligent Highway Solutions, Inc. as of December 31, 2014 and 2013, and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has not yet established an ongoing source of revenues sufficient to cover its operating costs as of December 31, 2014 which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Sadler, Gibb & Associates, LLC*

Salt Lake City, UT  
May 7, 2015

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**Item 8. Financial Statements and Supplementary Data.**

INTELLIGENT HIGHWAY SOLUTIONS  
BALANCE SHEETS

	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 95,251	\$ 28,664
Contracts receivable, net	139,908	-
Costs and estimated earnings in excess of billings on uncompleted contracts	115,801	-
Prepaid expenses	77,161	194,481
Deferred loan costs, current	96,705	182,324
<b>Total current assets</b>	<u>524,826</u>	<u>405,469</u>
Property and equipment, net of accumulated depreciation of \$8,731 and \$1,607	14,940	1,752
Deferred loan costs, net	1,904	78,833
Prepaid expenses	69,371	-
<b>Total assets</b>	<u>\$ 611,041</u>	<u>\$ 486,054</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current liabilities</b>		
Bank overdraft	\$ 40	\$ 40
Accounts payable	170,529	89,562
Accrued expenses and other liabilities	1,002,854	909,105
Notes payable, current portion	185,000	252,274
Convertible notes payable, current portion, net of discounts of \$95,571 and \$0	528,929	30,000
Notes payable, related party, current portion	10,000	-
Derivative liability	167,970	46,023
Accrued interest	76,671	113,599
<b>Total current liabilities</b>	<u>2,141,993</u>	<u>1,440,603</u>
Notes payable, net of current portion	100,000	-
Convertible notes payable, net of discounts of \$49,829 and \$589,075	30,171	310,925
<b>Total liabilities</b>	<u>2,272,164</u>	<u>1,751,528</u>
<b>Stockholders' deficit</b>		
Common stock, \$0.00001 par value; 100,000,000 shares authorized; 30,589,839 and 11,933,666 issued; 30,539,839 and 11,933,666 outstanding at December 31, 2014 and 2013	306	119
Additional paid-in capital	5,247,786	2,071,274
Treasury stock, 50,000 shares at \$.084 per share	(4,200)	-
Accumulated deficit	(6,905,015)	(3,336,867)
<b>Total stockholders' deficit</b>	<u>(1,661,123)</u>	<u>(1,265,474)</u>
<b>Total liabilities and stockholders' deficit</b>	<u>\$ 611,041</u>	<u>\$ 486,054</u>

See accompanying notes to financial statements.

INTELLIGENT HIGHWAY SOLUTIONS  
STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2014	2013
<b>Revenue</b>	\$ 1,016,489	\$ 833,528
<b>Cost of sales</b>	787,899	778,139
<b>Gross profit</b>	228,590	55,389
<b>Operating expenses</b>		
Salaries and wages	279,735	238,081
General and administrative	1,483,104	1,253,838
<b>Total operating expenses</b>	1,762,839	1,491,919
<b>Loss from operations</b>	(1,534,249)	(1,436,530)
<b>Other income (expense)</b>		
Gain on extinguishment of debt	108,576	(87,219)
Loss on derivative fair value adjustment	(128,969)	27,428
Penalties	(124,398)	-
Legal settlements	(354,064)	-
Interest expense	(1,535,044)	(490,195)
<b>Total other expense</b>	(2,033,899)	(549,986)
<b>Loss before income taxes</b>	(3,568,148)	(1,986,516)
<b>Provision for income taxes</b>	-	-
<b>Net loss</b>	\$ (3,568,148)	\$ (1,986,516)
<b>Basic and diluted loss per common share</b>	\$ (0.19)	\$ (0.18)
<b>Basic and diluted weighted average shares outstanding</b>	19,204,776	11,056,661

See accompanying notes to financial statements.

INTELLIGENT HIGHWAY SOLUTIONS  
STATEMENT OF STOCKHOLDERS' DEFICIT

	Common Stock		Additional	Treasury	Accumulated	Total
	Shares	Amount	Paid-in Capital	Stock	Deficit	
<b>Balance, December 31, 2012</b>	10,729,666	\$ 107	\$ 161,523	\$ -	\$ (1,350,351)	\$ (1,188,721)
Common stock issued for services	1,104,000	11	744,604	-	-	744,615
Common stock issued for extension of note	100,000	1	88,499	-	-	88,500
Options issued for loan costs	-	-	276,648	-	-	276,648
Debt discounts recorded on convertible notes payable	-	-	800,000	-	-	800,000
Net loss, year ended December 31, 2013	-	-	-	-	(1,986,516)	(1,986,516)
<b>Balance, December 31, 2013</b>	11,933,666	119	2,071,274	-	(3,336,867)	(1,265,474)
Common stock issued for services	5,275,000	53	828,270	-	-	828,323
Common stock issued for loan costs	650,000	6	115,244	-	-	115,250
Common stock issued for conversion of notes payable	8,796,579	88	952,900	-	-	952,988
Common stock issued for conversion of interest payable	582,928	6	63,721	-	-	63,727
Common stock issued as settlement of accounts payable	7,500	-	3,000	-	-	3,000
Common stock issued as legal settlement	752,616	8	354,056	-	-	354,064
Common stock issued for penalties	1,160,000	12	93,404	-	-	93,416
Common stock issued for cash	1,431,550	14	87,902	-	-	87,916
Common stock repurchased	(50,000)	-	-	(4,200)	-	(4,200)
Options issued for loan costs	-	-	11,331	-	-	11,331
Debt discounts recorded on convertible notes payable	-	-	80,000	-	-	80,000
Change in fair market value of derivative liabilities	-	-	586,786	-	-	586,684
Net loss, year ended December 31, 2014	-	-	-	-	(3,568,148)	(3,568,148)
<b>Balance, December 31, 2014</b>	<u>30,539,839</u>	<u>\$ 306</u>	<u>\$ 5,247,786</u>	<u>\$ (4,200)</u>	<u>\$ (6,905,015)</u>	<u>\$ (1,661,123)</u>

See accompanying notes to financial statements.

INTELLIGENT HIGHWAY SOLUTIONS  
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2014	2013
<b>Cash flows from operating activities</b>		
Net loss	\$ (3,568,148)	\$ (1,986,516)
Adjustments to reconcile net loss to net cash used in operating activities		
Common stock issued for services	828,323	314,616
Common stock issued for penalties	93,417	-
Common stock issued for legal settlements	354,064	-
Excess fair value of common stock issued for conversion of note payable	25,000	-
Gain on forgiveness of debt	(108,576)	87,219
Depreciation	7,124	672
Amortization of deferred loan costs	243,130	366,240
Amortization of prepaid expenses	232,949	-
Loss on derivative fair value adjustment	128,969	(27,428)
Excess derivative liability charged to interest	109,210	43,451
Allowance for doubtful accounts	-	(45,820)
Amortization of debt discount	994,126	240,925
Expenses paid on behalf of company	34,500	55,664
Changes in operating assets and liabilities		
Contracts receivable	(139,908)	512,106
Earnings in excess of billings	(115,801)	-
Other receivables	-	120
Deposits	-	6,005
Prepaid expenses	-	21,965
Deferred loan costs	-	-
Accounts payable	47,015	23,374
Accrued interest	37,048	76,481
Accrued expenses and other liabilities	93,749	(399,080)
<b>Net cash used in operating activities</b>	<b>(703,809)</b>	<b>(710,006)</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(20,312)	-
<b>Net cash used in investing activities</b>	<b>(20,312)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Repayment of bank overdraft	-	(1,678)
Proceeds from bank overdraft	-	40
Proceeds from convertible notes payable	583,500	760,836
Repayments of convertible notes payable	(171,508)	-
Proceeds from notes payable	435,000	20,000
Repayments of notes payable	(150,000)	(40,528)
Proceeds from related party notes payable	10,000	-
Proceeds from common stock issued for cash	87,916	-
Purchase of treasury stock	(4,200)	-
<b>Net cash provided by financing activities</b>	<b>790,708</b>	<b>738,670</b>
Change in cash and cash equivalents	66,587	28,664
Cash at beginning of period	28,664	-
Cash at end of period	<u>\$ 95,251</u>	<u>\$ 28,664</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 16,129	\$ 25,271
Cash paid for income taxes	\$ -	\$ -
<b>Supplemental disclosure of non-cash financing activities:</b>		
Common stock issued for note conversion	\$ 952,988	\$ -
Common stock issued for accrued interest conversion	\$ 63,727	\$ -
Common stock issued for debt issuance costs	\$ 69,251	\$ -
Assumption of note payable	\$ 212,526	\$ -

Debt discount from warrants and beneficial conversion features issued with debt	\$ 11,331	\$ -
Debt discount on convertible notes	\$ 80,000	\$ 800,000
Initial measurements of derivative liabilities	\$ 470,451	\$ 30,000
Conversion of derivative liabilities	\$ 586,683	\$
Stock options issued for prepaid expenses	\$ -	\$ 276,648
Common stock issued for prepaid expenses	\$ 185,000	\$ 518,000

See accompanying notes to financial statements.

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 1 – ORGANIZATION**

Organization, Nature of Business and Trade Name

Intelligent Highway Solutions, Inc. (the “Company” or “IHS”) was formed on April 22, 2011; IHS is a technology based intelligent highway solutions contractor. Through June 30, 2013, the Company’s primary focus was in the California transportation market providing services that range from providing labor, materials, and related equipment for corrective service and maintenance services for the State’s transportation infrastructure. Since that time, the Company has devoted its time to electrical service contracts. Additionally, the Company intends to develop transportation technology services that enable vehicles, roads, traffic lights, message signs, and other elements to become “intelligent” by embedding them with microchips and sensors and by empowering them to communicate with each other via wireless technologies. The acceleration of data collection and communication will allow state governments to improve transportation system performance by reducing congestion and increasing both traveler safety and convenience.

**NOTE 2 – GOING CONCERN**

The Company’s financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management’s plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates

The preparation of financial statements in 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A change in managements’ estimates or assumptions could have a material impact on the Company’s financial condition and results of operations during the period in which such changes occurred.

Actual results could differ from those estimates. The Company’s financial statements reflect all adjustments that management believes are necessary for the fair presentation of their financial condition and results of operations for the periods presented.

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contracts Receivable

Contracts receivable from construction, operations and maintenance are based on amounts billed to customers. The Company provides an allowance for doubtful collections which is based upon a review of outstanding receivable, historical collection information, and existing economic conditions. Normal contracts receivable are due 30 days after issuance of the invoice. Contract retentions are usually due 30 days after completion of the project and acceptance by the owner. Contracts receivable past due more than 60 days are considered delinquent. Delinquent contracts receivable are written off based on individual credit evaluation and specific circumstances of the customer. The Company had bad debt expense of \$0 and \$1,607 during the years ended December 31, 2014 and 2013, respectively. The allowance for doubtful accounts is \$0 as of December 31, 2014.

Property, Plant and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Depreciation is computed over the estimated useful lives of the related assets. The estimated useful lives of depreciable assets are:

	Estimated Useful Life
Furniture and fixtures	3 - 5 years
Machinery and equipment	5 years
Vehicles	5 years

For federal income tax purposes, depreciation is computed under the modified accelerated cost recovery system. For financial statements purposes, depreciation is computed under the straight-line method. Balances of each asset class as of December 31, 2014 and 2013 were:



**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property, Plant and Equipment (continued)

	December 31, 2014	December 31, 2013
Machinery and equipment	\$ 2,149	\$ 2,149
Furniture and fixtures	6,273	1,210
Vehicles	15,249	-
Sub Total	\$ 23,671	\$ 3,359
Accumulated depreciation	(8,731)	(1,607)
Total	<u>\$ 14,940</u>	<u>\$ 1,752</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$7,123 and \$672, respectively.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following at December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Deferred rent payable	\$ (51)	\$ 2,673
Payroll tax liabilities	767,109	637,139
Other payroll accruals	25,234	51,711
Other	210,562	217,582
Total	<u>\$ 1,002,854</u>	<u>\$ 909,105</u>

Revenues and Cost of Revenues

Revenues from fixed-price and cost-plus contracts are recognized on the percentage of completion method, whereby revenues on long-term contracts are recorded on the basis of the Company's estimates of the percentage of completion of contracts based on the ratio of the actual cost incurred to total estimated costs. This cost-to-cost method is used because management considers it to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned, measured on the cost-to-cost method.

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues and Cost of Revenues (continued)

Cost of revenues include all direct material, sub-contract, labor, and certain other direct costs, as well as those indirect costs related to contract performance, such as indirect labor and fringe benefits. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changed in job performance, job conditions and estimated profitability may result in revisions to cost and income, which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, contract penalty provisions, claims, change orders, and settlements, are accounted for as changes in estimates in the current period. Claims for additional contract revenue are recognized when realization of the claim is probable and the amount can be reasonably determined.

The asset, "cost and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Cost of sales totaled \$787,899 and \$778,139 during the years ended December 31, 2014 and 2013, respectively.

Reclassifications

Certain prior-year amounts have been reclassified in order to conform to the current-year presentation.

Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Convertible debt

The Company records a beneficial conversion feature related to the issuance of convertible debts that have conversion features at fixed or adjustable rates. The beneficial conversion feature for the convertible instruments is recognized and measured by allocating a portion of the proceeds as an increase in additional paid-in capital and as a reduction to the carrying amount of the convertible instrument equal to the intrinsic value of the conversion features. The beneficial conversion feature will be accreted by recording additional non-cash interest expense over the expected life of the convertible notes.

Net Loss Per Share

Net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the specified period. Diluted earnings per common share is computed by dividing net income by the weighted average number of common shares and potential common shares during the specified period. For the years ended December 31, 2014 and 2013, potential common shares are not included in the diluted net loss per share calculation as their effect would be anti-dilutive. Such potentially dilutive shares are excluded when the effect would be to reduce net loss per share. There were 9,303,825 and 3,274,868 such potentially dilutive shares excluded for the years ended December 31, 2014 and 2013, respectively.

Recent Accounting Pronouncements

The Company has evaluated recent accounting pronouncements and their adoption has not had or is not expected to have a material impact on the Company's financial position, or statements.

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 4 – CONTRACTS RECEIVABLE, NET**

Contracts receivable consisted of the following at December 31, 2014:

Completed contracts	\$ -
Contracts in progress	139,908
Unbilled	-
	<u>139,908</u>
Retentions:	
Completed contracts	-
Contracts in progress	-
	<u>-</u>
	<u>139,908</u>
Allowance for doubtful accounts	-
	<u>\$ 139,908</u>

**NOTE 5 – COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS**

The following is a summary of the contracts in progress at December 31, 2014:

Costs incurred on uncompleted contracts	\$ 1,001,458
Estimated net loss on uncompleted contracts	-
	<u>1,001,458</u>
Billings to date	(885,657)
	<u>\$ 115,801</u>

This amount is included in the accompanying balance sheet under the following captions at December 31, 2014:

Costs and estimated earnings in excess of billings on uncompleted contracts	<u>\$ 115,801</u>
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**NOTE 6 - FAIR VALUE MEASUREMENTS**

On a recurring basis, we measure certain financial assets and liabilities based upon the fair value hierarchy. The following table presents information about the Company's liabilities measured at fair value as of December 31, 2014 and 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value at December 31, 2014</u>
<b>Liabilities</b>				
Derivative Liability	-	\$ 167,970	-	<u>\$ 167,970</u>

  

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value at December 31, 2013</u>
<b>Liabilities</b>				
Derivative Liability	-	46,023	-	<u>46,023</u>

The changes in the fair value of recurring fair value measurements are measured using the Black Scholes valuation model, and relate solely to the derivative liability as follows:

Balance at December 31, 2013	\$ 46,023
Derivative liabilities recorded	579,661
Change due to note conversion	(586,683)
Fair value adjustment	128,969
Balance at December 31, 2014	<u>\$ 167,970</u>

**NOTE 7 – NOTES PAYABLE**

On November 21, 2011 the Company received a loan in the amount of \$27,000 from Byrd & Company LLC, Emerging Markets Consulting LLC, and Douglas S. Hackett (\$9,000 from each party). The loan is unsecured and bears a simple interest of 12% per annum to be amortized in 6 equal installments of principal and interest commencing January 1, 2012 through June 1, 2012. Our Chief Executive Officer, Devon Jones, and our Chief Financial Officer and Chief Operating Officer, Philip Kirkland, have personally guaranteed this loan. On March 1, 2012, the Company issued Emerging Markets Consulting, LLC shares of common stock equivalent to \$19,000, \$10,000 for cash and \$9,000 in satisfaction of the outstanding loan. Accordingly, the loan from Emerging Markets Consulting, LLC is no longer outstanding. Byrd & Company was repaid \$3,803 and \$3,917 during the years ended December 31, 2013 and 2012 with the remaining balance of \$1,200 being forgiven during the year ended December 31, 2013. During the year ended December 31, 2014, the Company issued a total of 200,000 shares of common stock in satisfaction of the remaining \$9,000 principal on the note with accrued interest of \$2,888 being forgiven. There was \$0 and \$9,000 in principal plus accrued interest of \$0 and \$2,278 due at December 31, 2014 and 2013, respectively.

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
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**NOTE 7 – NOTES PAYABLE (CONTINUED)**

On April 14, 2014, the Company received a loan in the amount of \$90,000 from Innovest, LLC. The loan is due on August 14, 2014 with \$30,000 payment due on each June 14, 2014; July 14, 2014 and August 14, 2014. The loan is unsecured and non-interest bearing. In the event of default, the note shall bear interest at 18% per annum. Additionally, the Company is obligated to issue 50,000 shares of common stock in the event of late payments. The note holder was also issued 75,000 shares of common stock as an incentive to enter into the note. The Company did not make the required principal payment on July 17, 2014 resulting in 50,000 shares of common stock being issued to Innovest and the note beginning to accrue interest at the rate of 18% per annum. Additionally, the Company did not make the required principal payment on August 17, 2014 resulting in an additional 50,000 shares of common stock being issued to Innovest. There was \$60,000 of principal plus accrued interest of \$900 outstanding as of December 31, 2014.

On May 22, 2014, the Company entered into two separate note agreements for \$50,000 (\$100,000 total). The notes carried a fixed interest amount of \$400 and were due on June 15, 2014. If the loans were not repaid by the due date, the Company had the obligation to issue 25,000 shares of common stock to each note holder for each consecutive week the notes were outstanding. Additionally, the note holders each received 100,000 shares of common stock as an incentive to enter into the notes and had the right to sell back 25,000 shares of common stock to the Company for \$2,100. The notes, including the fixed interest amounts, were repaid on June 26, 2014. Additionally, each note holder exercised its right to sell back 25,000 shares of common stock each to the Company for \$2,100. Late penalties yielded an additional 50,000 common shares being issued to each note holder.

On August 5, 2014, the Company entered into two separate note agreements for \$50,000 (\$100,000 total). The notes carried a fixed interest amount of \$800 and are due on October 4, 2014. If the loans were not repaid by the due date, the Company had the obligation to issue 25,000 shares of common stock to each note holder for each consecutive week the notes were outstanding. The Company did not repay the notes during the year ended December 31, 2014 resulting in 325,000 common shares being issued to each note holder (750,000 total common shares) as penalties. Additionally, the note holders each received 125,000 shares of common stock as an incentive to enter into the notes and had the right to sell back 50,000 shares of common stock to the Company for \$4,200. There was a total of \$100,000 in principal and \$1,600 of accrued interest due at December 31, 2014.

On April 17, 2014, the Company received a loan in the amount of \$20,000 from Seton Securities. An additional \$5,000 was received on July 15, 2014. The loans are unsecured, due on demand and non-interest bearing. There was \$25,000 and \$0 in principal and no accrued interest due at December 31, 2014 and 2013.

On September 25, 2014, the Company received a loan from an unrelated party totaling \$10,000. The note carried a fixed interest amount of \$700 and was due on October 9, 2014. The note holder is entitled to receive 10,000 shares of common stock for each week beyond the due date the note is not repaid. The note was repaid on November 13, 2014 resulting in a total of 60,000 common shares being issued as a penalty. Additionally, the Company issued 25,000 shares of common stock as an incentive to enter into the note. There was no principal or accrued interest due as of December 31, 2014.

On October 22, 2014, the Company received a loan from an unrelated party totaling \$100,000. The note carries an interest rate of 12% per annum and is due on October 22, 2016. Additionally, the note is secured by the vehicles owned by the company. There was \$100,000 of principal and accrued interest of \$2,301 due as of December 31, 2014.

**NOTE 8 – CONVERTIBLE NOTES PAYABLE**

On October 26, 2012, the Company received a loan totaling \$30,000 from an unrelated party. The note bears interest at 10% per annum and had an original maturity date of April 26, 2013; however, the Company is in negotiations to extend the maturity date. There was \$30,000 in principal plus accrued interest of \$6,542 and \$4,627 at December 31, 2014 and 2013. The principal and accrued interest may be converted at the option of the holder to common stock at \$0.30.

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**NOTE 8 – CONVERTIBLE NOTES PAYABLE (CONTINUED)**

On February 27, 2014, the Company received a loan totaling \$339,026 from an unrelated party. The note bears interest at 10% per annum and matures February 27, 2015. Of the \$339,026 total note, \$212,526 was paid to former note holders on our behalf and \$1,500 was withheld as debt issue costs resulting in net cash proceeds to the company of \$125,000. Additionally, the note may be converted to common stock at the option of the holder at a rate equal to a 35% discount from the lowest daily volume weighted average price in the five days prior to conversion, but not less than \$0.00004. On various dates during the year ended December 31, 2014, the Company accepted twenty separate partial conversions of the note resulting in a total of 4,063,247 shares of common stock being issued in exchange for \$242,526 of principal. Additionally, the Company accepted a single conversion of accrued interest resulting in 408,727 shares being issued in exchange for \$8,369 of accrued interest. There was \$96,500 in principal plus \$10,165 in accrued interest due at December 31, 2014.

On January 30, 2014, the Company entered into a note with an unrelated party to borrow up to \$300,000 which would carry \$35,000 as an original issue discount bringing the total note to \$335,000 if fully borrowed. Upon closing the agreement, the Company received a loan totaling \$50,000 which carried a prorated original issue discount of \$5,833 bringing the total note to \$55,833. An additional \$55,000 was borrowed during the year ended December 31, 2014 which carried a prorated original issue discount of \$17,137. Additionally, the note may be converted to common stock at the option of the holder at a rate equal to the lesser of \$0.65 or 60% of the lowest trade price in the twenty five (25) trading days prior to conversion and become convertible 180 days after the effective date which is July 29, 2014. The note requires a minimum of two million five hundred thousand (2,500,000) to be held in reserve in the instance of conversion. The note carried interest at 12% per annum and is due on January 30, 2016. During the year ended December 31, 2014, the Company accepted six separate partial conversions from the note holder resulting in 2,500,000 shares of common stock being issued in exchange for \$66,462 of principal and made cash repayments of \$27,917. There was no interest or principal due as of December 31, 2014.

On September 3, 2014, the Company received a loan totaling \$100,000 from an unrelated party. The note carried fixed interest of \$10,000 and was due on September 11, 2014. Additionally, the note may be converted to common stock at the option of the holder at a rate equal to a 35% discount from the lowest daily volume weighted average price in the five days prior to conversion, but not less than \$0.00004. The note holder did not elect to convert any portion of the note and the principal plus fixed interest totaling \$110,000 was repaid on September 11, 2014.

On November 13, 2014, the Company received a loan totaling \$104,000 from an unrelated party. The note carries interest at 8% per annum and is due on August 17, 2015 with a default interest rate of 22% should the note not be repaid by the maturity date. The holder has the right to convert the principal and accrued but unpaid interest to common stock at any time after 180 days from the note date at a 52% discount from the average of the lowest three trading prices of the Company's common stock during the preceding ten trading days. There was \$104,000 of principal and \$1,094 of accrued interest payable at December 31, 2014.

On December 16, 2014, the Company received a loan totaling \$54,000 from an unrelated party. The note carries interest at 8% per annum and is due on September 18, 2015 with a default interest rate of 22% should the note not be repaid by the maturity date. The holder has the right to convert the principal and accrued but unpaid interest to common stock at any time after 180 days from the note date at a 52% discount from the average of the lowest three trading prices of the Company's common stock during the preceding ten trading days. There was \$54,000 of principal and \$178 of accrued interest payable at December 31, 2014.

On December 12, 2014, the Company received a loan totaling \$50,000 from an unrelated party. The note carries interest at 10% per annum and is due on December 12, 2015. The holder has the right to convert the principal and accrued but unpaid interest to common stock at any time after 180 days from the note date at a 40% discount from the lowest closing bid price for the Company's common stock for the fifteen prior trading days. There was \$50,000 of principal and \$260 of accrued interest payable at December 31, 2014.

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**NOTE 8 – CONVERTIBLE NOTES PAYABLE (CONTINUED)**

During the year ended December 31, 2013, the Company entered into additional debt agreements with various individuals to borrow a total of \$900,000, of which \$55,664 went directly to third parties to pay off amounts owed by the Company, \$83,500 went to the placement agent and were recorded as debt issuance costs to be amortized over the life of the note, leaving the Company with net proceeds of \$760,836. The notes accrue interest at 10% per annum and are due in full between January and December 2015 with no repayments due before maturity. The principal and accrued interest may be converted at the option of the holder to common stock at \$0.30. The intrinsic value of the conversion feature in these notes resulted in debt discounts totaling \$800,000 which will be amortized over the lives of the notes. \$210,925 of the debt discounts were recognized in interest expense during the year ended December 31, 2013 leaving an unamortized discount of \$589,075 at December 31, 2013.

The following table depicts the amounts due for each convertible note as of December 31, 2013:

	Maturity Date	Principal	Debt Discount	Carrying Amount, Current Portion	Carrying Amount, Long Term Portion	Accrued Interest
Note holder 1	1/24/2015	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 8,795
Note holder 2	4/26/2015	60,000	(39,370)	-	20,630	4,126
Note holder 3	5/3/2015	25,000	(16,712)	-	8,288	1,658
Note holder 4	5/9/2015	100,000	(67,671)	-	32,329	6,466
Note holder 4	5/31/2015	50,000	(35,342)	-	14,658	2,932
Note holder 5	5/17/2015	50,000	(33,836)	-	16,164	3,233
Note holder 6	5/30/2015	100,000	(66,849)	-	33,151	6,630
Note holder 7	5/9/2015	50,000	(33,836)	-	16,164	3,233
Note holder 8	5/9/2015	50,000	(34,315)	-	15,685	3,137
Note holder 9	6/7/2015	25,000	(17,911)	-	7,089	1,418
Note holder 10	7/1/2015	100,000	(74,932)	-	25,068	5,014
Note holder 10	10/29/2015	25,000	(23,048)	-	1,952	390
Note holder 11	7/15/2024	50,000	(38,425)	-	11,575	2,315
Note holder 12	8/20/2015	25,000	(20,925)	-	4,075	815
Note holder 12	10/18/2015	25,000	(22,911)	-	2,089	418
Note holder 13	10/23/2015	20,000	(18,055)	-	1,945	389
Note holder 16	12/30/2015	45,000	(44,939)	-	63	12
Note holder 19	4/26/2013	30,000	-	30,000	-	4,627
<b>Total</b>		<b>\$ 930,000</b>	<b>\$ (589,075)</b>	<b>\$ 30,000</b>	<b>\$ 310,925</b>	<b>\$ 55,608</b>

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
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**NOTE 8 – CONVERTIBLE NOTES PAYABLE (CONTINUED)**

During the year ended December 31, 2014, the Company entered into debt agreements with various individuals to borrow a total of \$80,000 which was \$75,000 in cash and \$5,000 as a reduction of accounts payable. The notes accrue interest at 10% per annum and are due in full between March and April 2016 with no repayments due before maturity. The principal and accrued interest may be converted at the option of the holder to common stock at \$0.30. The intrinsic value of the conversion feature in these notes resulted in debt discounts totaling \$80,000 which will be amortized over the lives of the notes. \$30,171 of the debt discounts were recognized in interest expense during the year ended December 31, 2014 leaving an unamortized discount of \$49,829 at December 31, 2014. Additionally, during the year ended December 31, 2014, the Company accepted the full conversion of nine notes and the partial conversion of another to common stock at \$0.30 per share resulting in 1,733,332 shares of common stock being issued in consideration of \$610,000 of principal plus 174,201 shares of common stock being issued in consideration of \$55,358 of accrued interest.

The following table depicts the amounts due for each convertible note as of December 31, 2014:

	Maturity Date	Principal	Debt Discount	Carrying Amount, Current Portion	Carrying Amount, Long Term Portion	Accrued Interest
Note holder 1	1/24/2015	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ 14,124
Note holder 1	4/28/2016	15,000	(9,842)	-	5,158	732
Note holder 4	3/21/2016	30,000	(18,288)	-	11,712	2,342
Note holder 7	5/9/2015	50,000	(8,836)	41,164	-	8,233
Note holder 10	11/4/2015	25,000	(10,548)	14,452	-	2,890
Note holder 11	7/15/2024	50,000	(13,425)	36,575	-	7,315
Note holder 12	9/3/2015	25,000	(8,425)	16,575	-	3,315
Note holder 12	10/31/2015	25,000	(10,411)	14,589	-	2,918
Note holder 13	10/21/2015	20,000	(8,055)	11,945	-	2,389
Note holder 16	12/30/2015	45,000	(22,438)	22,562	-	4,512
Note holder 17	3/26/2016	25,000	(15,411)	-	9,589	1,918
Note holder 18	4/4/2016	10,000	(6,288)	-	3,712	742
Note holder 19	4/26/13	30,000	-	30,000	-	6,542
Note holder 20	2/27/15	96,500	(13,434)	83,066	-	10,165
Note holder 21	8/17/15	104,000	-	104,000	-	1,094
Note holder 21	9/18/15	54,000	-	54,000	-	178
Note holder 22	12/12/15	50,000	-	50,000	-	260
<b>Total</b>		<b>\$ 704,500</b>	<b>\$ (145,400)</b>	<b>\$ 528,929</b>	<b>\$ 30,717</b>	<b>\$ 51,430</b>

**NOTE 9 – RELATED PARTY TRANSACTIONS**

We have engaged an entity controlled by the director of the Company to perform consulting services related to the development of new technologies. Payments to this party totaled \$2,500 and \$12,625 during the year ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2014, the Company received an interest free \$8,000 loan from a related party to fund operations. The loan is unsecured, due on demand and as such is included in current liabilities.

During the year ended December 31, 2014, the Company received an interest free \$2,000 loan from a related party to fund operations. The loan is unsecured, due on demand and as such is included in current liabilities.

During the year ended December 31, 2014, the Company received a \$10,000 loan from a related party to fund operations. The loan plus fixed interest of \$1,000 was repaid in December 2014.



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**NOTE 10 – COMMON STOCK**

The Company is authorized to issue up to 100,000,000 shares of \$0.00001 par value common stock. During the year ended December 31, 2014, the Company issued a total of 5,275,000 common shares for services provided by various consultants; 7,500 common shares as settlement of a payable; 752,616 common shares as settlements of certain claims brought against the company by two separate entities; 8,796,579 common shares for total note conversions of \$927,988; 582,928 common shares for total accrued interest conversions of \$63,727; 1,431,550 common shares for total cash proceeds of \$87,916; 1,160,000 common shares valued at \$93,416 for default penalties on notes payable; 650,000 common shares as debt issue costs and repurchased a total of 50,000 common shares for \$4,200 of cash.

There was 30,589,839 shares issued and 30,539,839 outstanding as of December 31, 2014.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

The Company could become a party to various legal actions arising in the ordinary course of business. Matters that are probable of unfavorable outcomes to the Company and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, the Company's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters.

As of the date of this report, except as described below, there are no material pending legal proceedings to which the Company is a party or of which any of their property is the subject, nor are there any such proceedings known to be contemplated by governmental authorities.

Payroll Tax Liabilities

As of December 31, 2014 and 2013, the Company had accrued \$767,109 and \$637,139 in payroll tax liabilities. The payment of these liabilities has not been made due to our limited profitability. Due to the uncertainty regarding our future profitability, it is difficult to predict our ability to pay these liabilities. As a result, a federal tax lien has been levied that will have to be satisfied.

Federal Income Tax Liability

On January 29, 2015, we received a notification from the Internal Revenue Service (the "IRS") regarding deficiencies in our tax return for the year ended December 31, 2011. The notice was the result of not filing our tax return for the year then ended and included the results of an IRS examination which yielded an income tax amount due of \$92,804 plus penalties and interest totaling \$34,337 for a total amount due of \$127,141. While we believe we will be able to successfully reduce the tax liability and assessed penalties to zero or near zero due to our net loss sustained during the year ended December 31, 2011, the possibility exists we will be unsuccessful and could face an assessment for the full amount of \$127,141. There is no accrued liability for this potential payout as of December 31, 2014 given the inestimable nature of the outcome at this point.

Vehicle Leases

The Company previously had entered into twelve separate month to month leases on various vehicles which required total monthly payments of \$3,971. The vehicles related to these leases were purchased by the Company in April 2014.

Office and Warehouse Lease

The Company is required under the terms of the rental lease to make monthly lease payments.

The Company's property lease is for an initial period of thirteen months from October 2011 and may be extended in two separate thirteen-month increments for up to a total term of 39 months. The lease was extended for an additional twelve month period commencing on January 9, 2015 requiring monthly rental payments of \$3,700. The Company may not terminate this lease prior to the agreed upon termination date. The minimum future annual rental commitments are as follows:

2015	44,480
2016	973
Total annual lease commitments	<u>\$ 45,453</u>

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**NOTE 12 – DERIVATIVE LIABILITY**

As of December 31, 2014 the Company had a \$167,970 derivative liability balance on the balance sheet and recorded a loss from derivative liability fair value adjustment of \$128,969 during the year ended December 31, 2014. The derivative liability activity comes from convertible notes payable as follows:

As discussed in Note 8 – “Convertible Notes Payable”, during 2012, the Company issued an aggregate of \$30,000 Convertible Promissory Notes to an unrelated party that matured on April 26, 2013. The Company is currently negotiating an extension of the maturity date and anticipates to successfully do so. The note bears interest at a rate of 10% per annum and can be convertible into the Company’s common shares, at the holder’s option, at the conversion rate of \$0.30 per share. The Company analyzed the conversion feature of the agreement for derivative accounting consideration under ASC 815-15 “Derivatives and Hedging” and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to “reset” provisions in the event the Company subsequently issues common stock, stock warrants, stock options or convertible debt with a stock price, exercise price or conversion price lower than conversion price of these notes. If these provisions are triggered, the conversion price of the note will be reduced. The Company has determined that the conversion feature is not considered to be solely indexed to the Company’s own stock and is therefore not afforded equity treatment. In accordance with AC 815, the Company has bifurcated the conversion feature of the note and recorded a derivative liability.

The embedded derivative for the note is carried on the Company’s balance sheet at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the income statement and the associated fair value carrying amount on the balance sheet is adjusted by the change. The Company fair values the embedded derivative using the Black-Scholes option pricing model. The aggregate fair value of the derivative at the inception date of the note was \$73,451. Of the total, \$30,000 was recorded as a debt discount, which is up to but not more than the net proceeds of the notes. \$43,451 was charged to operations as non-cash interest expense. The fair value of \$73,451 was recorded as a derivative liability on the balance sheet.

The debt discount for the note was amortized over the term of our stock’s opening trading day to the original maturity, or two days. On December 31, 2014, the Company marked-to-market the fair value of the derivative liabilities related to note and determined an aggregate fair value of \$1,594 and recorded a gain of \$44,429 from change in fair value of derivatives for year ended December 31, 2014. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 481%, (3) risk-free interest rate of 0%, (4) expected life of 0.25 of a year, and (5) estimated fair value of the Company’s common stock of \$0.03 per share.

As discussed in Note 8 – “Convertible Notes Payable”, on February 27, 2014, the Company issued an aggregate of \$339,026 Convertible Promissory Notes to an unrelated party that mature on February 27, 2015. The note bears interest at a rate of 10% per annum and can be convertible into the Company’s common shares, at the holder’s option, at the conversion rate equal to a 35% discount from the lowest daily volume weighted average price in the five days prior to conversion, but not less than \$0.00004. The Company analyzed the conversion feature of the agreement for derivative accounting consideration under ASC 815-15 “Derivatives and Hedging” and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to “reset” provisions in the event the Company subsequently issues common stock, stock warrants, stock options or convertible debt with a stock price, exercise price or conversion price lower than conversion price of these notes. If these provisions are triggered, the conversion price of the note will be reduced. The Company has determined that the conversion feature is not considered to be solely indexed to the Company’s own stock and is therefore not afforded equity treatment. In accordance with AC 815, the Company has bifurcated the conversion feature of the note and recorded a derivative liability.

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**NOTE 12 – DERIVATIVE LIABILITY (CONTINUED)**

The embedded derivative for the note is carried on the Company's balance sheet at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the income statement and the associated fair value carrying amount on the balance sheet is adjusted by the change. The Company fair values the embedded derivative using the Black-Scholes option pricing model. The aggregate fair value of the derivative at the inception date of the note was \$260,398 which was recorded as a debt discount, which is up to but not more than the net proceeds of the notes. The fair value of \$260,398 was recorded as a derivative liability on the balance sheet.

The debt discount for the notes will be amortized over the term of the note, or one year. On December 31, 2014, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of \$166,376 and recorded a \$271,390 loss from change in fair value of derivatives for year ended December 31, 2014. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 492%, (3) risk-free interest rate of 0%, (4) expected life of 0.16 of a year, and (5) estimated fair value of the Company's common stock of \$0.03 per share.

As discussed in Note 8 – "Convertible Notes Payable", on January 30, 2014, the Company entered into a note with an unrelated party to borrow up to \$300,000. The note may be converted to common stock at the option of the holder at a rate equal to the lesser of \$0.65 or 60% of the lowest trade price in the twenty five (25) trading days prior to conversion and become convertible 180 days after the effective date which is July 29, 2014. The Company analyzed the conversion feature of the agreement for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to "reset" provisions in the event the Company subsequently issues common stock, stock warrants, stock options or convertible debt with a stock price, exercise price or conversion price lower than conversion price of these notes. If these provisions are triggered, the conversion price of the note will be reduced. The Company has determined that the conversion feature is not considered to be solely indexed to the Company's own stock and is therefore not afforded equity treatment. In accordance with AC 815, the Company has bifurcated the conversion feature of the note and recorded a derivative liability.

The embedded derivative for the note is carried on the Company's balance sheet at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the income statement and the associated fair value carrying amount on the balance sheet is adjusted by the change. The Company fair values the embedded derivative using the Black-Scholes option pricing model. The aggregate fair value of the derivative at the date the note became convertible was \$174,114 which resulted in a debt discount equal to the outstanding principal at the time of \$100,053 with an excess of \$74,061 being charged to interest expense. The fair value of \$174,114 was recorded as a derivative liability on the balance sheet.

The debt discount for the notes will be amortized over the term of the note, or one year. On December 31, 2014, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of \$0 and recorded a \$47,157 loss from change in fair value of derivatives for year ended December 31, 2014. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 262%, (3) risk-free interest rate of .11%, (4) expected life of 1.25 of a year, and (5) estimated fair value of the Company's common stock of \$0.06 per share.

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**NOTE 12 – DERIVATIVE LIABILITY (CONTINUED)**

As discussed in Note 8 – “Convertible Notes Payable”, on September 3, 2014, the Company received a loan totaling \$100,000 from an unrelated party. The note carried fixed interest of \$10,000 and was due on September 11, 2014. Additionally, the note may be converted to common stock at the option of the holder at a rate equal to a 35% discount from the lowest daily volume weighted average price in the five days prior to conversion, but not less than \$0.00004. The Company analyzed the conversion feature of the agreement for derivative accounting consideration under ASC 815-15 “Derivatives and Hedging” and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to “reset” provisions in the event the

Company subsequently issues common stock, stock warrants, stock options or convertible debt with a stock price, exercise price or conversion price lower than conversion price of these notes. If these provisions are triggered, the conversion price of the note will be reduced. The Company has determined that the conversion feature is not considered to be solely indexed to the Company’s own stock and is therefore not afforded equity treatment. In accordance with AC 815, the Company has bifurcated the conversion feature of the note and recorded a derivative liability.

The embedded derivative for the note is carried on the Company’s balance sheet at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the income statement and the associated fair value carrying amount on the balance sheet is adjusted by the change. The Company fair values the embedded derivative using the Black-Scholes option pricing model. The aggregate fair value of the derivative on the date the note was entered into was \$100,055 which resulted in a debt discount equal to the face value of the note of \$100,000 an excess of \$55 being charged to interest expense. The fair value of \$100,055 was recorded as a derivative liability on the balance sheet.

The debt discount for the note was amortized over the term of the note, or one week. On September 17, 2014, the note was repaid resulting in the elimination of the derivative liability and a gain on change in fair market value of derivatives of \$145.149.

**NOTE 13 – STOCK OPTIONS AND WARRANTS**

The following table summarizes all stock option and warrant activity for the year month period ended December 31, 2014:

	Shares	Weighted-Average Exercise Price Per Share
Outstanding, December 31, 2013	293,333	\$ 0.30
Granted	338,572	0.30
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding, December 31, 2014	<u>631,905</u>	<u>\$ 0.30</u>

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

The following table discloses information regarding outstanding and exercisable options and warrants at December 31, 2014:

Exercise Prices	Outstanding			Exercisable	
	Number of Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number of Option Shares	Weighted Average Exercise Price
\$ 0.30	631,905	\$ 0.30	2.48	631,905	\$ 0.30
	631,905	\$ 0.30	2.48	631,905	\$ 0.30

In determining the compensation cost of the stock options granted, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used in these calculations are summarized as follows:

	December 31, 2014
Expected term of options granted	2 - 5 years
Expected volatility range	394 - 408%
Range of risk-free interest rates	1.70 - 1.73%
Expected dividend yield	0%

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 14 – INCOME TAXES**

We did not provide any current or deferred U.S. federal income tax provision or benefit for any of the periods presented because we have experienced operating losses since inception. When it is more likely than not that a tax asset cannot be realized through future income the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carry forward period.

The Company has not taken a tax position that, if challenged, would have a material effect on the financial statements for the years ended December 2014 or 2013 applicable under FASB ASC 740. We did not recognize any adjustment to the liability for uncertain tax position and therefore did not record any adjustment to the beginning balance of accumulated deficit on the balance sheet. All tax returns for the Company remain open.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences for the periods presented are as follows:

Income tax provision at the federal statutory rate	35%
Effect on operating losses	<u>(35)%</u>

Changes in the net deferred tax assets consist of the following:

	2014	2013
Net operating loss carry forward	\$ 1,080,910	\$ 797,485
Valuation allowance	(1,080,910)	(797,485)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of income taxes computed at the statutory rate is as follows:

	2014	2013
Computed federal income tax expense at statutory rate of 35%	\$ (1,248,852)	\$ (695,281)
Stock options issued for services	289,913	110,116
Amortization of deferred loan costs	85,096	128,184
Amortization of debt discount	347,944	84,324
Depreciation and amortization	2,493	235
Change in derivative liability	45,139	16,108
Stock issued for legal settlement	123,922	-
Stock issued for penalties	32,696	-
Excess derivative liability charged to interest	38,224	-
Change in valuation allowance	283,425	356,314
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

The net federal operating loss carry forward will expire in 2031. This carry forward may be limited upon the consummation of a business combination under IRC Section 381.

**NOTE 15 – SUBSEQUENT EVENTS**

On various dates from January to April 2015, the Company accepted six partial conversions of an outstanding note payable to common stock. As a result, the Company issued a total of 5,150,750 shares of common stock for a reduction of \$39,000 of outstanding principal.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.*****Evaluation of Disclosure Controls and Procedures***

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures are not effective to ensure that: (1) information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms; and (2) that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control Over Financial Reporting.**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our internal control system was designed to, in general, provide reasonable assurance to the Company’s management and board regarding the preparation and fair presentation of published financial statements, but because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2014. The framework used by management in making that assessment was the criteria set forth in the document entitled “ Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, our CEO and Interim CFO have determined and concluded that, as of December 31, 2014, the Company’s internal control over financial reporting was not effective.

As defined by Auditing Standard No. 5, “An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments,” established by the Public Company Accounting Oversight Board (“PCAOB”), a material weakness is a deficiency or combination of deficiencies that result in a more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. In connection with the assessment described above, management identified the following control deficiencies that represent material weaknesses as of December 31, 2014:

- (1)Lack of an independent audit committee or audit committee financial expert. Although our board of directors serves as the audit committee it has no independent directors. Further, we have not identified an audit committee financial expert on our board of directors. These factors are counter to corporate governance practices as defined by the various stock exchanges and may lead to less supervision over management.
- (2)We do not have sufficient experience from our accounting personnel with the requisite U.S. GAAP public company reporting experience that is necessary for adequate controls and procedures.

Our management determined that these deficiencies constituted material weaknesses.

Due to our small size, we were not able to immediately take any action to remediate these material weaknesses but plan to address these items in the near future. Notwithstanding the assessment that our Internal Controls over Financial Reporting was not effective and that there were material weaknesses identified herein, we believe that our consolidated financial statements contained in this Annual Report fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm as we are a smaller reporting company and not required to provide the report.

### ***Changes in Internal Control over Financial Reporting***

No change in our system of internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information.**

On November 21, 2014 (the "Closing Date"), the Company closed a financing transaction by entering into a Purchase Agreement dated November 13, 2014 (the "Purchase Agreement") with KBM Worldwide, Inc. (the "Purchaser") for an aggregate principal amount of \$104,000 (the "Purchase Price"). Pursuant to the Purchase Agreement, the Company issued an 8% Convertible Promissory Note (the "Note").

The terms of the Note are as follows:

#### ***Convertible Promissory Note***

The Note earns an interest rate per annum equal to 8% and has a maturity date of August 17, 2015 (the "Maturity Date"). The Note is convertible any time during the period beginning on the date which is one hundred eighty (180) days following the date of the issuance of the Note and ending on the later of (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in the Note) at a conversion price equal to 52% discount to the average of the lowest three (3) trading prices for the common stock during the ten (10) Trading Day (as defined in the Note) period immediately prior the conversion date. The conversion price is subject to adjustment in the case of stock splits, stock dividends, combinations of shares and similar recapitalization transactions and any issuances of securities below the conversion price of the Note.

Unless permitted by the applicable rules and regulations of the principal securities market on which the common stock is then listed or traded, in no event shall the Company issue upon conversion of or otherwise pursuant to the Note and the other Notes issued pursuant to the Purchase Agreement more than the maximum number of shares of common stock that the Company can issue pursuant to any rule of the principal United States securities market on which the common stock is then traded (the "Maximum Share Amount"), which shall be 4.99% of the total shares outstanding on the Closing Date, subject to equitable adjustment from time to time for stock splits, stock dividends, combinations, capital reorganizations and similar events relating to the common stock occurring after the Closing Date. As of the Closing Date, the Maximum Share Amount was 1,449,871 shares of common stock (4.99% of the 29,055,535 shares of common stock that were outstanding on the Closing Date).

If there is an "Event of Default" (as defined in the Note) the Purchaser has the right to require the Company to repay in cash all or a portion of the Note at a price equal to 150% of the aggregate principal amount of the Note plus all accrued and unpaid interest on the principal amount of the Note. In addition, in the event of a: (i) sale, conveyance or disposition of all or substantially all of the assets of the Company, (ii) transaction in which more than 50% of the voting power of the Company is disposed of, or (iii) consolidation, merger or other business combination of the Company with or into any other Person (as defined in the Note) when the Company is not the survivor ("Major Event"), the Purchaser has the option to treat the Major Event as an Event of Default or may immediately convert the remaining balance on the Note and shall be entitled to receive as many shares as the Purchaser would have been entitled to immediately prior to the Major Event.

The foregoing description of the terms of the Purchase Agreement and the Note do not purport to be complete and are qualified in their entirety by reference to the provisions of such agreements filed as exhibits 4.9 and 10.9 to this report.

The foregoing securities under Purchase Agreement were offered and sold without registration under the Securities Act of 1933 (the "Securities Act") in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder and in reliance on similar exemptions under applicable state laws.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth the name and age of officers and director as of May 7, 2015.

Name	Age	Position
David D. Singer	65	President, Chief Technology Officer and Director
Devon Jones	36	Chief Executive Officer and Director
Philip Kirkland	50	Chief Financial Officer, Chief Operating Officer and Director

Set forth below is a brief description of the background and business experience of our executive officer and director for the past five years.

**David D. Singer** is the President and Chief Technology Officer (CTO) of the Intelligent Highway Solutions, Inc. From 2009 to 2011, he served as the CEO of American Control Technologies, a privately held company. From 2007 to 2009 he was President of Homeland Security Corporation (OTC: HSCC). From 2004 to 2007, he served as the COO of Tarallax, a privately held company. Mr. Singer's service as President of Homeland Security Corporation has given him the requisite experience needed to serve as an officer and director of the Company.

**Devon Jones** is the Chief Executive Officer (CEO) of the Company. From June 2002 to November 2006, Mr. Jones served as the CEO of Connect One Communications, a telecom provider. He has a variety of electrical service certifications and has the requisite knowledge and skill in the electrical service industry which led to the conclusion that he should serve as a director of the Company.

**Philip Kirkland** is the Chief Operating Officer (COO) and Chief Financial Officer (CFO) of the Company. He founded Kid Conduit, Inc., a privately held business in 1996. He has a variety of electrical service certifications including an electrical contractor's license which led to the conclusion that he should serve as a director of the Company.

#### Family Relationships

There are no family relationships among any of our officers or directors.

#### Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has, during the past ten years:

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Except as set forth in our discussion below in "Certain Relationships and Related Transactions," none of our directors or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the Commission.



## Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

## Code of Ethics

We do not have a code of ethics that applies to our officers, employees and directors.

## Corporate Governance

The business and affairs of the company are managed under the direction of our board. In addition to the contact information in this annual report, each stockholder will be given specific information on how he/she can direct communications to the officers and directors of the corporation at our annual stockholders meetings. All communications from stockholders are relayed to the members of the board of directors.

## Role in Risk Oversight

Our board of directors is primarily responsible for overseeing our risk management processes. The board of directors receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our company's assessment of risks. The board of directors focuses on the most significant risks facing our company and our company's general risk management strategy, and also ensures that risks undertaken by our company are consistent with the board's appetite for risk. While the board oversees our company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our board leadership structure supports this approach.

## Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, our directors and certain of our officers, and persons holding more than 10 percent of our common stock are required to file forms reporting their beneficial ownership of our common stock and subsequent changes in that ownership with the United States Securities and Exchange Commission.

Based solely upon a review of copies of such forms filed on Forms 3, 4, and 5, and amendments thereto furnished to us, we believe that as of the date of this report, our executive officers, directors and greater than 10 percent beneficial owners complied on a timely basis with all Section 16 (a) filing requirements.

## Item 11. Executive Compensation.

The following executives of the Company received compensation in the amounts set forth in the chart below for the fiscal years ended December 31, 2014 and 2013. No other item of compensation was paid to any officer or director of the Company other than reimbursement of expenses.

**Summary Compensation Table**

Name and Principal Position	Year	Salary		Bonus		Stock Awards (\$)		Option Awards		Non- Qualified Deferred Compensation Earnings	All Other Compensation	Totals (\$)
		\$		\$		\$		\$		\$		\$
David D. Singer	2014	\$ 0	\$	0	\$	0	\$	0	\$	0	\$ 2,500	\$ 2,500
President and Chief Technology Officer	2013	\$ 0	\$	0	\$	0	\$	0	\$	0	\$ 12,625(1)	\$ 12,625
Devon Jones	2014	\$ 50,000	\$	0	\$	0	\$	0	\$	0	\$ 150,000(2)	\$ 200,000
Chief Executive Officer	2013	\$ 50,000	\$	0	\$	0	\$	0	\$	0	\$ 146,220(3)	\$ 196,220
Philip Kirkland	2014	\$ 50,000	\$	0	\$	0	\$	0	\$	0	\$ 150,000(4)	\$ 200,000
COO and Chief Financial Officer	2013	\$ 50,000	\$	0	\$	0	\$	0	\$	0	\$ 156,720(5)	\$ 206,720

(1) This amount is for consulting services that were paid to Mr. Singer's entity AWS Services, Inc.

(2) This amount includes the following: (i) \$120,000 pursuant to Mr. Jones' consulting agreement and (ii) \$30,000 for his yearly car allowance.

(3) This amount includes the following: (i) \$116,220 pursuant to Mr. Jones' consulting agreement and (ii) \$30,000 for his yearly car allowance. From January 1, 2013 through December 31, 2014, compensation due to Mr. Jones in the amount of \$63,846 has accrued, but has not been paid.

(4) This amount includes the following: (i) \$120,000 pursuant to Mr. Kirkland's consulting agreement and (ii) \$30,000 for his yearly car allowance.

(5) This amount includes the following: (i) \$126,720 pursuant to Mr. Kirkland's consulting agreement and (ii) \$30,000 for his yearly car allowance. From January 1, 2013 through December 31, 2014, compensation due to Mr. Kirkland in the amount of \$107,114 has accrued, but has not been paid.



## Outstanding Equity Awards at Fiscal Year-End Table

There were no outstanding equity awards for the year ended December 31, 2014.

## Compensation of Directors

The Company has not compensated any of its directors for service on the Board of Directors. Management directors are not compensated for their service as directors; however they may receive compensation for their services as employees of the Company. The compensation received by our management directors is shown in the “Summary Compensation Table” above.

## Employment Agreements

On January 1, 2012, we entered into an employment agreement with our Chief Financial Officer, Philip Kirkland. Pursuant to the agreement, Mr. Kirkland’s employment will be for a term of three (3) years, unless removed earlier, and be compensated with an annual base salary of \$50,000 plus a \$30,000 yearly car allowance.

On January 1, 2012, we entered into an employment agreement with our Chief Executive Officer, Devon Jones. Pursuant to the agreement, Mr. Jones’s employment will be for a term of three (3) years, unless removed earlier, and be compensated with an annual base salary of \$50,000 plus a \$30,000 yearly car allowance.

## Consulting Agreements

On April 22, 2011, we entered into a consulting agreement with Philip Kirkland to provide advisory, consulting and other services in relation to the Company’s operations. Pursuant to the agreement, Mr. Kirkland was paid a monthly consulting fee of \$10,560, which continued until the termination of the agreement on December 31, 2012. The agreement was renewed on January 1, 2013 to extend through December 31, 2013. On January 1, 2014, the Company entered into a separate consulting agreement with Philip Kirkland to provide advisory, consulting and other services in relation to the Company’s operations which required total annual compensation of \$120,000.

On April 22, 2011, we entered into a consulting agreement with Devon Jones to provide advisory, consulting and other services in relation to the Company’s operations. Pursuant to the agreement, Mr. Jones was paid a monthly consulting fee of \$9,685, which continued until the termination of the agreement on December 31, 2012. . The agreement was renewed on January 1, 2013 to extend through December 31, 2013. On January 1, 2014, the Company entered into a separate consulting agreement with Devon Jones to provide advisory, consulting and other services in relation to the Company’s operations which required total annual compensation of \$120,000.

From January 1, 2013 through December 31, 2014, compensation due to Mr. Jones in the amount of \$63,846 has accrued, but has not been paid.

From January 1, 2013 through December 31, 2014, compensation due to Mr. Kirkland in the amount of \$107,114 has accrued, but has not been paid.

We do not have any other employment agreements with our officers or directors.

## Item 12. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth certain information regarding our shares of common stock beneficially owned as of May 7, 2015, for (i) each stockholder known to be the beneficial owner of 5% or more of our outstanding shares of common stock, (ii) each named executive officer and director, and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (i) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (ii) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options or warrants. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner’s spouse or children.

For purposes of this table, a person or group of persons is deemed to have “beneficial ownership” of any shares of common stock that such person has the right to acquire within 60 days of May 7, 2015. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named above, any shares that such person or persons has the right to acquire within 60 days of May 7, 2015 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership. Unless otherwise specified, the address of each of the persons set forth below is care of the company at the address of: 8 Sky Light Court, Sacramento, CA 9582.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percent of Common Stock (1)
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5% Shareholders		
SCS, LLC	4,040,000(2)	11%
LRK Holdings, LLC	4,090,000(3)	11%
Directors and Executive Officers		
David D. Singer	774,900	2%
Devon Jones	4,040,000	11%
Philip Kirkland	4,090,000	11%
<b>All directors and officers as a group (3 people)</b>	<b>8,904,900</b>	<b>25%</b>

- (1) Based on 35,865,589 shares of common stock outstanding as of May 7, 2015.
- (2) The beneficial owner of SCS, LLC is Devon Jones.
- (3) The beneficial owner of LRK Holdings, LLC is Philip Kirkland.
- (4) The beneficial owner of AWS Services, Inc. is David D. Singer.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

We have engaged an entity controlled by David Singer, a director of the Company to perform consulting services related to the development of new technologies. Payments to this party totaled \$2,500 and \$12,625 during the periods ended December 31, 2014 and 2013.

During the year ended December 31, 2014, the Company received an interest free \$8,000 loan from a related party to fund operations. The loan is unsecured, due on demand and as such is included in current liabilities.

During the year ended December 31, 2014, the Company received an interest free \$2,000 loan from a related party to fund operations. The loan is unsecured, due on demand and as such is included in current liabilities.

During the year ended December 31, 2014, the Company received a \$10,000 loan from a related party to fund operations. The loan plus fixed interest of \$1,000 was repaid in December 2014.

**Director Independence**

We do not have any independent directors. Because our common stock is not currently listed on a national securities exchange, we have used the definition of “independence” of The NASDAQ Stock Market to make this determination. NASDAQ Listing Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of the company or any other individual having a relationship which, in the opinion of the Company’s Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three years was, an employee of the company;
- the director or a family member of the director accepted any compensation from the company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- a family member of the director is, or at any time during the past three years was, an executive officer of the company;
- the director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of the company’s outside auditor, or at any time during the past three years was a partner or employee of the company’s outside auditor, and who worked on the company’s audit.

Messrs. Jones, Singer, and Kirkland are not considered independent because they are employees of the Company.

We do not currently have a separately designated audit, nominating or compensation committee.

**Item 14. Principal Accounting Fees and Services.**

The following presents aggregate fees for professional services rendered by our independent registered public accounting firm, Sadler Gibb and Associates, LLC, for the audit of our annual consolidated financial statements during the years ended December 31, 2014 and 2013.

**Audit Fees**

For the Company’s fiscal years ended December 31, 2014 and 2013, we were billed approximately \$47,000 and \$24,000 for professional services rendered for the audit and review of our financial statements.

## Audit Related Fees

There were no fees for audit related services for the years ended December 31, 2014 and 2013.

## Tax Fees

There were no fees billed during the years ended December 31, 2014 and 2013 for tax compliance, advice and filings.

## All Other Fees

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal years ended December 31, 2014 and 2013.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before our auditor is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee; or
- entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

We do not have an audit committee. Our entire board of directors pre-approves all services provided by our independent auditors. The pre-approval process has just been implemented in response to the new rules. Therefore, our board of directors does not have records of what percentage of the above fees was pre-approved. However, all of the above services and fees were reviewed and approved by the entire board of directors either before or after the respective services were rendered.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements and Report of Independent Registered Public Accounting Firm, which are set forth in the index to Consolidated Financial Statements on pages F-1 through F-19 of this report.

Report of Independent Registered Public Accounting Firm	F-1
Balance Sheet	F-2
Statement of Operations	F-3
Statement of Stockholders' Deficit	F-4
Statement of Cash Flows	F-5
Notes to Financial Statements	F-6 - F-20

(2) Financial Statement Schedule: None.

(3) Exhibits

EXHIBIT NUMBER	DESCRIPTION
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3.1	Articles of Incorporation, incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on June 25, 2012.
3.2	By-Laws, incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on June 25, 2012.
4.1	Promissory Note dated June 17, 2011, with three addendums, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on October 18, 2012.
4.2	Promissory Note dated April 29, 2011 with Addendum, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on May 15, 2012.
4.3	Promissory Note dated November 21, 2011, for Byrd & Company, LLC, incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on October 18, 2012.
4.4	Promissory Note dated December 15, 2011, incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on May 15, 2012.
4.5	Promissory Note dated December 15, 2011 Addendums, incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on October 18, 2012.
4.6	Promissory Note dated April 29, 2011 Addendum, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on May 15, 2012.





4.7	Promissory Note dated April 29, 2011 Second and Third Addendum, incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on November 9, 2012.
4.8	Convertible Debenture dated October 19, 2012, incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on November 9, 2012.
4.9*	Convertible Promissory Note Issued to KBM Worldwide, Inc., dated November 13, 2014.
10.1	Copy of Intelligent Highways Solutions, Inc. C-10 Electrical Contractor License, incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on June 25, 2012.
10.2	Copy of Standard Industrial/Commercial Multi-Tenant Lease, incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on June 25, 2012.
10.3	Copy of California Small Business, incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on September 17, 2012.
10.4	Copy of Philip Kirkland Employment Agreement, incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on September 17, 2012.
10.5	Copy of Devon Jones Employment Agreement, incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on September 17, 2012.
10.6	Copy of Philip Kirkland Consulting Agreement, incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on September 17, 2012.
10.7	Copy of Devon Jones Consulting Agreement, incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on September 17, 2012.
10.8	Distribution Agreement between SCS Lighting Solutions Inc. and Intelligent Highway Solutions, Inc. dated August 22, 2013 incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 11, 2013.
10.9*	Purchase Agreement, dated November 13, 2014, by and between Intelligent Highway Solutions, Inc. and KBM Worldwide, Inc.
10.10*	Management Consulting Extension Agreement with Devon Jones, dated January 1, 2014.
10.11*	Management Consulting Extension Agreement with Philip Kirkland, dated January 1, 2014.
21.1	List of Subsidiaries – None.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of Chief Executive Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2+	Certification of Chief Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Schema
101.CAL*	XBRL Taxonomy Calculation Linkbase
101.DEF*	XBRL Taxonomy Definition Linkbase
101.LAB*	XBRL Taxonomy Label Linkbase
101.PRE*	XBRL Taxonomy Presentation Linkbase

\* Filed herewith.

+ In accordance with SEC Release 33-8238, Exhibit 32.1 and 32.2 are being furnished and not filed.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### INTELLIGENT HIGHWAY SOLUTIONS, INC.

Date: May 7, 2015

By: /s/ Devon Jones  
Devon Jones  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 7, 2015

By: /s/ Philip Kirkland  
Philip Kirkland  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Devon Jones</u> Devon Jones	Chief Executive Officer and Director (Principal Executive Officer)	May 7, 2015
<u>/s/ David D. Singer</u> David D. Singer	President and Director	May 7, 2015
<u>/s/ Philip Kirkland</u> Philip Kirkland	Chief Financial Officer, Chief Operating Officer and Director (Principal Financial and Accounting Officer)	May 7, 2015

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$104,000.00

Issue Date: November 13, 2014

Purchase Price: \$104,000.00

#### CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, INTELLIGENT HIGHWAY SOLUTIONS, INC., a Nevada corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of **KBM WORLDWIDE, INC.**, a New York corporation, or registered assigns (the "Holder") the sum of \$104,000.00 together with any interest as set forth herein, on August 17, 2015 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of eight percent (8%) (the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of twenty two percent (22%) per annum from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into common stock, \$0.00001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

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This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall apply to this Note:

#### ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right . The Holder shall have the right from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this Note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article III) pursuant to Section 1.6(a) or Article III, each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived by the Holder upon, at the election of the Holder, not less than 61 days' prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Section 1.4(g) hereof.

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## 1.2 Conversion Price.

(a) Calculation of Conversion Price. The conversion price (the "Conversion Price") shall equal the Variable Conversion Price (as defined herein) (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower's securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The "Variable Conversion Price" shall mean 48% multiplied by the Market Price (as defined herein) (representing a discount rate of 52%). "Market Price" means the average of the lowest three (3) Trading Prices (as defined below) for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. "Trading Price" means, for any security as of any date, the closing bid price on the Over-the-Counter Bulletin Board, Pink Sheets electronic quotation system or applicable trading market (the "OTC") as reported by a reliable reporting service ("Reporting Service") designated by the Holder (i.e. Bloomberg) or, if the OTC is not the principal trading market for such security, the closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no closing bid price of such security is available in any of the foregoing manners, the average of the closing bid prices of any market makers for such security that are listed in the "pink sheets". If the Trading Price cannot be calculated for such security on such date in the manner provided above, the Trading Price shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the OTC, or on the principal securities exchange or other securities market on which the Common Stock is then being traded.

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(b) Conversion Price During Major Announcements. Notwithstanding anything contained in Section 1.2(a) to the contrary, in the event the Borrower (i) makes a public announcement that it intends to consolidate or merge with any other corporation (other than a merger in which the Borrower is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Borrower or (ii) any person, group or entity (including the Borrower) publicly announces a tender offer to purchase 50% or more of the Borrower's Common Stock (or any other takeover scheme) (the date of the announcement referred to in clause (i) or (ii) is hereinafter referred to as the "Announcement Date"), then the Conversion Price shall, effective upon the Announcement Date and continuing through the Adjusted Conversion Price Termination Date (as defined below), be equal to the lower of (x) the Conversion Price which would have been applicable for a Conversion occurring on the Announcement Date and (y) the Conversion Price that would otherwise be in effect. From and after the Adjusted Conversion Price Termination Date, the Conversion Price shall be determined as set forth in Section 1.2(a). For purposes hereof, "Adjusted Conversion Price Termination Date" shall mean, with respect to any proposed transaction or tender offer (or takeover scheme) for which a public announcement as contemplated by this Section 1.2(b) has been made, the date upon which the Borrower (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) consummates or publicly announces the termination or abandonment of the proposed transaction or tender offer (or takeover scheme) which caused this Section 1.2(b) to become operative.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved five times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time)(the "Reserved Amount"). The Reserved Amount shall be increased from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

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If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

#### 1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

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(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (the “Deadline”) (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower’s obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company (“DTC”) Fast Automated Securities Transfer (“FAST”) program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder’s Prime Broker with DTC through its Deposit Withdrawal Agent Commission (“DWAC”) system.

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(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement). Except as otherwise provided in the Purchase Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

**"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES."**

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The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Company does not accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 Effect of Certain Events.

(a) Effect of Merger, Consolidation, Etc.. At the option of the Holder, the sale, conveyance or disposition of all or substantially all of the assets of the Borrower, the effectuation by the Borrower of a transaction or series of related transactions in which more than 50% of the voting power of the Borrower is disposed of, or the consolidation, merger or other business combination of the Borrower with or into any other Person (as defined below) or Persons when the Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which the Borrower shall be required to pay to the Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. "Person" shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

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(b) Adjustment Due to Merger, Consolidation, Etc. . If, at any time when this Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(c) Adjustment Due to Distribution . If the Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(d) Adjustment Due to Dilutive Issuance . If, at any time when any Notes are issued and outstanding, the Borrower issues or sells, or in accordance with this Section 1.6(d) hereof is deemed to have issued or sold, any shares of Common Stock for no consideration or for a consideration per share (before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith) less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a "Dilutive Issuance"), then immediately upon the Dilutive Issuance, the Conversion Price will be reduced to the amount of the consideration per share received by the Borrower in such Dilutive Issuance.

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The Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or grants any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, to subscribe for or to purchase Common Stock or other securities convertible into or exchangeable for Common Stock (“Convertible Securities”) (such warrants, rights and options to purchase Common Stock or Convertible Securities are hereinafter referred to as “Options”) and the price per share for which Common Stock is issuable upon the exercise of such Options is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For purposes of the preceding sentence, the “price per share for which Common Stock is issuable upon the exercise of such Options” is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or granting of all such Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the exercise of all such Options, plus, in the case of Convertible Securities issuable upon the exercise of such Options, the minimum aggregate amount of additional consideration payable upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Options (assuming full conversion of Convertible Securities, if applicable). No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon the exercise of such Options or upon the conversion or exchange of Convertible Securities issuable upon exercise of such Options.

Additionally, the Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or sells any Convertible Securities, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options), and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For the purposes of the preceding sentence, the “price per share for which Common Stock is issuable upon such conversion or exchange” is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or sale of all such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.

(e) Purchase Rights. If, at any time when any Notes are issued and outstanding, the Borrower issues any convertible securities or rights to purchase stock, warrants, securities or other property (the “Purchase Rights”) pro rata to the record holders of any class of Common Stock, then the Holder of this Note will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

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(f) Notice of Adjustments . Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 1.6, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note.

1.7 Trading Market Limitations . Unless permitted by the applicable rules and regulations of the principal securities market on which the Common Stock is then listed or traded, in no event shall the Borrower issue upon conversion of or otherwise pursuant to this Note and the other Notes issued pursuant to the Purchase Agreement more than the maximum number of shares of Common Stock that the Borrower can issue pursuant to any rule of the principal United States securities market on which the Common Stock is then traded (the “Maximum Share Amount”), which shall be 4.99% of the total shares outstanding on the Closing Date (as defined in the Purchase Agreement), subject to equitable adjustment from time to time for stock splits, stock dividends, combinations, capital reorganizations and similar events relating to the Common Stock occurring after the date hereof. Once the Maximum Share Amount has been issued, if the Borrower fails to eliminate any prohibitions under applicable law or the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Borrower or any of its securities on the Borrower’s ability to issue shares of Common Stock in excess of the Maximum Share Amount, in lieu of any further right to convert this Note, this will be considered an Event of Default under Section 3.3 of the Note.

1.8 Status as Shareholder . Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder’s allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder’s rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies for the Borrower’s failure to convert this Note.

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1.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, at any time during the periods set forth on the table immediately following this paragraph (the "Prepayment Periods"), the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the "Optional Prepayment Date"), the Borrower shall make payment of the Optional Prepayment Amount (as defined below) to Holder, or upon the order of the Holder as specified by the Holder in writing to the Borrower, at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Optional Prepayment Amount") equal to the percentage ("Prepayment Percentage") as set forth in the table immediately following this paragraph opposite the applicable Prepayment Period, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Section 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

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**Prepayment Period****Prepayment Percentage**

1. The period beginning on the Issue Date and ending on the date which is thirty (30) days following the Issue Date.	117%
2. The period beginning on the date which is thirty- one (31) days following the Issue Date and ending on the date which is sixty (60) days following the Issue Date	122%
3. The period beginning on the date which is sixty-one (61) days following the Issue Date and ending on the date which is ninety (90) days following the Issue Date	127%
4. The period beginning on the date that is ninety-one (91) day from the Issue Date and ending one hundred twenty (120) days following the Issue Date	132%
5. The period beginning on the date that is one hundred twenty-one (121) day from the Issue Date and ending one hundred fifty (150) days following the Issue Date	137%
6. The period beginning on the date that is one hundred fifty-one (151) day from the Issue Date and ending one hundred eighty (180) days following the Issue Date	142%

After the expiration of one hundred eighty (180) days following the Issue Date, the Borrower shall have no right of prepayment.

**ARTICLE II. CERTAIN COVENANTS**

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchases. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

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2.3 Borrowings. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which the Borrower has informed Holder in writing prior to the date hereof, (b) indebtedness to trade creditors or financial institutions incurred in the ordinary course of business or (c) borrowings, the proceeds of which shall be used to repay this Note.

2.4 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.5 Advances and Loans. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the date hereof and which the Borrower has informed Holder in writing prior to the date hereof, (b) made in the ordinary course of business or (c) not in excess of \$100,000.

### ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise.

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3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower's transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

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3.8 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC (which specifically includes the Pink Sheets electronic quotation system) or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.13 Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.14 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.

3.15 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

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3.16 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. "Other Agreements" means, collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder and any affiliate of the Holder, including, without limitation, promissory notes; provided, however, the term "Other Agreements" shall not include the related or companion documents to this Note. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1, 3.3, 3.4, 3.6, 3.8, 3.9, 3.11, 3.12, 3.13, 3.14, and/or 3. 15 exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3.1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the "Mandatory Prepayment Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Section 1.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Sum") or (ii) the "parity value" of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the "Conversion Date" for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date), multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the "Default Amount") and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

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If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

#### ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

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If to the Borrower, to:  
INTELLIGENT HIGHWAY SOLUTIONS, INC.  
8 Light Sky Court  
Sacramento, CA 95828  
Attn: DEVON JONES, Chief Executive Officer  
facsimile:

With a copy by fax or email only to (which copy shall not constitute notice): Szaferman, Lakind, Blumstein & Blader, P.C.  
Attn: Gregg Jaclin  
101 Grovers Mill  
Road  
Second Floor  
Lawrenceville, NJ  
08648  
facsimile: 609-275-4511  
email:  
gjaclin@szaferman.com

If to the Holder:  
KBM WORLDWIDE, INC.  
80 Cuttermill Road – Suite 410  
Great Neck, NY 11021  
Attn: Seth Kramer, President  
e-mail: [info@kbmworldwide.com](mailto:info@kbmworldwide.com)

With a copy by fax only to (which copy shall not constitute notice):  
Naidich Wurman Birnbaum & Maday, LLP  
Att: Judah A. Eisner, Esq.  
Attn: Bernard S. Feldman, Esq.  
facsimile: 516-466-3555  
e-mail: [dyork@nwbmlaw.com](mailto:dyork@nwbmlaw.com)

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an “accredited investor” (as defined in Rule 501(a) of the 1933 Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

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4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the state and county of Nassau. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

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4.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 4.9.

4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this November 13, 2014.

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**

By: /s/ Devon Jones  
DEVON JONES  
Chief Executive Officer

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## EXHIBIT A — NOTICE OF CONVERSION

The undersigned hereby elects to convert \$\_\_\_\_\_ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of INTELLIGENT HIGHWAY SOLUTIONS, INC., a Nevada corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of November 13, 2014 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

- ☐ The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker:  
Account Number:

- ☐ The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

KBM WORLDWIDE, INC.  
80 Cuttermill Road – Suite 410  
Great Neck, NY 11021  
Attention: Certificate Delivery  
e-mail: info@kbmworldwide.com

Date of Conversion: \_\_\_\_\_  
Applicable Conversion Price: \$ \_\_\_\_\_  
Number of Shares of Common Stock to be Issued \_\_\_\_\_  
Pursuant to Conversion of the Notes: \_\_\_\_\_  
Amount of Principal Balance Due remaining \_\_\_\_\_  
Under the Note after this conversion: \_\_\_\_\_

KBM WORLDWIDE, INC.

By: \_\_\_\_\_  
Name: Seth Kramer  
Title: President  
Date: November 13, 2014

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**SECURITIES PURCHASE AGREEMENT**

This **SECURITIES PURCHASE AGREEMENT** (the "Agreement"), dated as of November 13, 2014, by and between **INTELLIGENT HIGHWAY SOLUTIONS, INC.**, a Nevada corporation, with headquarters located at 8 Light Sky Court, Sacramento, CA 95828 (the "Company"), and **KBM WORLDWIDE, INC.**, a New York corporation, with its address at 80 Cuttermill Road, Suite 410, Great Neck, NY 11021 (the "Buyer").

**WHEREAS :**

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement an 8% convertible note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of \$104,000.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the "Note"), convertible into shares of common stock, \$0.00001 par value per share, of the Company (the "Common Stock"), upon the terms and subject to the limitations and conditions set forth in such Note.

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto; and

**NOW THEREFORE**, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. Purchase and Sale of Note.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer's name on the signature pages hereto.

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b. Form of Payment. On the Closing Date (as defined below), (i) the Buyer shall pay the purchase price for the Note to be issued and sold to it at the Closing (as defined below) (the "Purchase Price") by wire transfer of immediately available funds to the Company, in accordance with the Company's written wiring instructions, against delivery of the Note in the principal amount equal to the Purchase Price as is set forth immediately below the Buyer's name on the signature pages hereto, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

c. Closing Date. Subject to the satisfaction (or written waiver) of the conditions thereto set forth in Section 6 and Section 7 below, the date and time of the issuance and sale of the Note pursuant to this Agreement (the "Closing Date") shall be 12:00 noon, Eastern Standard Time on or about November 17, 2014, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the "Closing") shall occur on the Closing Date at such location as may be agreed to by the parties.

2. Buyer's Representations and Warranties. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Note, (ii) as a result of the events described in Sections 1.3 and 1.4(g) of the Note or (iii) in payment of the Standard Liquidated Damages Amount (as defined in Section 2(f) below) pursuant to this Agreement, such shares of Common Stock being collectively referred to herein as the "Conversion Shares" and, collectively with the Note, the "Securities") for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Accredited Investor Status. The Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D (an "Accredited Investor").

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

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d. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

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g. Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

**“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”**

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

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- h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.
- i. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer's name on the signature pages hereto.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. Schedule 3(a) sets forth a list of all of the Subsidiaries of the Company and the jurisdiction in which each is incorporated. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

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c. Capitalization. As of the date hereof, the authorized capital stock of the Company consists of: (i) 100,000,000 authorized shares of Common Stock, \$0.00001 par value per share, of which 34,476,315 shares are issued and 22,961,528 shares are outstanding; and (ii) there are no authorized shares of Preferred Stock; no shares are reserved for issuance pursuant to the Company's stock option plans, except as disclosed in the SEC Documents no shares are reserved for issuance pursuant to securities (other than the Note) exercisable for, or convertible into or exchangeable for shares of Common Stock and 28,000,000 shares are reserved for issuance upon conversion of the Note. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. As of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has furnished to the Buyer true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof ("Certificate of Incorporation"), the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive on behalf of the Company as of the Closing Date.

d. Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

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e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement, the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. If the Company is listed on the OTCBB, the Company is not in violation of the listing requirements of the Over-the-Counter Bulletin Board (the "OTCBB") and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB in the foreseeable future. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

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g. SEC Documents; Financial Statements. The Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “1934 Act”) (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the “SEC Documents”). Upon written request the Company will deliver to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to June 30, 2014, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act.

h. Absence of Certain Changes. Since June 30, 2014, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

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i. Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights (“Intellectual Property”) necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); there is no claim or action by any person pertaining to, or proceeding pending, or to the Company’s knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company’s knowledge, the Company’s or its Subsidiaries’ current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company’s officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company’s officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company’s tax returns is presently being audited by any taxing authority.

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m. Certain Transactions. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer's Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer's purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

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p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since June 30, 2014, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

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(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. The Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(t) or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage.

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v. Internal Accounting Controls. The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

w. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

x. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent ( i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year.

y. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

z. Breach of Representations and Warranties by the Company. If the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under Section 3.4 of the Note.

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4. COVENANTS.

a. Best Efforts. The parties shall use their best efforts to satisfy timely each of the conditions described in Section 6 and 7 of this Agreement.

b. Form D; Blue Sky Laws. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or “blue sky” laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to the Closing Date.

c. Use of Proceeds. The Company shall use the proceeds for general working capital purposes.

d. Right of First Refusal. Unless it shall have first delivered to the Buyer, at least seventy two (72) hours prior to the closing of such Future Offering (as defined herein), written notice describing the proposed Future Offering (“ROFR Notice”), including the terms and conditions thereof, identity of the proposed purchaser and proposed definitive documentation to be entered into in connection therewith, and providing the Buyer an option during the seventy two (72) hour period following delivery of such notice to purchase the securities being offered in the Future Offering on the same terms as contemplated by such Future Offering (the limitations referred to in this sentence and the preceding sentence are collectively referred to as the “Right of First Refusal”) (and subject to the exceptions described below), the Company will not conduct any equity (or debt with an equity component) financing in an amount less than \$100,000 (“Future Offering(s)”) during the period beginning on the Closing Date and ending six (6) months following the Closing Date. Notwithstanding anything contained herein to the contrary, the Company shall not consummate any Future Offering with an investor, or an affiliate of such investor (collectively “Prospective Investor”), identified on an ROFR Notice whereby the Buyer exercised its Right of First Refusal for a period of forty (45) days following such exercise; and any subsequent offer by a Prospective Investor is subject to this Section 4(d) and the Right of First Refusal. In the event the terms and conditions of a proposed Future Offering are amended in any respect after delivery of the notice to the Buyer concerning the proposed Future Offering, the Company shall deliver a new notice to the Buyer describing the amended terms and conditions of the proposed Future Offering and the Buyer thereafter shall have an option during the seventy two (72) hour period following delivery of such new notice to purchase its pro rata share of the securities being offered on the same terms as contemplated by such proposed Future Offering, as amended. The foregoing sentence shall apply to successive amendments to the terms and conditions of any proposed Future Offering. The Right of First Refusal shall not apply to any transaction involving (i) issuances of securities in a firm commitment underwritten public offering (excluding a continuous offering pursuant to Rule 415 under the 1933 Act) or (ii) issuances of securities as consideration for a merger, consolidation or purchase of assets, or in connection with any strategic partnership or joint venture (the primary purpose of which is not to raise equity capital), or in connection with the disposition or acquisition of a business, product or license by the Company. The Right of First Refusal also shall not apply to the issuance of securities upon exercise or conversion of the Company’s options, warrants or other convertible securities outstanding as of the date hereof or to the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or restricted stock plan approved by the shareholders of the Company.

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e. Expenses. At the Closing, the Company shall reimburse Buyer for expenses incurred by them in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith (“Documents”), including, without limitation, reasonable attorneys’ and consultants’ fees and expenses, transfer agent fees, fees for stock quotation services, fees relating to any amendments or modifications of the Documents or any consents or waivers of provisions in the Documents, fees for the preparation of opinions of counsel, escrow fees, and costs of restructuring the transactions contemplated by the Documents. When possible, the Company must pay these fees directly, otherwise the Company must make immediate payment for reimbursement to the Buyer for all fees and expenses immediately upon written notice by the Buyer or the submission of an invoice by the Buyer. The Company’s obligation with respect to this transaction is to reimburse Buyer’ expenses shall be \$4,000.00.

f. Financial Information. Upon written request the Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders.

g. [INTENTIONALLY DELETED]

h. Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB or any equivalent replacement exchange or electronic quotation system (including but not limited to the Pink Sheets electronic quotation system) and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority (“FINRA”) and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any notices it receives from the OTCBB and any other exchanges or electronic quotation systems on which the Common Stock is then traded regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

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i. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the Pink Sheets, OTCQX, OTCBB, Nasdaq, Nasdaq SmallCap, NYSE or AMEX.

j. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

k. Breach of Covenants. If the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under Section 3.4 of the Note.

l. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns the Note, the Company shall comply with the reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

m. Trading Activities. Neither the Buyer nor its affiliates has an open short position in the common stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the common stock of the Company.

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5. Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent to issue certificates, registered in the name of the Buyer or its nominee, for the Conversion Shares in such amounts as specified from time to time by the Buyer to the Company upon conversion of the Note in accordance with the terms thereof (the “Irrevocable Transfer Agent Instructions”). In the event that the Borrower proposes to replace its transfer agent, the Borrower shall provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 5, and stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing)(electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer’s obligations and agreement set forth in Section 2(g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Buyer, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 5 may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required.

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6. Conditions to the Company's Obligation to Sell. The obligation of the Company hereunder to issue and sell the Note to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement and delivered the same to the Company.

b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

7. Conditions to The Buyer's Obligation to Purchase. The obligation of the Buyer hereunder to purchase the Note at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

a. The Company shall have executed this Agreement and delivered the same to the Buyer.

b. The Company shall have delivered to the Buyer the duly executed Note (in such denominations as the Buyer shall request) in accordance with Section 1(b) above.

c. The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to a majority-in-interest of the Buyer, shall have been delivered to and acknowledged in writing by the Company's Transfer Agent.

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d. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

e. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

f. No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

g. The Conversion Shares shall have been authorized for quotation on the OTCBB and trading in the Common Stock on the OTCBB shall not have been suspended by the SEC or the OTCBB.

h. The Buyer shall have received an officer's certificate described in Section 3(c) above, dated as of the Closing Date.

8. Governing Law; Miscellaneous.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state and county of Nassau. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

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b. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

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If to the Company, to:  
INTELLIGENT HIGHWAY SOLUTIONS, INC.  
8 Light Sky Court  
Sacramento, CA 95828  
Attn: DEVON JONES, Chief Executive Officer  
facsimile: [enter fax number]

With a copy by fax or email only to (which copy shall not constitute notice): Szaferman, Lakind, Blumstein & Blader, P.C.  
Attn: Gregg Jaclin  
101 Grovers Mill  
Road  
Second Floor  
Lawrenceville, NJ  
08648  
facsimile: 609-275-4511  
email:  
gjaclin@szaferman.com

If to the Buyer:  
KBM WORLDWIDE, INC.  
80 Cuttermill Road – Suite 410  
Great Neck, NY 11021  
Attn: Seth Kramer, President  
e-mail: info@kwbmlaw.com

With a copy by fax only to (which copy shall not constitute notice):  
Naidich Wurman Birnbaum & Maday LLP  
Att: Judah A. Eisner, Esq.  
Attn: Bernard S. Feldman, Esq.  
facsimile: 516-466-3555  
e-mail: dyork@nwbmllaw.com

Each party shall provide notice to the other party of any change in address.

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g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its “affiliates,” as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Publicity. The Company, and the Buyer shall have the right to review a reasonable period of time before issuance of any press releases, SEC, OTCBB or FINRA filings, or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Buyer, to make any press release or SEC, OTCBB (or other applicable trading market) or FINRA filings with respect to such transactions as is required by applicable law and regulations (although the Buyer shall be consulted by the Company in connection with any such press release prior to its release and shall be provided with a copy thereof and be given an opportunity to comment thereon).

k. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

l. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

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m. Remedies. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

**INTELLIGENT HIGHWAY SOLUTIONS, INC.**

By: /s/ Devon Jones  
DEVON JONES  
Chief Executive Officer

**KBM WORLDWIDE, INC.**

By: /s/ Seth Kramer  
Name: Seth Kramer  
Title: President  
80 Cuttermill Road – Suite 410  
Great Neck, NY 11021

**AGGREGATE SUBSCRIPTION AMOUNT:**

Aggregate Principal Amount of Note:	\$	104,000.00
Aggregate Purchase Price:	\$	104,000.00

Tranche #1 K-1428 (IHSI)  
November 13, 2014  
[devon@solutions.com](mailto:devon@solutions.com)  
[gjaclin@szaferman.com](mailto:gjaclin@szaferman.com)

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## MANAGEMENT CONSULTING EXTENSION AGREEMENT

This Management Consulting Agreement (the "Agreement") is an extension of the consulting agreement made as of January 1, 2014, by and among Intelligent Highway Solutions, Inc., a Nevada Corporation (the "Company"), and Devon Jones (Jones) an individual.

### RECITALS:

WHEREAS, JONES, by and through its officers, employees, agents, representatives and affiliates, has expertise in the areas of corporate management, finance, product strategy, investment, acquisitions and other matters relating to the business of the Company; and

WHEREAS, the Company desires to avail itself of the expertise of JONES in the aforesaid areas, in which it acknowledges the expertise of JONES.

### AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and conditions herein set forth, the parties hereto agree as follows:

#### 1. APPOINTMENT.

The Company hereby appoints JONES to render the advisory and consulting services described in Section 2 hereof for the term of this Agreement.

#### 2. SERVICES.

(a) During the term of this Agreement, JONES shall render to the Company, by and through such of JONES officers, employees, agents, representatives and affiliates as JONES, in its sole discretion, shall designate, in cooperation with the Company, from time to time, advisory, consulting and other services (the "Management Services") in relation to the operations of the Company, strategic planning, domestic marketing and financial oversight and including, without limitation, advisory and consulting services in relation to the selection, retention and supervision of independent auditors, the selection, retention and supervision of outside legal counsel, the selection, retention and supervision of investment bankers or other financial advisors or consultants and the structuring and implementation of equity participation plans, employee benefit plans and other incentive arrangements for certain key executives of the Company.

(b) The parties hereto acknowledge that certain events will require JONES to render services beyond the scope of activities which the parties contemplate as part of the Management Services and for which JONES shall be entitled to additional compensation hereunder. It is expressly agreed that the Management Services shall include Investment Banking Services. "Investment Banking Services" means investment banking, financial advisory or any other services rendered by JONES to the Company in connection with any acquisitions and divestitures by the Company or any of its subsidiaries, including, without limitation, the sale of substantially all or any portion of the assets of the Company, whether by a sale of assets, the equity interests of the Company, merger or otherwise, and the acquisition or sale of any subsidiary, division or service area of the Company, or (iii) the public or private sale of debt or equity interests of the Company, or any of its affiliates or any similar financing transactions. The Management Services and the Investment Banking Services shall be referred to herein as the "Services."

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### 3. FEES.

(a) In consideration of the performance of the Management Services contemplated by Section 2(a) hereof, the Company agrees to pay to Jones (i) a monthly consulting fee, of \$10,000 continuing until such time as this Agreement is terminated in accordance with Section 6.

### 4. OUT-OF-POCKET EXPENSES.

In addition to the compensation payable to JONES pursuant to Section 3 hereof, the Company shall, at the direction of JONES, pay directly, or reimburse JONES for, its reasonable Out-of-Pocket Expenses. For the purposes of this Agreement, the term "Out-of-Pocket Expenses" shall mean the amounts actually paid by JONES in cash in connection with its performance of the Services, including, without limitation, reasonable (i) fees and disbursements (including underwriting fees) of any independent auditors, outside legal counsel, consultants, investment bankers, financial advisors and other independent professionals and organizations, (ii) costs of any outside services or independent contractors such as financial printers, couriers, business publications or similar services and (iii) transportation, per diem, telephone calls, word processing expenses or any similar expense not associated with its ordinary operations. All reimbursements for Out-of-Pocket Expenses shall be made promptly upon or as soon as practicable after presentation by JONES to the Company of the statement in connection therewith

### 5. INDEMNIFICATION.

The Company will indemnify and hold harmless JONES and its officers, employees, agents, representatives, members and affiliates (each being an "Indemnified Party") from and against any and all losses, costs, expenses, claims, damages and liabilities (the "Liabilities") to which such Indemnified Party may become subject under any applicable law, or any claim made by any third party, or otherwise, to the extent they relate to or arise out of the performance of the Services contemplated by this Agreement or the engagement of JONES pursuant to, and the performance by JONES of the Services contemplated by, this Agreement. The Company will reimburse any Indemnified Party for all reasonable costs and expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim for which the Indemnified Party would be entitled to indemnification under the terms of the previous sentence, or any action or proceeding arising there from, whether or not such Indemnified Party is a party hereto, provided that, subject to the following sentence, the Company shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment. Any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense, and in any action, claim or proceeding in which the Company, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between the Company, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable. The Company agrees that it will not, without the prior written consent of the applicable Indemnified Party, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the applicable Indemnified Party and each other Indemnified Party from all liability arising or that may arise out of such claim, action or proceeding. Provided that the Company is not in breach of its indemnification obligations hereunder, no Indemnified Party shall settle or compromise any claim subject to indemnification hereunder without the consent, of the Company. The Company will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability, cost or expense is determined by a court, in a final judgment from which no further appeal may be taken, to have resulted solely from the gross negligence or willful misconduct of AWS. If an Indemnified Party is reimbursed hereunder for any expenses, such reimbursement of expenses shall be refunded to the extent it is finally judicially determined that the Liabilities in question resulted solely from the gross negligence or willful misconduct of JONES.

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## 6. TERMINATION.

This Agreement shall be in effect on the date hereof and shall continue until such time as JONES and the Company may mutually agree. The provisions of Sections 5 and 8 and otherwise as the context so requires shall survive the termination of this Agreement. But not longer than December 31, 2014, unless mutually agreed to by a written extension.

## 7. OTHER ACTIVITIES.

Nothing herein shall in any way preclude JONES or its officers, employees, agents, representatives, members or affiliates from engaging in any business activities or from performing services for its own account or for the account of others, including for companies that may be in competition with the business conducted by the Company.

## 8. GENERAL.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by either party from any such provision, shall be effective unless the same shall be in writing and signed by the parties to this Agreement, and, in any case, such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) This Agreement and the rights of the parties hereunder may not be assigned without the prior written consent of the parties hereto; provided, however, that JONES may, at its sole discretion, assign or transfer its duties or interests hereunder to its affiliates.

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(c) Any and all notices hereunder shall, in the absence of receipted hand delivery, be deemed duly given when mailed, if the same shall be sent by registered or certified mail, return receipt requested, and the mailing date shall be deemed the date from which all time periods pertaining to a date of notice shall run. Notices shall be addressed to the parties at the following addresses:

If to JONES: Devon Jones  
101 Martini Court  
El Dorado Hills, CA 95828

If to the Company: Intelligent Highway Solutions, Inc.  
8 Light Sky Court  
Sacramento, CA 95828

(d) This Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof, and shall supersede all previous oral and written (and all contemporaneous oral) negotiations, commitments, agreements and understandings relating hereto.

(e) This Agreement shall be governed by, and enforced in accordance with, the laws of the State of California (excluding the choice of law principles thereof). Each of the Parties hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of California and of the United States of America, in each case located in the County of Sacramento, in any action or proceeding arising out of or relating to this Agreement. This Agreement shall inure to the benefit of, and be binding upon, JONES and the Company (including any present or future subsidiaries of the Company that are not signatories hereto), and their respective successors and assigns.

(f) This Agreement may be executed in multiple counterparts, and by different parties on separate counterparts. Each set of counterparts showing execution by all parties shall be deemed an original, and shall constitute one and the same instrument.

(g) The waiver by any party of any breach of this Agreement shall not operate as or be construed to be a waiver by such party of any subsequent breach.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers or agents as set forth below.

Intelligent Highway Solutions, Inc.

Devon Jones

By: \_\_\_\_\_  
Name: Philip Kirkland  
Title: Director

By: \_\_\_\_\_  
Name: Devon Jones

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## MANAGEMENT CONSULTING AGREEMENT

This Management Consulting Agreement (the "Agreement") is an extension of the consulting agreement made as of January 1, 2014, by and among Intelligent Highway Solutions, Inc., a Nevada Corporation (the "Company"), and Philip Kirkland (KIRKLAND) an individual.

### RECITALS:

WHEREAS, KIRKLAND, by and through its officers, employees, agents, representatives and affiliates, has expertise in the areas of corporate management, finance, product strategy, investment, acquisitions and other matters relating to the business of the Company; and

WHEREAS, the Company desires to avail itself of the expertise of KIRKLAND in the aforesaid areas, in which it acknowledges the expertise of KIRKLAND.

### AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and conditions herein set forth, the parties hereto agree as follows:

#### 1. APPOINTMENT.

The Company hereby appoints KIRKLAND to render the advisory and consulting services described in Section 2 hereof for the term of this Agreement.

#### 2. SERVICES.

(a) During the term of this Agreement, KIRKLAND shall render to the Company, by and through such of KIRKLAND officers, employees, agents, representatives and affiliates as KIRKLAND, in its sole discretion, shall designate, in cooperation with the Company, from time to time, advisory, consulting and other services (the "Financial Services") in relation to the operations of the Company, financial oversight and including, without limitation, advisory and consulting services in relation to the selection, retention and supervision of independent auditors, the selection, retention and supervision of outside legal counsel, the selection, retention and supervision of investment bankers or other financial advisors or consultants and the structuring and implementation of equity participation plans, employee benefit plans and other incentive arrangements for certain key executives of the Company.

(b) The parties hereto acknowledge that certain events will require KIRKLAND to render services beyond the scope of activities which the parties contemplate as part of the Financial Services and for which KIRKLAND shall be entitled to additional compensation hereunder. It is expressly agreed that the Financial Services shall include Investment Banking Services. "Investment Banking Services" means investment banking, financial advisory or any other services rendered by KIRKLAND to the Company in connection with any acquisitions and divestitures by the Company or any of its subsidiaries, including, without limitation, the sale of substantially all or any portion of the assets of the Company, whether by a sale of assets, the equity interests of the Company, merger or otherwise, and the acquisition or sale of any subsidiary, division or service area of the Company, or (iii) the public or private sale of debt or equity interests of the Company, or any of its affiliates or any similar financing transactions. The Financial Services and the Investment Banking Services shall be referred to herein as the "Services."

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### 3. FEES.

(a) In consideration of the performance of the Financial Services contemplated by Section 2(a) hereof, the Company agrees to pay to KIRKLAND (i) a monthly consulting fee, of \$10,000.00 continuing until such time as this Agreement is terminated in accordance with Section 6.

### 4. OUT-OF-POCKET EXPENSES.

In addition to the compensation payable to KIRKLAND pursuant to Section 3 hereof, the Company shall, at the direction of KIRKLAND, pay directly, or reimburse KIRKLAND for, its reasonable Out-of-Pocket Expenses. For the purposes of this Agreement, the term "Out-of-Pocket Expenses" shall mean the amounts actually paid by KIRKLAND in cash in connection with its performance of the Services, including, without limitation, reasonable (i) fees and disbursements (including underwriting fees) of any independent auditors, outside legal counsel, consultants, investment bankers, financial advisors and other independent professionals and organizations, (ii) costs of any outside services or independent contractors such as financial printers, couriers, business publications or similar services and (iii) transportation, per diem, telephone calls, word processing expenses or any similar expense not associated with its ordinary operations. All reimbursements for Out-of-Pocket Expenses shall be made promptly upon or as soon as practicable after presentation by KIRKLAND to the Company of the statement in connection therewith.

### 5. INDEMNIFICATION.

The Company will indemnify and hold harmless KIRKLAND and its officers, employees, agents, representatives, members and affiliates (each being an "Indemnified Party") from and against any and all losses, costs, expenses, claims, damages and liabilities (the "Liabilities") to which such Indemnified Party may become subject under any applicable law, or any claim made by any third party, or otherwise, to the extent they relate to or arise out of the performance of the Services contemplated by this Agreement or the engagement of KIRKLAND pursuant to, and the performance by KIRKLAND of the Services contemplated by, this Agreement. The Company will reimburse any Indemnified Party for all reasonable costs and expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim for which the Indemnified Party would be entitled to indemnification under the terms of the previous sentence, or any action or proceeding arising there from, whether or not such Indemnified Party is a party hereto, provided that, subject to the following sentence, the Company shall be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment. Any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense, and in any action, claim or proceeding in which the Company, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel at the Company's expense and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between the Company, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable. The Company agrees that it will not, without the prior written consent of the applicable Indemnified Party, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the applicable Indemnified Party and each other Indemnified Party from all liability arising or that may arise out of such claim, action or proceeding. Provided that the Company is not in breach of its indemnification obligations hereunder, no Indemnified Party shall settle or compromise any claim subject to indemnification hereunder without the consent, of the Company. The Company will not be liable under the foregoing indemnification provision to the extent that any loss, claim, damage, liability, cost or expense is determined by a court, in a final judgment from which no further appeal may be taken, to have resulted solely from the gross negligence or willful misconduct of AWS. If an Indemnified Party is reimbursed hereunder for any expenses, such reimbursement of expenses shall be refunded to the extent it is finally judicially determined that the Liabilities in question resulted solely from the gross negligence or willful misconduct of KIRKLAND.

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## 6. TERMINATION.

This Agreement shall be in effect on the date hereof and shall continue until such time as KIRKLAND and the Company may mutually agree. The provisions of Sections 5 and 8 and otherwise as the context so requires shall survive the termination of this Agreement. But not longer than December 31, 2014, unless mutually agreed to by a written extension.

## 7. OTHER ACTIVITIES.

Nothing herein shall in any way preclude KIRKLAND or its officers, employees, agents, representatives, members or affiliates from engaging in any business activities or from performing services for its own account or for the account of others, including for companies that may be in competition with the business conducted by the Company.

## 8. GENERAL.

(a) No amendment or waiver of any provision of this Agreement, or consent to any departure by either party from any such provision, shall be effective unless the same shall be in writing and signed by the parties to this Agreement, and, in any case, such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) This Agreement and the rights of the parties hereunder may not be assigned without the prior written consent of the parties hereto; provided, however, that KIRKLAND may, at its sole discretion, assign or transfer its duties or interests hereunder to its affiliates.

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(c) Any and all notices hereunder shall, in the absence of receipted hand delivery, be deemed duly given when mailed, if the same shall be sent by registered or certified mail, return receipt requested, and the mailing date shall be deemed the date from which all time periods pertaining to a date of notice shall run. Notices shall be addressed to the parties at the following addresses:

If to JONES: Philip Kirkland  
9516 Russport Way  
Elk Grove, CA 95624

If to the Company: Intelligent Highway Solutions, Inc.  
8 Light Sky Court  
Sacramento, CA 95828

(d) This Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof, and shall supersede all previous oral and written (and all contemporaneous oral) negotiations, commitments, agreements and understandings relating hereto.

(e) This Agreement shall be governed by, and enforced in accordance with, the laws of the State of California (excluding the choice of law principles thereof). Each of the Parties hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of California and of the United States of America, in each case located in the County of Sacramento, in any action or proceeding arising out of or relating to this Agreement. This Agreement shall inure to the benefit of, and be binding upon, KIRKLAND and the Company (including any present or future subsidiaries of the Company that are not signatories hereto), and their respective successors and assigns.

(f) This Agreement may be executed in multiple counterparts, and by different parties on separate counterparts. Each set of counterparts showing execution by all parties shall be deemed an original, and shall constitute one and the same instrument.

(g) The waiver by any party of any breach of this Agreement shall not operate as or be construed to be a waiver by such party of any subsequent breach.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers or agents as set forth below.

Intelligent Highway Solutions, Inc.

Philip Kirkland

By: \_\_\_\_\_  
Name: Devon Jones  
Title: Director

By: \_\_\_\_\_  
Name: Philip Kirkland

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Devon Jones, certify that:

1. I have reviewed this annual report on Form 10-K of Intelligent Highway Solutions, Inc.;

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

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

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

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 7, 2015

By: /s/ Devon Jones

Devon Jones  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Philip Kirkland, certify that:

1. I have reviewed this annual report on Form 10-K of Intelligent Highway Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 7, 2015

By: /s/ Philip Kirkland

Philip Kirkland  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with the Annual Report of Intelligent Highway Solutions, Inc., (the "Company") on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Devon Jones, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2015

By: /s/ Devon Jones

Devon Jones  
Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Intelligent Highway Solutions, Inc., (the "Company") on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Philip Kirkland, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2015

By: /s/ Philip Kirkland

Philip Kirkland  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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