Southern ITS International, Inc.
Consolidated Financial Statements
June 30, 2013 and December 31, 2012
(Unaudited)

SOUTHERN ITS INTERNATIONAL, INC.
(Formerly ALCO ADVANCED TECHNOLOGIES, INC.)
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
Assets:		
Current Assets		
Cash and Cash Equivalents	$ 145,004	$ 21,211
Accounts Receivable, net	283,778	35,550
Advances to Non-Related Parties	10,000	10,000
Total Current Assets	438,782	66,762
Fixed Assets:		
Furniture and Equipment	5,808	5,808
Accumulated Depreciation	(1,116)	(701)
Total Fixed Assets	4,692	5,107
Total Assets	$ 443,474	$ 71,869
Liabilities and Stockholders' Deficit:		
Current Liabilities		
Accounts Payable & Accrued Expenses	$ 155,513	$ 22,490
Accrued Interest	290,491	255,454
Convertible Notes Payable- Related Party	261,677	262,320
Convertible Notes Payable	155,000	155,000
Notes Payable- Related Party	105,752	105,752
Notes Payable	150,000	150,000
Total Current Liabilities	1,118,433	951,016
Non-Current Liabilities:		
Convertible Notes Payable- Related Party	33,392	33,392
Total Non-Current Liabilities	33,392	33,392
Total Liabilities	1,151,825	984,408
Stockholders' Equity:		
Preferred Stock, Par value $0.001, Authorized 10,000,000 shares Issued 0 shares respectively	-	-
Common Stock, Par value $0.001, Authorized 500,000,000 shares Issued 348,217,382 respectively	348,217	348,217
Paid-In Capital	23,896,935	23,896,935
Deficit Accumulated During Development Stage	(24,953,503)	(25,157,691)
Total Stockholders' Equity	(708,351)	(912,539)
Total Liabilities and Stockholders' Equity	$ 443,474	$ 71,869

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

SOUTHERN ITS INTERNATIONAL, INC.

(Formerly ALCO ADVANCED TECHNOLOGIES, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	$ 947,940	$ 307,133	$ 1,505,120	$ 307,133
Costs of Services	532,044	97,808	975,157	97,808
Gross Margin	415,896	209,325	529,963	209,325
Expenses				
Consulting	700	4,500	8,700	14,000
Professional Fees	22,270	13,909	33,526	17,305
Wages	24,500	2,883	47,135	2,883
General and Administrative	101,702	142,066	181,348	146,358
Operating Expenses	149,172	163,358	270,709	180,546
Operating Income (Loss)	266,724	45,967	259,254	28,779
Other Income (Expense)				
Interest Expense	(17,562)	(18,059)	(55,066)	(36,804)
Impairment	-	(20,893,550)	-	(20,893,550)
Loss on Conversion of Debt	-	(5,441,500)	-	(5,441,500)
Total Other Income (Expense)	(17,562)	(26,353,109)	(55,066)	(26,371,854)
Net Income (Loss) Before Taxes	249,162	(26,307,142)	204,188	(26,343,075)
Income Tax Provision	(84,715)	-	(69,424)	-
Extraordinary Items				
Net Loss Carryforwards	84,715	-	69,424	-
Net Income (Loss)	$ 249,162	$ (26,307,142)	$ 204,188	$ (26,343,075)
Loss per Share, Basic & Diluted	$ 0.00	$ (12.13)	$ 0.00	$ (0.21)
Weighted Average Shares Outstanding	348,217,382	2,168,906	348,217,382	125,414,778

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

SOUTHERN ITS INTERNATIONAL, INC.

(Formerly ALCO ADVANCED TECHNOLOGIES, INC.)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

(Unaudited)

	Common Shares	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Net Loss Inception (March 26, 2008) to 12/31/2008	-	$ -	$ -	$ (282,194)	$ (282,194)
Stock issued at inception	288,572	289	93,232	-	93,521
Net Loss for period ended December 31, 2009	-	-	-	(457,774)	(457,774)
Balance December 31, 2009	288,572	289	93,232	(739,968)	(646,447)
Stock issued for services	6,667	6	12,994	-	13,000
Stock issued for debt reduction	20,000	20	22,728	-	22,748
Net Loss for period ended December 31, 2010	-	-	-	(211,081)	(211,081)
Balance December 31, 2010	315,239	315	128,954	(951,049)	(821,780)
Stock issued for services	1,333,333	1,334	2,998,666	-	3,000,000
Stock issued for debt reduction	520,333	520	19,480	-	20,000
Net loss for period ended December 31, 2011	-	-	-	(3,137,881)	(3,137,881)
Balance December 31, 2011	2,168,906	2,169	3,147,100	(4,088,930)	(939,661)
Stock issued in share exchange	200,000,000	200,000	20,820,000	-	21,020,000
Stock issued for debt reduction	146,000,000	146,000	(73,000)	-	73,000
Stock issued for services	48,476	48	2,835	-	2,883
Net loss for year ended December 31, 2012	-	-	-	(21,068,761)	(21,068,761)
Balance December 31, 2012	348,217,382	348,217	23,896,935	(25,157,691)	(912,539)
Net loss for six months ended June 30, 2013	-	-	-	204,188	204,188
Balance June 30, 2013	348,217,382	$ 348,217	$ 23,896,935	$ (24,953,503)	$ (708,351)

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

SOUTHERN ITS INTERNATIONAL, INC.

(Formerly ALCO ADVANCED TECHNOLOGIES, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Six Months Ended June 30, 2013	For the Six Months Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss for the Period	$ 204,188	$ (26,343,075)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and Amortization	415	157
Impairment	-	20,893,550
Loss on Conversion of Debt	-	5,441,500
Stock Issued for services	-	2,883
Cost in Excess of Billings	-	-
Changes in Operating Assets and Liabilities		
Increase (Decrease) in Accounts Payable	133,023	4,742
Increase in Accounts Receivable, net	(248,228)	101,368
Increase in Accrued Interest	35,037	36,804
Net Cash Used in Operating Activities	124,435	137,929
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	-	(1,423)
Net cash provided by Investing Activities	-	(1,423)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Related Party Loans	-	28,000
Payments on Related Party Loans	(642)	(7,510)
Net Cash Provided by Financing Activities	(642)	20,490
Net (Decrease) Increase in Cash	123,793	156,996
Cash at Beginning of Period	21,211	1,383
Cash at End of Period	$ 145,004	$ 158,379
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ -	$ -
Franchise and Income Taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accounts Payable Satisfied through Contributed Capital and Property and Equipment	$ -	$ -

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

NOTE 1 – NATURE AND DESCRIPTION OF BUSINESS

Southern ITS International, Inc. (formerly Alco Advanced Technologies, Inc.) ("the Company") was incorporated in the State of Nevada on September 27, 1984. On March 21, 2012, the Company changed its name from Alco Advanced Technologies, Inc. to Southern ITS International, Inc.

The Company executed a share exchange with Southern ITS Corporation ("SIC") ("the Subsidiary") in which the result was SIC becoming a wholly-owned subsidiary of the Company. Refer to Note 9 for more information.

The Company's operations consist of providing turnkey integration of electronic security systems for various types of industries, such as transportation, gaming and other secure operations in both government and private sectors. The integration includes surveillance, access control, network infrastructure, data communications and fire and burglar alarm systems. Today, security technologies are evolving rapidly and require remote access through various networks, firewalls and internet security. Surveillance systems and access control are all network-dependent and work best for the end user when they are completely integrated. The Company's mission is to provide a complete integration of the various electronic security systems with the computer networks that they are dependent upon and ensuring that the systems will remain secure from potential cyber attack.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of presentation</u>

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however, that all material adjustments (consisting of normal and recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

<u>Basis of Consolidation</u>

The accompanying consolidated financial statements include all of the accounts of the Company and SIC as of June 30, 2013 and December 31, 2012 for the periods then ended. All intercompany balances and transactions have been eliminated.

<u>Use of estimates</u>

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Such estimates and assumptions impact, among others, the valuation allowance for deferred tax assets, due to continuing and expected future losses, and share-based payments.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

Cash and cash equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits.

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific customers ability to meet its financial obligations, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. For all other customers, it recognizes reserves for bad debts based on historical experience. The company had an allowance for doubtful account balance of $15,000 at June 30, 2013 and December 31, 2012. At June 30, 2013 net accounts receivables were $283,778 and at December 31, 2012, the net accounts receivable balance was $35,550. Though accounts receivable increased significantly in 2013, the Company did not increase the allowance for doubtful accounts balance due to the high probably of receiving payment pursuant to the Rocky Gap construction contract (See Note 5).

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1	Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2	Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
Level 3	Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company's financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments. The Company's notes payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at June 30, 2013.

The Company does not have any assets or liabilities measured at fair value on a recurring or a non-recurring basis, consequently, the Company did not have any fair value adjustments for assets and liabilities measured at fair value at June 30, 2013; no gains or losses are reported in the consolidated statements of operations that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date ended June 30, 2013.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation on a straight line basis over the estimated useful lives of 5 to 7 years. Maintenance and repairs are charged to operations when incurred. Betterment and renewals are capitalized when deemed material. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Intangible Assets

Valuation of intangible assets include significant estimates and assumptions such as estimating future cash flows from product sales, developing appropriate discount rates, estimating probability rates for the successful completion of projects, continuation of customer relationships and renewal of customer contracts, and approximating the useful lives of the intangible assets acquired.

Long Lived Assets

The Company reviews the recover-ability of the carrying value of identified intangibles and other long-lived assets, including fixed assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recover-ability of these assets is determined based upon the forecasted undiscounted future net cash flows expected to result from the use of such asset and its eventual disposition. The Company's estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from its estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of its customers and reductions in average selling prices. If the carrying value of an asset is determined not to be recoverable from future operating cash flows, the asset is deemed impaired and an impairment loss is recognized to the extent the carrying value exceeds the estimated fair market value of the asset. For the year ended December 31, 2012 the Company recorded a $20,893,550 charge to impairment from the share exchange (see note 7 for details).

Revenue recognition

The Company follows paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. There are no price incentives and the product can only be returned if defective. As the Company does not believe defective merchandise is likely an allowance has not been recognized. Revenue is recognized on a gross basis with corresponding costs of goods as a reduction to revenue in cost of sales. The Company's subsidiary earned the majority of the Company's revenues in 2012 from installing network surveillance systems. The Company applies the percentage-of-completion revenue recognition principles of accounting when recording revenues for ongoing projects.

Risks and uncertainties

The Company operates in an industry that is subject to rapid change. The Company's operations are subject to significant risk and uncertainties including financial and operational risks including the potential risk of business failure. Also, see Note 2 regarding going concern matters.

Segment information

During 2013, the Company only operated in one segment; therefore, segment information has not been presented.

Share based payments

Generally, all forms of share-based payments, including stock option grants, restricted stock grants and stock appreciation rights, are measured at their fair value on the awards' grant date, and based on the estimated number of awards that are ultimately expected to vest. Share-based payment awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The expense resulting from share-based payments are recorded as a component of general and administrative expense.

Earnings per share

In accordance with accounting guidance now codified as FASB ASC Topic 260, *"Earnings per Share,"* Basic earnings per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock options or warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock options or warrants), and convertible debt or convertible preferred stock, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive. At June 30, 2013, there were 450,069,000 potential dilutive shares outstanding which all relate to the convertible notes payable outstanding being converted into common shares.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance now codified as FASB ASC Topic 740, "*Income Taxes*," which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

Accounting guidance now codified as FASB ASC Topic 740-20, *"Income Taxes – Intra-period Tax Allocation,"* clarifies the accounting for uncertainties in income taxes recognized in accordance with FASB ASC Topic 740-20 by prescribing guidance for the recognition, de-recognition and measurement in financial statements of income tax positions taken in previously filed tax returns or tax positions expected to be taken in tax returns, including a decision whether to file or not to file in a Particular jurisdiction. FASB ASC Topic 740-20 requires that any liability created for unrecognized tax benefits is disclosed. The application of FASB ASC Topic 740-20 may also affect the tax bases of assets and liabilities and therefore may change or create deferred tax liabilities or assets.

Subsequent events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

Recent accounting pronouncements

On September 15, 2011**—**The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. The Update simplifies how an entity tests goodwill for impairment. The amendments contained in the Update are intended to address concerns expressed by private companies about the cost and complexity of the goodwill impairment test. The amendments allow both public and nonpublic entities an option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under that option, an entity no longer would be required to calculate the fair value of a reporting unit unless the entity determines, based on that qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The guidance also includes examples of the types of events and circumstances to consider in conducting the qualitative assessment.

The amendments will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted.

On December 26, 2011, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) – *Improving Disclosures about Fair Value Measurements*. This ASU affects all entities that are required to make disclosures about recurring and nonrecurring fair value measurements under FASB ASC Topic 820, originally issued as FASB Statement No. 157, Fair Value Measurements. The ASU requires certain new disclosures and clarifies two existing disclosure requirements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

On December 26, 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820) – *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This ASU supersedes most of the guidance in Topic 820, although many of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. In addition, certain amendments in ASU 2011-04 change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The amendments in ASU 2011-04 are effective for public entities for interim and annual periods beginning after December 15, 2011.

In April 2010, the FASB issued ASU No. 2010-17, *"Revenue Recognition – Milestone Method (Topic 605): Milestone Method of Revenue Recognition" (codified within ASC 605 - Revenue Recognition).* ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. ASU 2010-17 is effective for interim and annual periods beginning after June 15, 2010. The adoption of ASU 2010-17 is not expected to have any material impact on our financial position, results of operations or cash flows.

In February 2010, the FASB issued Accounting Standards Update 2010-09 (ASU 2010-09), Subsequent Events (Topic 855), amending guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements for the period ended December 31, 2010. The adoption of this guidance did not have a material impact on our financial statements.

NOTE 3 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As reflected in the accompanying financial statements, the Company has a net loss of $24,953,503 from inception (September 27, 1984) to June 30, 2013. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to address the going concern issue by funding future operations through the sale of equity capital and by director loans, if needed.

The Company is in the development stage and anticipates that it will be able to have profitable operations in the near future. The Company believes its current available cash, along with anticipated revenues, will be sufficient to meet its cash needs for the near future. There can be no assurance that future financing will be available in amounts or terms acceptable to the Company, if at all.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue its operations is dependent on Management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements.

The Company may need to incur additional liabilities with certain related parties to sustain the Company's existence.

These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

In response to these problems, management has taken the following actions:

- seeking additional debt and/or equity financing,
- continue with development and implementation of the business plan,
- assess business markets and related opportunities so that more significant revenues can be generated, and
- allocation of sufficient resources to continue with sales representation and marketing efforts.

NOTE 4 – ACCOUNTS RECEIVABLE

The Company had the following accounts receivable balances as of June 30, 2013 and December 31, 2012

	June 30, 2013	December 31, 2012
Accounts Receivable	$ 298,778	$ 50,550
Less: Allowance for Doubtful Accounts	(15,000)	(15,000)
Total	$ 283,778	$ 35,550

The Company did not increase the allowance for doubtful accounts balance due to the high probably of receiving payment pursuant to the Rocky Gap construction contract. The Company recorded bad debt expense of $0 and $15,000 for the six months ended June 30, 2013 and for the year ended December 31, 2012, respectively.

NOTE 5 – FIXED ASSETS

At June 30, 2013 and December 31, 2012 the Company has the following fixed assets:

		June 30, 2013		December 31, 2012
Furniture and Equipment	$	5,808	$	5,808
Less Accumulated Depreciation		(1,116)		(701)
Fixed Assets, net	$	4,692	$	5,107

Depreciation expense for the six months ended June 30, 2013 was $415. Depreciation expense for the year ended December 31, 2012 was $571.

NOTE 6 – NOTES PAYABLE

The company has unsecured notes payable and convertible notes payable to related parties and non related parties at June 30, 2013 and December 31, 2012 under the following general terms:

		June 30, 2013		December 31, 2012
1. Convertible notes payable to related parties bearing interest at 10%, payable on demand	$	295,069	$	295,712
2. Convertible notes payable to non-related parties bearing 10% payable in two years. Note is in default.		155,000		155,000
3. Notes payable to related parties bearing interest at 10% payable upon demand		105,752		105,752
4. Notes payable to non-related parties bearing interest at 10% payable on demand		150,000		150,000
Total		705,821		706,464
Less current portion		(672,429)		(673,072)
Due after one year	$	33,392	$	33,392

The Company had an accrued interest balance on the notes payable in the amount of $290,491 and 255,454 as of June 30, 2013 and December 31, 2012.

In April of 2013, the Company paid back $120,000 to a non-related party note payable holder. The payment included $100,000 of principle and $20,000 of interest.

The convertible note holders may convert at any time to common shares at a fixed price of $.001 per share. The Company did not reflect bifurcation in the financials as the terms of all the convertible notes issued expired as of December 31, 2012.

Possible events constituting default are as follows

- Failure to pay upon demand
- If we make an assignment for the benefit of creditors
- Bankruptcy or Insolvency
- Any merger, liquidation, dissolution or winding up of business unless any successor expressly assumes the obligation
- Effectuate a reverse split of common stock prior to the consent of the note holders

In the event of default, the note holder at any time can declare the entire principle and accrued interest immediately due and payable.

NOTE 7 – STOCK SPLITS

On March 21, 2012 the Company filed an amendment to its articles of incorporation. The amendment called for a 1-for-300 reverse stock split of all the issued and outstanding shares of “Old Common Stock”, such that each three hundred (300) shares of “Old Common Stock”, $0.001 par value, shall be recombined into one (1) share of “New Common Stock”, $0.001 par value. Each fractional share shall be rounded up to the nearest whole share. In lieu of fractional shares, each share so converted shall be rounded up to the next highest number of full shares of “New Common Stock”; provided that no Stockholder of record as of the effective date of the reverse stock split shall have fewer than One Hundred (100) shares of “New Common Stock”.

On December 21, 2012 the Company filed an amendment to its articles of incorporation. The amendment called for a 2-for-1 forward stock split of all issued and outstanding shares of common stock. Prior to the stock split there were 174,108,691 shares outstanding. As a result of the stock split there were 348,217,382 shares issued and outstanding.

Adjusted Financial Statements

The financial statements have been adjusted to record the reverse stock split for all periods presented.

NOTE 8 – SHARE EXCHANGE AGREEMENT

On April 17, 2012, the Company issued 100,000,000 shares of common stock to the sole equity owner of Southern ITS Corporation (SIC) for 100% of the issued and outstanding shares of capital stock in SIC. This executed share exchange agreement resulted in SIC becoming a wholly-owned subsidiary of the Company.

At March 31, 2012, SIC had assets of $126,450, liabilities of $0, and retained earnings of $168,376. For the three months ended March 31, 2012 SIC had a net loss of $42,027. The transaction resulted in the Company recording goodwill of $20,893,550. This was calculated from the fair market value of $.2102 time 100,000,000 shares minus assets received of $126,450.

NOTE 9 – IMPAIRMENT

The Company’s stock exchange with SIC resulted in the recording a goodwill in the amount of $20,893,550. At December 31, 2012 the Company’s test of goodwill resulted in the write off of $20,893,550 which was recorded in the statements of operations.

NOTE 10 – RELATED PARTY

Convertible Notes Payable- Related Parties

The convertible notes payable are with two companies that share an officer of the Company. The notes bear interest of 10%. The convertible notes payable to related parties balance at June 30, 2013 is $295,069, all of which is in default. The note holder may convert to common shares at a fixed price of $.001 per share.

NOTE 11 - STOCKHOLDERS’ EQUITY

The Company is authorized to issue Ten Million Preferred (10,000,000) shares with par value of $0.001, and One Hundred Million (500,000,000) shares of common stock at a par value of $0.001.

On March 26, 2012 the Company enacted a 1-for-300 reverse stock. The Company has adjusted all periods presented for the effects of the reverse stock split.

On December 21, 2012 the Company enacted a 2-for-1 forward stock split. The Company has adjusted all periods presented for the effects of the stock split.

For the year ended December 31, 2012, the Company issued 200,000,000 (post forward stock split) shares in a share exchange agreement (see note 9), 146,000,000 (post forward stock split) shares for the conversion of $73,000 in convertible debt, and 48,476 (post forward stock split) shares for services. The 48,476 shares for services resulted in a stock for services expense of $2,883 which was calculated using the fair market value of $0.0595 at date of issuance.

On June 30, 2013, the Company had 348,217,382 common shares outstanding and had 0 preferred shares outstanding.

NOTE 12- CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm its business. Alco has no pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events pursuant to the requirements of ASC Topic 855 and has determined that other than listed below, no material subsequent events exist.

1. In July of 2013 the Company received a contract from Evitts to install security equipment in their new Convention Center. Work started in July and is estimated to finish in October dependent on how fast they can build new sections of the Convention Center. Estimated gross revenues for this project are $300,000.