Southern ITS International, Inc.

Consolidated Financial Statements
For the Years Ended
December 31, 2016 and 2015
(Unaudited)

SOUTHERN ITS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2016	December 31, 2015
Assets:		
Current Assets		
Cash and Cash Equivalents	$ 111,088	$ 15,178
Accounts Receivable, net	-	-
Advances to Non-Related Parties	10,000	10,000
Prepaid Items	2,000	2,000
Total Current Assets	123,088	27,178
Fixed Assets:		
Furniture and Equipment	5,808	5,808
Accumulated Depreciation	(4,022)	(3,190)
Total Fixed Assets	1,786	2,618
Total Assets	$ 124,874	$ 29,796
Liabilities and Stockholders' Deficit:		
Current Liabilities		
Accounts Payable & Accrued Expenses	$ 373,100	$ 371,927
Accrued Interest	489,787	458,244
Convertible Notes Payable- Related Party	294,712	294,712
Convertible Notes Payable	390,000	390,000
Notes Payable- Related Party	102,706	106,205
Derivative Liability	1,453,618	1,453,618
Total Current Liabilities	3,103,923	3,074,706
Non-Current Liabilities:		
Convertible Notes Payable- Related Party	-	-
Total Non-Current Liabilities	-	-
Total Liabilities	3,103,923	3,074,706
Stockholders' Equity:		
Preferred Stock, Par value $0.001, Authorized 10,000,000 shares Issued 5,000,000 shares	5,000	5,000
Common Stock, Par value $0.001, Authorized 50,000,000 shares - Issued 20,884,708 shares	20,884	20,884
Additional Paid-In Capital	5,840,442	5,840,442
Deficit Accumulated During Development Stage	(8,845,375)	(8,911,236)
Total Stockholders' Equity	(2,979,049)	(3,044,910)
Total Liabilities and Stockholders' Equity	$ 124,874	$ 29,796

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

SOUTHERN ITS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Year Ended December 31, 2016	2015
Revenues	$ 561,194	$ 1,390,258
Costs of Services	120,097	1,377,127
Gross Margin	441,097	13,131
Operating Expenses:		
Consulting	-	-
Professional Fees	-	-
Wages and Consulting Fees	204,742	84,650
General and Administrative	138,951	206,615
Total Operating Expenses	343,693	291,295
Operating Income (Loss)	97,404	(278,134)
Other Income (Expense):		
Interest Expense	(31,543)	(42,458)
Derivative Expense	-	-
Interest Income	-	-
Total Other Income (Expense)	(31,543)	(42,458)
Net Income (Loss) Before Taxes	65,861	(320,592)
Income Tax Provision	-	-
Net Income (Loss)	$ 65,861	$ (320,592)
Income (Loss) per Share, Basic & Diluted	$ 0.00	$ (0.02)
Weighted Average Shares Outstanding	20,884,708	20,884,708

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

SOUTHERN ITS INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	Preferred Shares	Preferred Stock	Common Shares	Common Stock	Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Equity/(Deficit)
Balance December 31, 2013	5,000,000	5,000	3,764,348	3,764	5,365,388	(7,680,322)	(2,306,170)
Stock cancellation	-	-	(400,000)	(400)	(19,600)	-	(20,000)
Reverse split (50 to 1) adjustment	-	-	(79,640)	(79)	79	-	-
Stock issued for debt reduction	-	-	3,100,000	3,100	-	-	3,100
Stock issued for services	-	-	12,750,000	12,750	752,250	-	765,000
Net loss	-	-	-	-	-	(470,583)	(470,583)
Balances December 31, 2014	5,000,000	$5,000	19,134,708	$ 19,135	$6,098,117	$(8,150,905)	$ (2,028,654)
Stock issued during year	-	-	1,750,000	$ 1,750	$ (3,949)	-	$ (2,200)
Net loss	-	-	-	-	-	$ (301,673)	$ (301,673)
Balances December 31, 2015	5,000,000	$ 5,000	20,884,708	$ 20,884	$5,840,442	$ (8,911,236)	$ (3,044,910)
Net income	-	-	-	-	-	$ 65,861	$ 65,861
Balances December 31, 2016	5,000,000	$ 5,000	20,884,708	$ 20,884	$5,840,442	$ (8,845,375)	$ (2,979,049)

SOUTHERN ITS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Year Ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss) for the Period	$ 65,861	$ (320,592)
Adjustments to reconcile net loss to net cash		
provided by operating activities:		
Depreciation and amortization	832	829
Stock issued for services	-	(18,693)
Changes in Operating Assets and Liabilities		
Increase/(Decrease) in Accounts Payable & Accrued Expenses	1,173	(243,098)
Increase/(Decrease) in Advances/Notes from Related Parties	(3,499)	-
Decrease in Prepaid Expenses	-	671,150
Increase in accrued interest	31,543	(70,362)
(Increase)/Decrease in Accounts Receivable, net	-	-
Derivative expense	-	-
Net Cash Used in Operating Activities	29,217	(19,234)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes to related party	-	-
Payments on note payable to related party	-	-
Proceeds from note payable	-	25,000
Net Cash Provided by Financing Activities	-	25,000
Net (Decrease) Increase in Cash	95,910	(5,766)
Cash at Beginning of Period	15,178	20,994
Cash at End of Period	$ 111,088	$ 15,178
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.

SOUTHERN ITS INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Unaudited)

NOTE 1 – NATURE AND DESCRIPTION OF BUSINESS

Southern ITS International, Inc. (formerly Alco Advanced Technologies, Inc.) ("Southern ITS" or 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 ("the Subsidiary") in which the result was Southern ITS 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.

On July 17, 2014, the Company enacted a 1-for-50 reverse stock split. The Company has adjusted all periods presented for the effects of the stock split.

On August 15, 2014, the Company amended its articles of incorporation to decrease its authorized shares of common stock from Two Hundred Fifty Million (250,000,000) shares to Fifty Million (50,000,000) shares, with a par value of $0.001. The Company remains to have Ten Million (10,000,000) preferred shares with par value of $0.001 authorized. The Company designated 10,000,000 Series A Preferred Stock which have preferred voting rights equal to 500 votes for each 1 preferred share.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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 audited 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.

Restatement of Financial Statements

Certain amounts in the prior period financial statements have been adjusted to conform to the current period presentation pursuant to a 1 for 50 reverse stock split on, see Note 14.

Basis of Consolidation

The accompanying consolidated financial statements include all of the accounts of the Company and Southern ITS Mississippi as of December 31, 2016 and 2015 for the years then ended. All intercompany balances and transactions have been eliminated.

Use of estimates

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 accounts balance of $0 at December 31, 2016 and 2015.

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 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 December 31, 2016 and 2015; 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 December 31, 2016 and 2015.

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.

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) the 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 3 regarding going concern matters.

Segment information

During 2016 and 2015, 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.

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 January 15, 2014**—**The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-08, *Intangibles—Accounting for Goodwill (Topic 350):*. The Update simplifies the accounting alternative, if elected, to goodwill existing as of the beginning of the period of adoption and any new goodwill recognized in annual periods beginning after December 15, 2014.

In April 2013, 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 2013-45 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for construction contracts.

Company management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying 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 an accumulated deficit of $8,845,375 from inception (September 27, 1984) to December 31, 2016. 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 service and product marketing efforts.

NOTE 4 – REVERSE STOCK SPLIT

On August 4, 2014, the Company executed a reverse stock split whereby the holders of stock in the Company, Southern ITS International, Inc., received one (1) post reverse stock-split share of common stock, $0.001 par value per share, in exchange for every fifty (50) shares of common stock (in effect, a 1 for 50 reverse split). Prior to the reverse stock split the Company had 168,217,400 shares of common stock outstanding. As a result of the 1 for 50 reverse stock-split, the Company had 3,284,708 post reverse-split common shares issued and outstanding. The Company has adjusted the equity statement and equity portion of the balance sheet to retroactively account for the reverse stock split as if it occurred at inception.

NOTE 5 - PREPAIDS

The prepaid asset balance at December 31, 2016, is a prepaid office rent deposit of $2,000.

NOTE 6 – ACCOUNTS RECEIVABLE

The Company had the following accounts receivable balances as of December 31, 2016 and 2015.

	December 31, 2016		December 31, 2015	
Accounts Receivable	$	0	$	0
Less: Allowance for Doubtful Accounts		-		-
Total	$	0	$	o

In the years ended December 31, 2016 and 2015, the Company recorded $0 of bad debt expense.

NOTE 7 – FIXED ASSETS

At December 31, 2016 and 2015 the Company has the following fixed assets.

		December 31, 2016		December 31, 2015
Furniture and Equipment	$	5,808	$	5,808
Less Accumulated Depreciation		(4,022)		(3,190)
Fixed Assets, net	$	1,786	$	2,618

Depreciation expense for the year ended December 31, 2016 was $832. Depreciation expense for the year ended December 31, 2015 was $830.

NOTE 8 – NOTES PAYABLE

The company has unsecured notes payable and convertible notes payable to related parties and non-related parties at December 31, 2016 under the following general terms.

Convertible notes payable to related parties

Between May 12, 2008 and December 29, 2011, the Company entered into multiple convertible promissory notes, all of which have identical terms, with Bonavel Development, S.A. for a total amount of $130,820. The notes bear a 10% interest rate per annum, have a maturity date of March 31, 2015, and are currently in default. The convertible note's principle and accrued interest may at any time be converted into shares of the Company's stock at a conversion rate fixed at $0.025 per share. As of December 31, 2016 and 2015, there was a principle balance outstanding in the amount of $37,820 plus accrued interest. Of the total amount of $130,820 in principle, $93,000 was converted into stock of the Company, all of which occurred prior to January 1, 2013. The Company recorded a derivative liability of $164,005 which was calculated using the Black Scholes Model.

Between November 2, 2009 and December 21, 2012, the Company entered into multiple convertible promissory notes, all of which have identical terms, with Alco Scanning Services, Inc. for a total amount of $348,643. The notes bear a 10% interest rate per annum, have a maturity date of December 31, 2012, and are currently in default. The convertible note's principle and accrued interest may at any time be converted into shares of the Company's stock at a conversion rate fixed at $0.025 per share. As of December 31, 2016 and 2015, there was a principle balance outstanding in the amount of $256,891 plus accrued interest. Of the total amount of $348,643 in principle, $91,752 was repaid with cash, all of which occurred prior to January 1, 2013. As of December 31, 2016, no principle has been converted into shares of stock in the Company. The Company recorded a derivative liability of $744,500 which was calculated using the Black Scholes Model.

Convertible notes payable to non-related parties

On April 20, 2009, the Company entered into a convertible promissory note with Armagnac in the amount of $30,000 with an interest rate of 10% per annum. The note is convertible into common shares of the Company at a fixed conversion price of $0.10 per share. As of December 31, 2016, no principle has been converted into shares of stock in the Company. The Company did not record a derivative liability pertaining to this note because the conversion price was greater than the fair market stock price.

On June 3, 2009, the Company entered into a convertible promissory note with Marflu S.A. for a total amount of $200,000. The note bears 10% interest rate per annum, has a maturity date of June 3, 2014, and is currently in default. The convertible note's principle and accrued interest may at any time be converted into shares of the Company's stock at a conversion rate fixed at $0.001 per share. As of December 31, 2016 and 2015, there was a principle balance outstanding in the amount of $200,000 plus accrued interest. As of December 31, 2016, no principle has been converted into shares of stock in the Company. The Company recorded a derivative liability of $467,853 which was calculated using the Black Scholes Model.

On June 8, 2009, the Company entered into a convertible promissory note with Hammond in the amount of $75,000 with an interest rate of 10% per annum. The note is convertible into common shares of the Company at a fixed conversion price of $0.10 per share. As of December 31, 2016, no principle has been converted into shares of stock in the Company. The Company did not record derivative liability pertaining to this note because the conversion price was greater than the fair market stock price.

On December 12, 2014, the Company entered into a convertible promissory note with Miller in the amount of $50,000 with an interest rate of 10% per annum, unsecured, and due December 12, 2015. The convertible note's principle and accrued interest may at any time be converted into shares of the Company's stock at a conversion rate equal to $0.10 per share. As of December 31, 2016, the note is in default and no principle has been converted into shares of stock in the Company. The Company recorded a derivative liability of $77,260 which was calculated using the Black Scholes Model.

On March 2, 2015, the Company entered into a convertible promissory note with Plummer in the amount of $25,000 with an interest rate of 10% per annum. The note is convertible into common shares of the Company at a fixed conversion price of $0.25 per share. As of December 31, 2016, no principle has been converted into shares of stock in the Company. The Company did not record derivative liability pertaining to this note because the conversion price was greater than the fair market stock price.

On March 22, 2015, the Company entered into a convertible promissory note with Spear in the amount of $10,000 with an interest rate of 10% per annum. The note is convertible into common shares of the Company at a fixed conversion price of $0.25 per share. As of December 31, 2016, no principle has been converted into shares of stock in the Company. The Company did not record derivative liability pertaining to this note because the conversion price was greater than the fair market stock price.

On April 20, 2015, the Company entered into a convertible promissory note with Saunders in the amount of $10,000 with an interest rate of 20% per annum. The note was paid off personally by Sylvain Desrosiers, CEO, on December 16, 2016. The note remains to be convertible into common shares of the Company at a fixed conversion price of $0.25 per share. As of December 31, 2016, no principle has been converted into shares of stock in the Company. The Company did not record derivative liability pertaining to this note because the conversion price was greater than the fair market stock price.

Notes payable to related parties

From time to time and since 2008, Sylvain Desrosiers, CEO has loaned various sums to the Company. These are recorded as a loan from a related party. The loan bears a 10% interest rate per annum and has no maturity date. As of December 31, 2016 and 2015, there is a principle balance outstanding in the amount of $102,706 and $106,205, respectively, plus accrued interest.

The following table summarized the Company's notes payable and convertible notes payable balances as of December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
1. Convertible notes payable to related parties	$ 294,712	$ 294,712
2. Convertible notes payable to non-related parties	390,000	390,000
3. Notes payable to related parties	102,706	106,205
Totals	$ 787,418	$ 790,917

The Company had an accrued interest balance on the notes payable in the amount of $489,787 and $458,244 as of December 31, 2016 and 2015, respectively.

The convertible note holders may convert at any time to common shares at a per share price stipulated in their agreement. There were no conversions of debt in the years ended December 31, 2016 and 2015.

NOTE 9 – SHARE EXCHANGE AGREEMENT

On April 17, 2012, the Company issued 200,000,000 post reverse-split shares of common stock to the sole equity owner of Southern ITS Corporation for 100% of the issued and outstanding shares of capital stock in Southern ITS.

This executed share exchange agreement resulted in Southern ITS Corporation becoming a wholly-owned subsidiary of the Company.

Addendum to Share Exchange Agreement

On April 30, 2013, the Company entered into an addendum with Southern ITS to amend its previously executed share exchange agreement on April 17, 2012. The addendum includes a mutually agreed upon revaluation of the consideration paid to acquire SIC whereby the new valuation will be 400,000 post reverse-split shares instead of 4,000,000 post reverse-split shares of common stock. The Company was returned the initial 4,000,000 post reverse-split shares from Southern ITS which they then canceled. The Company then issued a new certificate for 400,000 post reverse-split to the president of Southern ITS in September of 2013. The Company has restated its prior year comparative financial information to account for this revaluation.

On March 18, 2014, the company entered into an addendum with Southern ITS to amend its previous agreement and Southern ITS returned 400,000 post reverse-split shares of common stock to the treasury.

NOTE 10 – RELATED PARTY TRANSACTIONS

Convertible Notes Payable- Related Parties

As of December 31, 2016 and 2015, the Company has convertible notes payable with related party companies which are owned by our chief executive officer. The notes have an interest rate of 10% and are convertible into shares of the Company at a fixed conversion rate of $0.025 per share. The convertible notes payable to related parties balance at December 31, 2016 and 2015 was $294,711. The note holder may convert to common shares at a fixed price of $0.025 per share.

Notes Payable to Related Parties

The Company has notes payable with an officer of the Company. The note bears an interest rate of 10%. As of December 31, 2016 and 2015, the balances are $102,706 and $106,205, respectively.

NOTE 11 - STOCKHOLDERS' EQUITY

Common and preferred stock authorized

On April 15, 2014, the Company amended its articles of incorporation to decrease its authorized shares of common stock from Five Hundred Million (500,000,000) shares to Two Hundred Fifty Million (250,000,000) shares with par value of $0.001. On August 15, 2014, the Company amended its articles of incorporation to decrease its authorized shares of common stock from Two Hundred Fifty Million (250,000,000) shares to Fifty Million (50,000,000) shares, with a par value of $0.001.

The Company remains to have Ten Million (10,000,000) preferred shares with par value of $0.001 authorized. The Company designated 10,000,000 Series A Preferred Stock which have preferred voting rights equal to 500 votes for each 1 preferred share.

Common and preferred stock issued

On August 4, 2014, the Company enacted a 1-for-50 reverse stock split. The Company has adjusted all periods presented for the effects of the stock split.

For the year ended December 31, 2013, the Company issued 5,000,000 preferred shares and 400,000 post reverse-split common shares to a director of the Company for services completed prior to December 31, 2013. The Company valued the preferred shares at par $0.001, which resulted in an expense of $5,000. The Company valued the 400,000 post reverse-split common shares at the closing stock price on the date of issuance, September 3, 2013 at $0.11, which resulted in an expense of $44,000. The Company also issued 400,000 post reverse-split common shares to Jason Bell, the President of Company, pursuant to the addendum to the Share Exchange Agreement described in Note 9.

At December 31, 2013, the Company had 3,764,348 post reverse-split common shares outstanding and had 5,000,000 preferred shares outstanding.

In the year ended December 31, 2014, the Company cancelled 400,000 post reverse-split shares of common stock to an officer of the Company for failing to provide contracted services. The Company also issued 3,100,000 post reverse-split shares of common stock for the reduction of $1,600 of notes payable and $1,600 of accrued interest on convertible notes payable. The Company also issued 12,000,000 post reverse-split shares of common stock, 2,000,000 to our CFO and 10,000,000 to our CEO, pursuant to separate agreements for executive services. The 12,000,000 post reverse-split shares were valued at the date of the agreement at $0.06, which resulted in a combined expense of $720,000 being recognized.

On November 17, 2015 the company issued 1,750,000 shares of restricted common stock to JJMJ Consulting. This was done in accordance with their consulting agreement. This brought the total of outstanding shares as of December 31, 2015 to 20,884,708.

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. Southern ITS International 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.