ADAPTIVE AD SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR AND NINE MONTHS ENDED

DECEMBER 31, 2014

AND SEPTEMBER 30, 2015

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
FOR THE PERIODS

	'SEPTEMBER 30, 2015	DECEMBER 31, 2014
ASSETS		
CURRENT ASSETS		
Cash	$ 454,172	$ 1,005,505
Accounts Receivable (Net)	819,157	598,435
Interest Receivable	3,288	-
Short Term Loans	229,000	35,500
Total	1,505,617	1,639,440
EQUIPMENT (Net)	787,395	610,408
OTHER LONG TERM ASSETS	1,804	1,804
TOTAL ASSETS	$ 2,294,816	$ 2,251,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 156,590	$ 186,133
Bank Overdraft	8,723	-
Accrued Interest	128,814	117,166
Short Term Notes Payable - Related Party	218,107	388,075
Short Term Notes Payable	81,500	54,500
Total	593,734	745,874
STOCKHOLDERS' EQUITY		
Preferred Stock, $.001 Par Value, 100,000,000 Shares Authorized 500,000 Shares Outstanding	500	-
Common Stock, $.001 Par Value, 500,000,000 Shares Authorized, 46,425,628 Shares Issued and Outstanding	46,426	45,076
Additional Paid in Capital	3,749,947	3,714,797
Retained Earnings (Deficit)	(2,095,791)	(2,254,095)
Total	1,701,082	1,505,778
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,294,816	$ 2,251,652

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIODS

	NINE MONTHS ENDED SEPTEMBER 30, 2015	NINE MONTHS ENDED SEPTEMBER 30, 2014
AD REVENUES	$ 1,954,918	$ 2,433,737
COST OF AD REVENUES	577,925	651,681
GROSS PROFIT	1,376,993	1,782,056
EXPENSES		
Advertising	200	-
Accounting	1,000	5,800
Cable System Repairs and Maintenance	161,669	112,836
Commissions	217,326	129,796
Computer Software	1,106	-
Consulting	18,875	105,904
Contract Services	8,535	-
Fuel	2,567	-
Insurance	1,843	-
Legal	75,077	110,390
Legal Filings	9,519	-
Miscellaneous	1,500	-
Office	10,692	5,304
Outside Services	189,048	291,655
Payroll & Payroll Taxes	285,210	177,790
Postage and Shipping	6,104	6,444
Publications	995	-
Repair	13,785	-
Rent	56,064	25,250
Research & Development	18,500	-
Services Charges	4,547	1,915
Telephone	5,232	4,502
Travel	112,815	102,932
Transfer Agent	5,088	-
Utilities	597	-
Total Operating Expenses	1,207,894	1,080,518
NET OPERATING INCOME	169,099	701,538
OTHER NON OPERATING INCOME/EXPENSES		
Interest Income	3440	-
Interest Expense	(11,648)	(17,889)
Net Non Operating Income/(Expenses)	(8,208)	(17,889)
NET PROFIT/(LOSS) BEFORE TAXES	$ 160,891	$ 683,649
TAXES	-	-
NET PROFIT/(LOSS)	$ 160,891	$ 683,649
NET PROFIT/(LOSS) PER SHARE OF COMMON STOCK	$ 0.0035	$ 0.0220
BASIC AVERAGE SHARES OUTSTANDING	45,725,628	31,287,938

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS

	NINE MONTHS ENDED SEPTEMBER 30, 2015	NINE MONTHS ENDED SEPTEMBER 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 160,891	$ 683,649
Adjustments to Reconcile Net Income	-	
Depreciation	189,025	163,550
To Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	(224,010)	(517,743)
Short Term Loans	(193,500)	(31,000)
Increase (Decrease) in Liabilities:		
Accounts Payable	(20,820)	79,401
Accrued Interest	11,648	(396,717)
Short Term Loans	(142,968)	4,200
Net Cash Provided by Operating Activities	(219,734)	(14,660)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	-	(1,804)
Purchase of Equipment and Other Assets	(368,599)	(231,253)
Net Cash (Used) by Investing Activities	(368,599)	(233,057)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan (and interest) Paid from Stock Issuance	-	1,451,012
Issuance of Stock to Pay Expenses	37,000	-
Paydown of Loans Payable	-	(1,047,213)
Net Cash Provided by Financing Activities	37,000	403,799
NET INCREASE (DECREASE) IN CASH	(551,333)	156,082
CASH AT BEGINNING OF PERIOD	1,005,505	301,312
CASH AT END OF PERIOD	$ 454,172	$ 457,394
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period For:		
Interest	$ -	$ 17,889.00
Income Taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
For the Period ended June 30, 2015		
Stock Issued to Officer/Director and Employees for Services (1,350,000 Common Shares and 500,000 Preferred Shares)	$37,000	-

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2014 TO SEPTEMBER 30, 2015

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED DEFICIT
BALANCE, JANUARY 1, 2014	-	-	462,502	$ 463	$ 1,803,398	$ (3,348,963)
ACQUISITION OF ADAPTIVE MEDIA, INC.	-	-	30,513,126	30,513	674,487	-
CONVERSION OF DEBT WITH INTEREST	-	-	14,100,000	14,100	1,236,912	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	1,092,281
BALANCE, DECEMBER 31, 2014	-	-	45,075,628	45,076	3,714,797	(2,256,682)
COMMON SHARES ISSUED FOR EMPLOYEES	-	-	1,350,000	1,350	25,650	-
PREFERRED SHARES ISSUED FOR OFFICER/DIRECTOR	500,000	500	-	-	9,500	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	160,891
ENDING BALANCE, SEPTEMBER 30, 2015	500,000	$ 500	46,425,628	$ 46,426	$ 3,749,947	$ (2,095,791)