

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED

	DECEMBER 31, 2014
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,004,957
Accounts Receivable (Net)	756,202
Short Term Loans - Related Party	43,200
Short Term Loans	<u>35,500</u>
Total	1,839,859
EQUIPMENT (Net)	610,408
OTHER LONG TERM ASSETS	<u>1,804</u>
TOTAL ASSETS	<u>\$ 2,452,071</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts Payable	\$ 189,829
Short Term Notes Payable - Related Party	38,075
Short Term Notes Payable	<u>52,000</u>
Total	279,904
STOCKHOLDERS' EQUITY	
Preferred Stock, \$.001 Par Value, 100,000,000 Shares Authorized 0 Shares Outstanding	-
Common Stock, \$.001 Par Value, 500,000,000 Shares Authorized, 45,075,628 Shares Issued and Outstanding	45,076
Additional Paid in Capital	3,714,797
Retained Earnings (Deficit)	<u>(1,587,706)</u>
Total	<u>2,172,167</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,452,071</u>

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

	DECEMBER 31, 2014
AD REVENUES	\$ 3,575,572
COST OF AD REVENUES	<u>885,844</u>
GROSS PROFIT	2,689,728
EXPENSES	
Accounting	17,800
Cable System Repairs and Maintenance	165,769
Commissions	207,859
Consulting	124,304
Internet Services	1,386
Legal	149,990
Miscellaneous	2,031
Office	6,347
Outside Services	377,342
Payroll	274,856
Payroll Taxes	30,105
Postage and Shipping	8,695
Rent	34,745
Service Charges	2,864
Taxes	575
Telephone	6,791
Travel	<u>147,855</u>
Total Operating Expenses	1,559,314
NET OPERATING INCOME	1,130,414
OTHER NON OPERATING INCOME/EXPENSES	
Income	
Interest	22
Miscellaneous	798
Expenses	
Interest	<u>(17,889)</u>
Net Non Operating Income/(Expenses)	(17,069)
NET PROFIT/(LOSS) BEFORE TAXES	1,113,345
TAXES	<u>-</u>
NET PROFIT/(LOSS)	<u>\$ 1,113,345</u>
NET PROFIT/(LOSS) PER SHARE OF COMMON STOCK	<u>\$ 0.032</u>

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

	DECEMBER 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income (Loss)	\$ 1,113,345
Adjustments to Reconcile Net Income	
Depreciation	226,106
To Net Cash (Used)/Provided by Operations	
Increase (Decrease) in Current Assets:	
Receivables	(290,436)
Short Term Loans - Related Party	4,700
Short Term Loans	(35,500)
Increase (Decrease) in Liabilities:	
Accounts Payable	39,359
Accrued Interest	(396,717)
Short Term Loans	(56,200)
Net Cash Provided by Operating Activities	604,657
CASH FLOWS FROM INVESTING ACTIVITIES	
Deposits	(1,804)
Purchase of Equipment and Other Assets	(303,555)
Net Cash (Used) by Investing Activities	(305,359)
CASH FLOWS FROM FINANCING ACTIVITIES	
Paydown of Loans Payable	(1,047,213)
Proceeds from Loans	-
Loan (and Interest) Paid from Stock Issuance	1,451,012
Net Cash Provided by Financing Activities	403,799
NET INCREASE (DECREASE) IN CASH	703,097
CASH AT BEGINNING OF PERIOD	301,860
CASH AT END OF PERIOD	\$ 1,004,957
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash Paid During the Period For:	
Interest	\$ 17,889
Income Taxes	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:	
For the Periods ended December 31, 2014	
None	

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR 2014

	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS (DEFICIT)
BALANCE, JANUARY 1, 2014	462,502	\$ 463	\$ 1,803,398	\$ (2,701,051)
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,113,345</u>
ENDING BALANCE, DECEMBER 31, 2014	<u>45,075,628</u>	<u>\$ 45,076</u>	<u>\$ 3,714,797</u>	<u>\$ (1,587,706)</u>