

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR AND THREE MONTHS ENDED
DECEMBER 31, 2014
AND MARCH 31, 2015

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

	MARCH 31, 2015	DECEMBER 31, 2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 910,950	\$ 1,005,505
Accounts Receivable (Net)	759,802	756,202
Short Term Loans	29,000	35,500
Total	1,699,752	1,797,207
EQUIPMENT (Net)	660,404	610,408
OTHER LONG TERM ASSETS	1,804	1,804
TOTAL ASSETS	<u>\$ 2,361,960</u>	<u>\$ 2,409,419</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 183,227	\$ 186,133
Cash Overdraft	18,059	-
Accrued Interest	121,563	117,166
Short Term Notes Payable - Related Party	314,107	388,075
Short Term Notes Payable	54,500	54,500
Total	691,456	745,874
STOCKHOLDERS' EQUITY		
Preferred Stock, \$.001 Par Value, 100,000,000 Shares Authorized 500,000 Shares Outstanding	-	-
Common Stock, \$.001 Par Value, 500,000,000 Shares Authorized, 46,425,628 Shares Issued and Outstanding	45,076	45,076
Additional Paid in Capital	3,714,797	3,714,797
Retained Earnings (Deficit)	(2,089,369)	(2,096,328)
Total	1,670,504	1,663,545
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,361,960</u>	<u>\$ 2,409,419</u>

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

	THREE MONTHS ENDED MARCH 31, 2015	THREE MONTHS ENDED MARCH 31, 2014
AD REVENUES	\$ 596,254	\$ 540,875
COST OF AD REVENUES	<u>212,494</u>	<u>198,574</u>
GROSS PROFIT	383,760	342,301
EXPENSES		
Accounting	1,000	2,500
Cable System Repairs and Maintenance	23,700	36,063
Commissions	73,597	52,466
Computer Software	513	948
Consulting	14,550	18,051
Contract Services	3,901	4,781
Fuel	618	591
Insurance	1,843	1,749
Legal	45,186	42,500
Legal Filings	3,730	1,486
Miscellaneous	1,500	925
Office	5,556	2,497
Outside Services	56,424	68,669
Payroll & Payroll Taxes	70,818	49,715
Postage and Shipping	2,249	1,686
Publications	995	925
Repair	1,337	2,339
Rent	29,224	13,350
Research & Development	-	4,500
Services Charges	1,529	786
Telephone	5,232	1,104
Travel	27,998	33,939
Transfer Agent	848	675
Utilities	<u>122</u>	<u>-</u>
Total Operating Expenses	372,470	342,245
NET OPERATING INCOME	11,290	56
OTHER NON OPERATING INCOME/EXPENSES		
Interest Income	66	-
Interest Expense	<u>(4,397)</u>	<u>(28,084)</u>
Net Non Operating Income/(Expenses)	(4,331)	(28,084)
NET PROFIT/(LOSS) BEFORE TAXES	\$ 6,959	\$ (28,028)
TAXES	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS)	<u>\$ 6,959</u>	<u>\$ (28,028)</u>
NET PROFIT/(LOSS) PER SHARE OF COMMON STOCK	<u>\$ 0.0002</u>	<u>\$ (0.0050)</u>

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

	THREE MONTHS ENDED MARCH 31, 2015	THREE MONTHS ENDED MARCH 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 6,959	\$ 52,596
Adjustments to Reconcile Net Income	-	
Depreciation	59,266	107,675
To Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	(2,964)	(145,473)
Short Term Loans	6,500	(7,500)
Increase (Decrease) in Liabilities:		
Accounts Payable	15,153	22,749
Accrued Interest	4,397	10,494
Net Cash Provided by Operating Activities	<u>89,311</u>	<u>40,541</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment and Other Assets	<u>(109,350)</u>	<u>(76,984)</u>
Net Cash (Used) by Investing Activities	(109,350)	(76,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paydown of Loans Payable	<u>(73,968)</u>	<u>-</u>
Net Cash Provided by Financing Activities	(73,968)	-
NET INCREASE (DECREASE) IN CASH	(94,007)	(36,443)
CASH AT BEGINNING OF PERIOD	<u>1,004,957</u>	<u>299,007</u>
CASH AT END OF PERIOD	<u>\$ 910,950</u>	<u>\$ 262,564</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period For:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
For the Period ended March 31, 2015		
None		

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2014 TO MARCH 31, 2015

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED DEFICIT
BALANCE, JANUARY 1, 2014	-	-	462,502	\$ 463	\$ 1,803,398	\$ (3,188,609)
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>1,092,281</u>
BALANCE, DECEMBER 31, 2014	-	-	45,075,628	45,076	3,714,797	(2,096,328)
NET INCOME FOR THE PERIOD	-	-	-	-	-	<u>6,959</u>
ENDING BALANCE, SEPTEMBER 30, 2015	-	\$ -	<u>45,075,628</u>	<u>\$ 45,076</u>	<u>\$ 3,714,797</u>	<u>\$ (2,089,369)</u>