

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR AND SIX MONTHS ENDED
DECEMBER 31, 2014
AND JUNE 30, 2015

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

	JUNE 30, 2015	DECEMBER 31, 2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 522,856	\$ 1,005,505
Accounts Receivable (Net)	927,048	756,202
Short Term Loans	<u>229,000</u>	<u>35,500</u>
Total	1,678,904	1,797,207
 EQUIPMENT (Net)	 725,367	 610,408
 OTHER LONG TERM ASSETS	 <u>1,804</u>	 <u>1,804</u>
 TOTAL ASSETS	 <u>\$ 2,406,075</u>	 <u>\$ 2,409,419</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 169,804	\$ 186,133
Accrued Interest	125,429	117,166
Short Term Notes Payable - Related Party	291,107	388,075
Short Term Notes Payable	<u>54,500</u>	<u>54,500</u>
Total	640,840	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)	<u>(2,031,638)</u>	<u>(2,096,328)</u>
Total	1,765,235	1,663,545
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u>\$ 2,406,075</u>	 <u>\$ 2,409,419</u>

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

	SIX MONTHS ENDED JUNE 30, 2015	SIX MONTHS ENDED JUNE 30, 2014
AD REVENUES	\$ 1,287,482	\$ 1,337,978
COST OF AD REVENUES	<u>408,059</u>	<u>423,647</u>
GROSS PROFIT	879,423	914,331
EXPENSES		
Accounting	1,000	3,500
Cable System Repairs and Maintenance	96,558	71,751
Commissions	134,635	81,220
Computer Software	1,106	948
Consulting	18,500	55,620
Contract Services	7,124	9,905
Fuel	1,468	1,345
Insurance	1,843	3,534
Legal	55,018	73,900
Legal Filings	4,091	1,486
Office	7,878	5,781
Outside Services	139,065	304,623
Payroll & Payroll Taxes	204,813	111,570
Postage and Shipping	3,875	4,373
Publications	995	925
Repair	13,682	3,327
Rent	39,027	17,850
Research & Development	10,000	4,500
Services Charges	3,230	1,468
Telephone	5,232	2,983
Travel	55,228	66,124
Transfer Agent	2,544	675
Utilities	<u>445</u>	<u>-</u>
Total Operating Expenses	807,357	827,408
NET OPERATING INCOME	72,066	86,923
OTHER NON OPERATING INCOME/EXPENSES		
Interest Income	887	-
Interest Expense	<u>(8,263)</u>	<u>(34,327)</u>
Net Non Operating Income/(Expenses)	(7,376)	(34,327)
NET PROFIT/(LOSS) BEFORE TAXES	\$ 64,690	\$ 52,596
TAXES	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS)	<u>\$ 64,690</u>	<u>\$ 52,596</u>
NET PROFIT/(LOSS) PER SHARE OF COMMON STOCK	<u>\$ 0.0014</u>	<u>#REF!</u>
BASIC AVERAGE SHARES OUTSTANDING	<u>#REF!</u>	<u>#REF!</u>

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

	SIX MONTHS ENDED JUNE 30, 2015	SIX MONTHS ENDED JUNE 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 64,690	\$ 52,596
Adjustments to Reconcile Net Income	-	-
Depreciation	126,873	107,675
To Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	(170,846)	(145,473)
Short Term Loans	(193,500)	(7,500)
Increase (Decrease) in Liabilities:		
Accounts Payable	16,329	22,749
Accrued Interest	8,263	10,494
Net Cash Provided by Operating Activities	(148,191)	40,541
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment and Other Assets	(243,790)	(76,984)
Net Cash (Used) by Investing Activities	(243,790)	(76,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Stock to Pay Expenses	37,000	23,833
Paydown of Loans Payable	(127,668)	-
Net Cash Provided by Financing Activities	(90,668)	23,833
NET INCREASE (DECREASE) IN CASH	(482,649)	(12,610)
CASH AT BEGINNING OF PERIOD	1,005,505	299,007
CASH AT END OF PERIOD	\$ 522,856	\$ 286,397
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 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 JUNE 30, 2015

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED DEFICIT
BALANCE, JANUARY 1, 2014	-	-	462,502	\$ 463	\$ 1,803,398	\$ (3,188,609)
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)
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	-	-	-	-	-	<u>64,690</u>
ENDING BALANCE, JUNE 30, 2015	<u>500,000</u>	<u>\$ 500</u>	<u>46,425,628</u>	<u>\$ 46,426</u>	<u>\$ 3,749,947</u>	<u>\$ (2,031,638)</u>