Adaptive Medias, Inc.
Form 10-Q
August 17, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal quarter ended **June 30, 2015**
or

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______________ to _______________.

Commission file number 000-54074

ADAPTIVE MEDIAS, INC.

(Exact name of Registrant as specified in its charter)

Nevada	**26-0685980**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

16795 Von Karman Avenue, Suite 240

Irvine, CA 92606

(Address of principal executive offices - Zip Code)

Registrant's telephone number, including area code: 949-525-4634

Securities registered pursuant to Section 12(b) of the Act: **NONE**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ¨ No x

As of August 15, 2015, there were 18,682,344 shares of the Registrant's common stock outstanding.

ADAPTIVE MEDIAS, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

ADAPTIVE MEDIAS, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash	$62,248	$2,255,784
Accounts receivable, net	1,219,129	1,754,893
Prepaid expenses	633,306	61,478
Total Current Assets	1,914,683	4,072,155
Furniture and fixtures, net	65,389	72,476
Intangible assets, net	6,832,765	8,018,170
Deposits	5,793	34,843
Total Assets	$8,818,630	$12,197,644
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$8,183,943	$4,686,991
Total Liabilities	8,183,943	4,686,991
Stockholders' Equity		
Preferred stock, $0.001 par value, 50,000,000 shares authorized; none outstanding	-	-
Common stock, $0.001 par value, 300,000,000 shares authorized; 16,782,344 and 13,869,771 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	16,782	13,866
Additional paid-in capital	51,381,684	47,669,503
Accumulated deficit	(50,763,779)	(40,172,716)
Total Stockholders' Equity	634,687	7,510,653
Total Liabilities and Stockholders' Equity	$8,818,630	$12,197,644

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

ADAPTIVE MEDIAS, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2015	**2014**	**2015**	**2014**
Revenue	$1,097,827	$1,113,185	$2,265,546	$1,844,788
Cost of revenue	1,070,485	723,678	2,040,844	1,168,038
Gross Profit	27,342	389,507	224,702	676,750
Operating expenses:				
Legal and professional fees	503,126	185,471	856,545	308,287
Research and development	17,471	314,973	174,443	454,861
General and administrative expenses	1,263,170	1,041,815	6,378,782	1,579,134
Selling expenses	29,172	345,300	304,359	533,924
Depreciation and amortization	646,356	120,260	1,301,918	239,872
Stock compensation expense	1,137,464	341,798	1,715,097	661,102
Total operating expenses	3,596,759	2,349,617	10,731,144	3,777,180
Loss from operations	(3,569,417)	(1,960,110)	(10,506,442)	(3,100,430)
Other income (expense):				
Other income	43,177	4,189	47,119	6,283
Gain (loss) on extinguishment of debt	(75,494)	35,378	(75,494)	(43,636)
Interest expense	(30,669)	(1,535)	(56,246)	(1,535)
Total other income (expense)	(62,986)	38,032	(84,621)	(38,888)
Net loss	$(3,632,403)	$(1,922,078)	$(10,591,063)	$(3,139,318)
Basic and dilutive loss per common share	$(0.23)	$(0.32)	$(0.72)	$(0.56)
Weighted average numbers of shares outstanding - basic and diluted	15,486,250	6,007,039	14,772,753	5,647,959

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

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ADAPTIVE MEDIAS, INC.

Condensed Consolidated Statement of Stockholders' Equity

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	**Amount**	**Paid-In Capital**	**Deficit**	**Equity**
Balance December 31, 2014	13,869,771	$ 13,866	$ 47,669,503	$ (40,172,716)	$ 7,510,653
Shares issued for services	747,912	751	1,548,124	-	1,548,875
Shares issued for Cash	2,164,661	2,165	1,997,835	-	2,000,000
Stock option expense	-	-	166,222	-	166,222
Net loss	-	-	-	(10,591,063)	(10,591,063)
Balance June 30, 2015	16,782,344	$ 16,782	$ 51,381,684	$ (50,763,779)	$ 634,687

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

ADAPTIVE MEDIAS, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the six months ended, June 30, 2015	2014
Cash flows from operating activities:		
Net loss	$(10,591,063)	$(3,139,318)
Adjustments to reconcile from net loss to net cash used in operating activities:		
Depreciation and amortization	1,301,918	239,872
Allowance for bad debts	40	46,169
Loss on extinguishment of debt	-	44,279
Common stock issued for services/interest	1,548,875	500,484
Stock option expense	166,222	211,666
Changes in operating assets and liabilities		
Accounts receivable	535,724	(932,946)
Prepaid expenses	(571,828)	270,486
Deposits	29,050	(54,675)
Accounts payable and accrued expenses	3,496,952	791,658
Net cash used in operating activities	(4,084,110)	(2,022,325)
Cash flows from investing activities:		
Purchases of property and equipment	(4,859)	(4,570)
Purchases and development of intangibles	(104,567)	(29,172)
Net cash used in investing activities	(109,426)	(33,742)
Cash flows from financing activities:		
Payments of convertible notes payable	-	(275,000)
Proceeds from issuance of common stock	2,000,000	2,455,874
Net cash provided by financing activities	2,000,000	2,180,874
Net increase (decrease) in cash	(2,193,536)	124,807
Cash, beginning of period	2,255,784	22,188
Cash, end of period	$62,248	$146,995
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$56,246	$1,535
Income taxes	$-	$-
Supplemental disclosure of non-cash investing and financing activities:		
Increase in prepaid common stock compensation	$-	$346,667
Common stock issued to settle accounts payable	$-	$29,880

Issuance of common stock for repayment of convertible note payable	$-	$105,000

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

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ADAPTIVE MEDIAS, INC.

Notes to Condensed Consolidated Financial Statements

Note 1 - Organization and Nature of Business

Adaptive Medias, Inc., formerly known as "Mimvi, Inc." and prior to that as "Fashion Net, Inc." ("Adaptive Medias" or the "Company"), was formed on August 7, 2007 under the laws of the State of Nevada. The Company, through its core content monetization platform and technology, provides app developers, publishers and video content developers one of the only end-to-end monetization platforms driven by programmatic algorithms. The Company provides these unique capabilities to monetize content efficiently across multiple marketing channels, including mobile, video and online display advertising.

Pursuant to votes of the majority of the Board of Directors and shareholders, effective on November 6, 2013, the Company changed its name to Adaptive Medias, Inc. in order to better and more fully demonstrate the Company's emphasis on providing a supply-side platform for mobile, video and online display advertising. In connection with the name change, effective on November 6, 2013, the Company's ticker symbol was changed to ADTM.

The Company is a programmatic audience and content monetization company for website owners, app developers and video publishers who want to more effectively optimize content through advertising. Adaptive Medias provides a foundation for publishers and developers looking to engage brand advertisers through a multi-channel approach that delivers integrated, engaging and impactful ads across multiple devices. The Company meets the needs of its publishers with an emphasis on maintaining user experience, while delivering timely and relevant ads through its multi-channel ad delivery and content platform.

Media Graph Transaction

On July 15, 2014, the Company executed a Stock Purchase Agreement (the "Agreement"), effective June 30, 2014, with OneScreen, Inc., a Delaware corporation ("OneScreen"), Media Graph, Inc., a Nevada corporation and OneScreen's spun-off former subsidiary ("Media Graph"), and the shareholders of Media Graph (the "Selling Shareholders") whereby the Company acquired certain assets of OneScreen, which immediately prior thereto were held by Media Graph, in exchange for 5,000,000 shares of the Company's common stock (the "Acquisition"). On July 15, 2014, the parties to the Agreement executed the First Amendment to the Stock Purchase Agreement (the "Amendment"), which (i) amended the effective date of the Agreement to July 15, 2014, (ii) limited the scope of Section 5.04 of the Agreement to apply only to the Restricted Selling Shareholders, as defined in the Amendment, and (iii) added the Selling Shareholders as a signatory to the Agreement.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition and the allocation of the purchase price to the fair value of net assets acquired:

Fixed assets	$82,112
Intangibles	6,320,000
Goodwill	8,597,888
Total purchase price allocated	$15,000,000

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ADAPTIVE MEDIAS, INC.

Notes to Condensed Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations.

On April 14, 2014, the shareholders of the Company authorized its Board of Directors to effectuate a reverse stock split, in the Board's discretion (the "Reverse Stock Split"), which was ultimately declared effective by the Board of Directors as of the close of business on July 14, 2014. As a result of the Reverse Stock Split, every thirty (30) issued and outstanding shares of the Company's common stock was changed and converted into one (1) share of common stock. Following the Reverse Stock Split, the Company continues to have 300,000,000 shares of common stock authorized for issuance, but the number of outstanding shares of the Company's common stock was reduced from 192,364,735 shares to 6,412,225 shares. As required by the Financial Accounting Standards Board's (FASB") Accounting Standards Codification ("ASC") Topic 260-10-55-12 "*Earnings per Share*" all share and per-share computations presented in these condensed consolidated financial statements are based on the new number of shares after the Reverse Stock Split.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Form 10-K for the year ended December 31, 2014. In the opinion of management, all adjustments considered necessary for the fair presentation consisting solely of normal recurring adjustments, have been made. Operating results for the period ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Going Concern

The Company's unaudited condensed consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. As of June 30, 2015, the Company had an accumulated deficit of $50,763,779. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease or reduce its operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. The Company will continue to raise funds through the sale of its equity securities to obtain additional operating capital. The Company is dependent upon its ability, and will continue to attempt, to secure additional equity and/or debt financing until the Company can earn revenue and realize positive cash flow from its operations. There are no assurances that the Company will be successful in earning revenue and realizing positive cash flow from its operations. Without sufficient financing it would be unlikely that the Company will continue as a going concern.

Based on the Company's current rate of cash outflows, cash on hand and proceeds from the prior sale of equity securities, management believes that its current cash will not be sufficient to meet the anticipated cash needs for working capital for the next 12 months. The Company's plans with respect to its liquidity issues include, but are not limited to, the following:

1) Continue to issue restricted stock for compensation due to consultants and for its legacy accounts payable in lieu of cash payments; and
2) Seek additional capital in the public equity markets to continue its operations as it rolls out its current products in development, responds to competitive pressures, develops new products and services, and supports new strategic partnerships. The Company is currently evaluating additional equity financing opportunities and may execute them when appropriate. However, there can be no assurances that the Company can consummate such a transaction, or consummate a transaction at favorable pricing.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and achieve profitable operations. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

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ADAPTIVE MEDIAS, INC.

Notes to Condensed Consolidated Financial Statements

Reclassifications

Certain reclassifications have been made to amounts in prior periods to conform to the current period presentation. All reclassifications have been applied consistently to the periods presented.

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 revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue when earned and related costs of sales and expenses when incurred. The Company recognizes revenue in accordance with FASB ASC Topic 605-10-599, *Revenue Recognition, Overall, SEC Materials* ("Section 605-10-599"). Section 605-10-599 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. Cost of revenue consists of the cost of the purchased goods and labor related to the corresponding sales transaction. When a right of return exists, the Company defers revenues until the right of return expires. The Company recognizes revenue from services at the time the services are completed.

Intangible assets

Intangible assets consisting of websites, customer lists, content and publisher relationships, developed technology and trade names are stated at cost. Expenditures of costs incurred to renew or extend the term of a recognized intangible asset and materially extend the useful life are capitalized. When assets are sold or otherwise written off due to asset impairment, the cost and the related accumulated amortization are removed from the accounts and any realized gain or loss is recognized at that time. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Internal Use Software Development Costs

The Company incurs costs to develop software for internal use. The Company expenses all costs that relate to the planning and post implementation phases of development as research and development expense. The Company capitalizes costs when preliminary efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and will be used as intended. Costs incurred for enhancements that are expected to result in additional material functionality are capitalized. The Company capitalized $104,567 and $29,170 in internal use software costs during the six months ended June 30, 2015 and 2014, respectively, which are included in intangible assets on the accompanying unaudited condensed consolidated balance sheets.

Amortization commences when the software for internal use is ready for its intended use and the amortization period is the estimated useful life of the related asset, which is generally two to three years. Amortization expense totaled $60,105 and $547 for the six months ended June 30, 2015 and 2014, respectively.

Net Income (Loss) Per Share

Net loss per share is provided in accordance with FASB ASC 260-10, *Earnings per Share*. Basic net loss per common share ("EPS") is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income (loss) by the weighted average shares outstanding, assuming all dilutive potential common shares were issued, unless doing so is anti-dilutive. The weighted average number of common shares outstanding for computing basic and diluted EPS for the six months ended June 30, 2015 and 2014 were 14,772,753 and 5,647,959, respectively. The weighted average number of common shares outstanding for computing basic and diluted EPS for the three months ended June 30, 2015 and 2014 were 15,486,250 and 6,007,039, respectively. Potential dilutive common shares for the three and six months ended June 30, 2015 and 2014 were 8,265,194 and 8,939,964, respectively, and were not used in the calculation of diluted EPS as the impact would be anti-dilutive.

ADAPTIVE MEDIAS, INC.

Notes to Condensed Consolidated Financial Statements

Recently Issued Accounting Pronouncements

In May 2014, the FASB and the International Accounting Standards Board jointly issued ASU No. 2014-9, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU, as amended, is effective for public entities for annual and interim periods beginning after December 15, 2017. Early adoption is not permitted under U.S. GAAP and retrospective application is permitted, but not required. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statement-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides guidance under U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The ASU is effective for all entities and for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The adoption of ASU No. 2014-15 is not expected to have a significant impact on the Company's consolidated financial statements and related disclosures.

Note 3 – Intangible Assets

The following table summarizes the intangible assets as of June 30, 2015 and December 31, 2014.

	Useful Lives	June 30, 2015	December 31, 2014
Websites	2 years	$ 11,297	$ 11,297
Customer lists	1 years	306,505	306,505
Developed technology	3 years	4,987,601	4,883,034

Trade names	3 years	85,607	85,607
		5,391,010	5,286,443
Less: accumulated amortization		$ (2,956,209)	$ (1,666,237)
Identifiable intangibles, net		2,434,801	3,620,206
Goodwill		4,397,964	4,397,964
Intangible assets, net		$ 6,832,765	$ 8,018,170

For the six months ended June 30, 2015 and 2014, the amortization of intangible assets was $1,289,972 and $239,294 respectively. . For the three months ended June 30, 2015 and 2014, the amortization of intangible assets was $639,754 and $119,220 respectively.

Note 4 – Income Taxes

The Company had net operating loss carryforwards ("NOLs") as of December 31, 2014 of approximately $35.5 million for federal tax purposes and approximately $34.7 million for state tax purposes, portions of which are expiring at various years through 2034. The Company may be able to utilize its NOLs to reduce future federal and state income tax liabilities. However, these NOLs are subject to various limitations under Internal Revenue Code ("IRC") Section 382. IRC Section 382 limits the use of NOLs to the extent there has been an ownership change of more than 50 percentage points. In addition, the NOL carryforwards are subject to examination by the taxing authority and could be adjusted or disallowed due to such exams. Although the Company has not undergone an IRC Section 382 analysis, it is possible that the utilization of the NOLs could be significantly limited. No provision for income taxes has been recorded during the three and six month periods ended June 30, 2015 and 2014 due to the losses incurred.

ADAPTIVE MEDIAS, INC.

Notes to Condensed Consolidated Financial Statements

Note 5 – Notes Payable

As of June 30, 2015, there were no outstanding notes payable. On February 10, 2014, the Company settled all obligations under a previously issued convertible note payable and cancelled the 133,334 warrants in exchange for: (i) the conversion of $105,000 of note principal at $2.25 per share, for a total of 46,667 shares of Company common stock, pursuant to the terms of the convertible note; and (ii) a cash payment of $275,000. The terms of this settlement were memorialized in the Settlement and General Release Agreement. This agreement settled all outstanding obligations with the note holder. In connection with this transaction, the Company recognized a loss on the settlement of the debt in the amount of $79,014 in its operating results for the period ending June 30, 2014.

Note 6 – Stockholders' Equity

Issuance of Common Stock

During the six months ended June 30, 2015, the Company issued 747,912 shares of its common stock for to various employees and consultants in exchange for services rendered. The aggregate fair value of these issuances was $1,548,871. Additionally, the Company issued and sold 2,164,661 shares of its common stock (including 981,229 shares related to anti-dilution clauses) to an accredited investor for an aggregate purchase price of $2,000,000. The total number of shares outstanding as of June 30, 2015 was 16,782,344.

During the six months ended June 30, 2014, the Company issued 298,204 shares of its common stock to various consultants in exchange for services rendered with an aggregate fair value of $1,058,817. The Company also issued 46,667 shares of its common stock in connection with the settlement of a convertible note with a fair value of $105,000 (note 5). Additionally, the Company issued and sold 1,095,334 shares of its common stock to several accredited investors for an aggregate purchase price of $2,464,499. Finally, in the six months ended June 30, 2014, the Company issued 8,998 shares of its common stock for settlement of $29,880 of accounts payable or $3.32 per share on average. The total number of shares outstanding as of June 30, 2014 was 6,412,225.

ADAPTIVE MEDIAS, INC.

Notes to Condensed Consolidated Financial Statements

Note 7 – Warrants and Options

Stock Option Plans

The Company's shareholders approved the Company's 2010 Stock Incentive Plan (the "2010 Plan") on November 2, 2010. The Plan provides for the grant of non-statutory or incentive stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards to the Company's employees, Officers, Directors or consultants. The Company's Board of Directors administers the 2010 Plan, selects the individuals to whom options will be granted, determines the number of options to be granted, and the term and exercise price of each option. Stock options granted pursuant to the terms of the 2010 Plan generally cannot be granted with an exercise price of less than 100% of the fair market value on the date of the grant. The term of the options granted under the 2010 Plan cannot be greater than 10 years. Options vest at varying rates generally over three to five years along with performance based options.

In September 2013, the Company approved the increase in the number of shares issuable pursuant to the 2010 Plan to 15,000,000. In December 2013, the Company's Board of Directors approved an amendment to the Amended and Restated 2010 Stock Incentive Plan which increased the number of shares issuable pursuant to the Plan by 15,000,000 to 30,000,000 shares. Both amendments were approved by the Company's shareholders. Upon completion of the Reverse Stock Split on April 14, 2014, the Company continues to have 30,000,000 shares issuable pursuant to the 2010 Plan.

As of June 30, 2015, 641,633 options were outstanding and 28,037,356 shares available for future grant. For the options granted, the Company recorded compensation expense of $220,709 using the Black-Scholes option pricing model based upon the following assumptions: term of 3 years, average risk free interest rate of .99%, a dividend yield of 0% and a volatility of 338%.

During the year ended December 31, 2014, options for 1,058,770 shares had been granted, with 0 shares exercised, 122,849 shares were forfeited and cancelled and 1,477,977 remained outstanding at December 31, 2014 and 28,522,023 shares were available for future grant.

The following table reflects the option activity during the six months ended June 30, 2015:

	Common Shares	Average Exercise Price
Outstanding as of December 31, 2014	1,477,977	$ 1.11
Granted	151,667	1.86
Exercised	(179,461)	0.35
Forfeited, cancelled, expired	(808,550)	1.08
Outstanding as of June 30, 2015	641,633	$ 0.68

Warrants

The following table reflects warrant activity during the six months ended June 30, 2015:

	Warrants for Common Shares	Weighted Average Exercise Price
Outstanding and exercisable as of December 31, 2014	2,879,627	$ 4.00
Granted	1,831,361	2.05
Exercised – cash	-	-
Exercised - cash-less exercise	-	-
Forfeited, cancelled, expired	-	-
Outstanding as of June 30, 2015	4,710,988	$ 3.24

During the six months ended June 30, 2015, warrants for 1,831,631 shares were issued in connection with the cash sale of shares referred to above.

ADAPTIVE MEDIAS, INC.

Notes to Condensed Consolidated Financial Statements

Note 8 – Commitments and Contingencies

Office Lease Agreements

The Company leases office space in Irvine, California under two leases that expire at various dates through March 2017. The current monthly rent is approximately $13,100.

Minimum Fees

On July 1, 2014, the Company entered into an agreement to purchase bandwidth for a period of 18 months with a total minimum amount of $413,775 due. Under the agreement, the Company expensed $138,691 during the six months ended June 30, 2015.

Legal Proceedings

1) Mario Wilson v. Mimvi, Inc.,

In July 2013, the Company became aware that a default judgment had been entered against Mimvi (now Adaptive Medias, Inc.) in favor of Mario Armando Wilson and against the Company in the amount of $62,141 and the balance has been accruing interest. In addition to accrued interest, Wilson is also entitled under the California Labor Code to recover attorney's fees and costs incurred in enforcing the Judgment. By the end of 2014, the Judgment had grown to $76,694. On or about January 5, 2015, The Company entered into an agreement with Wilson to settle the Judgment for $74,000 in stock and cash paid over time. The Company believes this matter will be fully settled by the end of 2015.

2) Felix Chan v. Mimvi, Inc

The Company was a party to an arbitration case entitled *Felix Chan v. Mimvi* (now Adaptive Medias, Inc.) which was a proceeding before the American Arbitration Association. On December 12, 2014, the Arbitrator issued an award against the Company in the amount of $348,803. On April 9, 2015, the Court sided with Plaintiff, and granted his Petition to Confirm the Award, rejecting the Petition to Vacate the Award filed by this office. The Judgment will be entered in Plaintiffs favor for approximately $358,387. As of the date hereof, the parties reach a settlement agreement resulting in a stay of enforcement of the Judgment with payment over time until February, 2016. Upon receipt of the full amount owing under the settlement agreement, Plaintiff shall cause to be filed a Satisfaction of Judgment. The Company anticipates this matter to be resolved by the first quarter of 2016.

3) Rice v. Adaptive Medias, etc., et al

On September 20, 2013, Eric Rice, a former employee, sued the Company (Rice v. Adaptive Medias, etc., et al., LASC No. LC100816, Van Nuys Superior Court). The complaint alleges that the Company breached Mr. Rice's employment agreement and made misrepresentations when the Company terminated Mr. Rice. The complaint does not specify the amount of alleged damages. The Company denies any breach or misrepresentation, and the Company denies that it owes Mr. Rice anything. The parties proceeded to mediation on July 16, 2015, at which a confidential resolution was reached for a payment of $25,000 over time. The case will be dismissed with prejudice following the completion of certain executory obligations scheduled to conclude on October 15, 2015.

4) Khoi Senderowicz v. Kasian Franks, Andrew Linton, Mimvi, Inc.

On July 29, 2013, Khoi Senderowicz filed a lawsuit against the Company and two other individuals, Andrew Linton and Kasian Franks (Senderowicz v. Franks, etc., et al., Case No. RG13689457, Alameda County Superior Court). The suit alleges breach of leases for real property and damages to real property and seeks $353,894 in alleged damages. In June 2015, the Company agreed to settle Senderowciz’s claims in exchange for payment of $26,000 and cooperation in removing the restrictions on the 50,000 shares. The Company is also considering Senderowicz’s recent demands for some additional settlement monies as a result of the stock’s decline in value due to a 30:1 reverse stock split in 2014. The Company anticipates this matter to be settled by the end of 2015.

5) Amanda Besemer v. Adaptive Medias, Inc., Mimvi, Inc.

In April of 2014, the Company became aware that a lawsuit was filed against the Company in the Superior Court of Santa Clara County, California by Amanda Besemer, who was an Advisory Board member of Mimvi from 2010-2012. Ms. Besemer seeks damages equivalent to $400,000 of stock or the cash equivalent of such related to the termination of her Advisory Board role. The Company has filed an answer to the complaint and denied the allegations. The Company has been informed that the case in Santa Clara has been dismissed and that Ms. Besemer has refiled in Los Angeles Superior Court. This matter is currently pending as mediation and trial have been scheduled later this year.

The Company anticipates this matter to be resolved by the end of 2015.

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6) U-Chef v. OneScreen, Adaptive Media, Inc.

The Company has become aware of a claim by U-Chef, a creditor of OneScreen, in the amount of $93,237 (*Ratatouille dba U-Chef v. OneScreen*). On June 10, 2015, the Plaintiff dismissed its claims against the Company, without prejudice. As of the date hereof, U-Chef continues to pursue its claims against OneScreen and may assert claims against the Company again.

7) One Screen v. Patel; Patel v. OneScreen, Adaptive Media, Inc., and Qayed Shareef, et al.

On January 27, 2015, the Company became aware of a recent cross-complaint filed by the former CEO of OneScreen. *(Patel v. OneScreen, Adaptive Media, Inc and Qayed Shareef).* On March 23, 2015, the Company joined in a demurrer to the cross-complaint. Company also filed a Special Motion to Strike, called an Anti-SLAPP Motion in response. The Court at a hearing on June 9, 2015, sustained the demurrer in part but denied the Anti-SLAPP Motion. An Amended Complaint was filed on July 6, 2015 removing the claims on which the Anti-Slap Motion was filed. This matter is currently pending and the Company's position is that this case has no merit and intends to vigorously defend against it.

8) AdOn Network, LLC v. OneScreen, Inc., et al.

The Company has become aware of a complaint filed on or about January 13, 2015, by AdOn Network LLC (“Ad On”). AdOn asserts that in March, 2014, OneScreen, Inc. executed a Settlement Agreement with it for $495,000 payable at $33,000 per month. AdOn asserts that OneScreen breached this agreement by failing to make the payments required. AdOn claims that Adaptive Medias is responsible for this obligation claiming that Adaptive Medias is the "successor-in interest" to OneScreen. AdOn served the subject First Amended Complaint on Adaptive Medias on February 27, 2015. AdOn claims that Adaptive Medias’ purchase of OneScreen's assets through the Stock Purchase Agreement requires a finding that Adaptive Medias is the “successor-in-interest" to OneScreen.

The Company believes that there are good and meritorious defenses to this claim given that Adaptive Medias paid $16.5 million dollars in stock for the purchase of Media Graph, Inc., an asset of OneScreen. A demurrer was filed attacking Plaintiffs First Amended Complaint which will not be heard until September 24, 2015 given the courts backlog. The Company is awaiting the production of the underlying materials regarding this claim.

The Company does not believe the ultimate outcome of these proceedings will have a material adverse impact on the Company’s condensed consolidated financial statements.

9) Peer 1 Network USA, Inc. v. Adaptive Medias, Inc., et al.

The Plaintiff claims to be entitled to $42,000 in fees for broadband services. Some $8,000 had already been paid on the billing when it was determined that Adaptive was being billed on outgoing usage, rather than on the incoming usage as represented. The matter has now been settled for $9,000 with and a dismissal with prejudice having been filed on June 19, 2015.

10) Ryan Parson v. Adaptive Medias, Inc., OneScreen, Inc., et al.

This is one of numerous claims against Adaptive arising from its purchase of Media Graph and its relationship with OneScreen. Mr. Parsons claims that he is owed monies from OneScreen under a Stipulation for Entry of Judgment for $123,205. The claims against Adaptive relates to its purchase of Media Graph; the allegations of successor liability and fraudulent transfer. Plaintiff also seeks punitive damages. There is no published case law addressing the right of a party to seek punitive damages arising from the alleged failure to pay a judgment. Company's position is that this case has no merit and intends to vigorously defend against it.

11) Hoomaun Ataei v. Adaptive Medias, Inc., OneScreen, Inc., et al.

On November 7, 2014, Hoomaun Ataei, a former employee, in a written notice dated October 21, 2014, indicated his intent to file a lawsuit against and/or seek relief from the Company for injuries alleged to be caused by Company over compensation and other matters. On or around November 5, 2014, Mr. Ataei filed a complaint with the Department of Fair Employment and Housing (Matter Number: 410521-133960). Thereafter, the parties agreed to attend mediation. Effective May 21, 2015, the Company entered into a Settlement Agreement and General Release of All Claims with Mr. Ataei. Pursuant to the agreement, the Company agreed to pay to Employee and Employee’s attorneys the combined sum of One Hundred Seventy Thousand Dollars ($170,000), as well as thirty thousand (30,000) restricted shares of the Company’s stock and twenty-five thousand (25,000) stock purchase warrants. Under the agreement, Mr. Ataei agreed to release, absolve and discharge the Company and its affiliates from all claims.

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Notes to Condensed Consolidated Financial Statements

Note 9 – Concentrations

The following table reflects the concentration of revenue during the three and six months ended June 30, 2015 and 2014:

	For the three months ended June 30,				For the six months ended June 30,			
	2015		2014		2015		2014	
Customer 1	17	%	0	%	10	%	0	%
Customer 2	14	%	0	%	7	%	0	%
Customer 3	0	%	16	%	10	%	12	%
Customer 4	4	%	25	%	6	%	20	%
Customer 5	0	%	13	%	0	%	17	%
Customer 6	0	%	10	%	0	%	8	%
Customer 7	0	%	4	%	0	%	11	%

Included in accounts receivable was $808,779 and $1,104,781 from the above seven customers as of June 30, 2015 and 2014, respectively.

Note 10 – Subsequent Events

The Company follows the guidance in FASB ASC Topic 855, *Subsequent Events* ("ASC 855"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before the consolidated financial statements are issued or are available to be issued. ASC 855 sets forth (i) the period after the balance sheet date during which management of a reporting entity evaluates events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its consolidated financial statements, and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

Issuance of common shares

Subsequent to June 30, 2015, the company has issued 1,900,000 shares for services rendered.

Removal of Directors

On July 6, 2015 the Company announced the removal of Norman Brodeur from the Board of Directors.

Issuance and Repayments of Convertible Promissory Notes

On July 14th, 2015 the Company entered into a convertible promissory note with John Strong in the amount of $100,000. The principal amount plus 5% interest was to be repaid by July 28th, 2015. A default provision is included in the note to which the holder may elect to convert the entire unpaid balance including interest into the Company's common stock at a rate equal to 50% of the closing bid price for the trading day immediately preceding the date of the conversion. The Company made payments of $100,000, and $5,000, on July 28, 2015 and August 13, 2015 in full satisfaction of the note.

On July 14th, 2015 the Company entered into a convertible promissory note with John Strong in the amount of $100,000. The principal amount plus 10% interest was to be repaid by September 12th, 2015. A default provision is included in the note to which the holder may elect to convert the entire unpaid balance including interest into the Company's common stock at a rate equal to 50% of the closing bid price for the trading day immediately preceding the date of the conversion.

Appointment of Officers

On August 6, 2015 the board of directors unanimously voted in favor of appointing John Strong to act as the interim Chief Executive Officer.

Rescission of Previously Announced and Accrued Settlement

On May 6, 2015, the Company entered into a Confidential Settlement Agreement and Mutual Release (the "Settlement") with Gregg Templeton, pursuant to which the Company and Mr. Templeton agreed to mutually release one another from any and all obligations under previous consulting arrangements between the parties. Pursuant to the terms of the Settlement Agreement, in exchange for consulting services previously rendered to the Company, the Company's shall pay to Mr. Templeton (i) a cash fee in the amount of $405,000; (ii) 318,343 shares of the Company's common stock; and (iii) a five-year warrant to purchase 1,500,000 shares of the Company's common stock at a price of $3.00 per share. This settlement was authorized by two of three Board members at the time of our last filing and as such it was accrued as a type II subsequent event. It was later determined that the settlement document itself was never signed by an officer of the Company. Further, the Chairman of the Board, being the only sitting Board member as of the date of this filing, has committed to rescinding the Board authorization for this settlement. As such we expect to reverse the effects of the settlement as described above in the third quarter of 2015.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information to explain our results of operations and financial condition. You should also read our unaudited interim condensed consolidated financial statements and their notes included in this Form 10-Q, and our audited consolidated financial statements and their notes, Risk Factors and other information included in our Annual Report on Form 10-K for the year ended December 31, 2014. This report contains forward-looking statements. Forward-looking statements within this Form 10-Q are identified by words such as "believes," "anticipates," "expects," "intends," "may," "will" "plans" and other similar expressions, however, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to significant risks, uncertainties and other factors, which may cause actual results to differ materially from those expressed in, or implied by, these forward-looking statements. Except as expressly required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements to reflect events, circumstances or developments occurring subsequent to the filing of this Form 10-Q with the U.S. Securities and Exchange Commission and you should not place undue reliance on these forward-looking statements. You should carefully review and consider the various disclosures the Company makes in this report and our other reports filed with the U.S. Securities and Exchange Commission that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business.

Overview

The Company, through its core content monetization platform and technology, provides app developers, publishers and video content developers one of the only end-to-end monetization platforms driven by programmatic algorithms. The Company provides these unique capabilities to monetize content efficiently across multiple marketing channels and devices, including mobile, video and online display advertising.

Pursuant to votes of the majority of the Board of Directors and shareholders, effective on November 6, 2013, the Company changed its name to Adaptive Medias, Inc. in order to better and more fully demonstrate the Company's emphasis on providing a supply-side platform for mobile, video and online display advertising. In connection with the name change, effective on November 19, 2013, the Company's ticker symbol was changed to ADTM.

The Company is a programmatic audience and content monetization company for website owners, app developers and video publishers who want to more effectively optimize content through advertising. The Company provides a foundation for publishers and developers looking to engage brand advertisers through a multi-channel approach that delivers integrated, engaging and impactful ads across multiple devices. The Company meets the needs of its publishers with an emphasis on maintaining user experience, while delivering timely and relevant ads through its multi-channel ad delivery and content platform. Our corporate headquarters are located at 16795 Von Karman Avenue, Suite 240, Irvine, California 92606. Our website address is www.adaptivem.com. The information contained on, or that may be obtained from, our website is not, and shall not be deemed to be, a part of this report.

Business Overview

We are a leader in programmatic, real time bidding ("RTB") advertising across mobile, video and display, as well as a provider of a business-to-business digital video content management platform SaaS.

On the supply side, the Company provides each publishing client with unique capabilities to distribute and monetize its content across multiple channels or operating systems, where it can serve a piece of content on a laptop, a tablet and a phone without any additional cost or license. The optimization modules in our technology can be deployed across multiple channels on the platform to provide capabilities such as ad serving, RTB, ad revenue waterfall management and video content management, and enabling necessities like the video player itself. We help mobile app developers, publishers and video content developers monetize their ad inventory through our proprietary ad-delivery and optimization platform. The Company provides these unique capabilities to monetize content efficiently across multiple marketing channels, including mobile, video and online display advertising. Our relationships span across health, sports, entertainment, auto, fashion, news, tech and luxury verticals.

On the demand side, the Company's programmatic technology stack is advertiser-friendly; the platform provides advertisers with a brand-safe and transparent marketplace for buying media across mobile, video and display. This is essential for big brand advertisers and brand-direct ecommerce companies that require a high level of safety, context and relevance for their advertisements.

On June 16, 2014, the Company launched its marketplace to enable publishers a seemingly simple marriage of quality content, users and monetization opportunities side-by-side with advertising partners who drive demand. This is accomplished through a complex set of discovery technology solutions, driven by patents, and efficient algorithmic data that cohesively interact in any digital marketing environment where advertising, audience and content must come together.

Competition

There are many fractional players in this space. There are those who provide video players like Ooyala, BrightCove and Kaltura. Others provide advertising network services like BrightRoll, Grab and TubeMogul. A final group provides ad serving and demand services including RocketFuel, LiveRail or FreeWheel. These providers and their fragmented solutions only complicate the choices that a publisher, app developer or video content provider must make to participate in today's market for audiences and advertising revenue. We believe that AOL is the only other company that can claim to provide an end-to-end solution. It has a video player and ad serving capabilities through Adap.tv, CMS and CDN capabilities through 5min Media and a wealth of inventory and demand through legacy AOL properties and exchange integration.

Despite AOL's size, we believe that we our business model has advantages that will allow us to compete in this space. The first advantage pertains to AOL's legacy inventory source. While AOL benefits from many domains under its control, it is also hampered by the responsibility to fill advertising through these domains first. Our advantage is that we are inventory agnostic. If advertisers want and can benefit from our direct publisher inventory, we are happy to provide it. If advertisers want to take advantage of efficiencies through RTB exchange inventory, we can provide that as well. The Company is less restricted and, as a result, we believe that we can provide better optimization choices than AOL.

The second advantage is in pricing. AOL's legacy properties have high floor inventory costs. While AOL addresses this issue by explaining that its inventory is "premium", this claim is generally made by most, if not all, inventory sources. Our inventory flexibility and existing monetization contracts allow us to deliver advertising, which we believe has the same quality as AOL's advertising, but at a lower cost per impression. We believe that this allows us an edge in negotiating onto advertising campaigns where we don't have an existing track record.

Business Development

Our business development efforts are focused on three main areas. The first is signing content providers to syndication and monetization deals. The second is signing publishers onto our platform. The third area of focus is driving advertising demand or fulfillment through our platform. This translates to revenue generation in the following forms: 1) Encoding fees for uploading content; 2) Revenue share from platform publishers consuming the content; 3) Content streaming bandwidth fees from publishers consuming content; 4) Ad server fees from publishers consuming ads within the platform; 5) Content storage fees for housing content within the platform; and 6) Percentage of revenue from advertisers attaching content to their video ads. In 2013, we added approximately 50 publishers. The direct impact of which was operationally minimal as the platform lends itself extremely simplified workflows. Our overall content contracted in 2013 as we began to remove underperforming partners and categories. We expect all content categories to grow in 2015 as we move toward stabilization of our platform and expansion of our technical capabilities while onboarding premium content providers through focused business development efforts. During the six months ended June 30, 2015, our efforts to streamline our operations and processes led to the successful acquisition and retention of quality publishers and content relationships. New relationships included premium publishers and content producers, all of whom are leaders in their respective categories.

Today our advertiser campaign demand initiatives are consistently fulfilling and scaling at sustainable rates for our growing publisher base. We have over 350,000 rights cleared pieces of video content across all interest categories. We have recently signed a contract with Beanstock Media which increases our publisher base with some high profile publishers including Ask.com, ChristianMingle, Dictionary.com, MeetMe, Slacker, TheDailyBeast, and ZipRealty.

The push made in 2014, to penetrate the comScore top 1000 publisher accounts depicted the growth and scale of our platform syndication capabilities. Engaging these publishers will increase our platform utilization and SaaS income. It will increase the consumption and utilization of our content partners resulting in higher income. It will also allow for greater reach for our demand partners and advertising agencies leading to higher advertising revenues.

In addition to traditional digital publishers, we are continuing to make a push to penetrate select top TV properties and engage them in bridging the gap between legacy TV consumption and video advertising in digital. This is an ongoing effort that will be enabled by our proprietary technology that is currently being developed with the support of our advisers.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in our consolidated financial statements and related notes. Our significant accounting policies are described in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014. There were no significant changes to our significant accounting policies during the six months ended June 30, 2015.

Three Months Ended June 30, 2015 compared with Three Months Ended June 30, 2014

Revenue

For the three months ended June 30, 2015, we recognized revenue of $1,097,827 compared to $1,113,185 in the comparable period of 2014. We expect our revenue to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole. The Company is actively working to mitigate these fluctuations by proactive planning of business development efforts to onboard more publishers, advertiser and content providers.

Cost of Revenue

For the three months ended June 30, 2015, our cost of revenue increased to $1,070,485 compared to $723,678 in the comparable period of 2014, an increase of $346,807 or 48%. The increase was primarily due to the emergence of mobile display as the majority of our media business, which has comparatively high volumes with low margins. In 2015 we expect to increase margins by engaging with both existing and new publisher relationships in mobile video arena through our platform which yields higher revenues at lower costs.

Operating Expenses

As a result of the expansion of our platform business, our operating expenses increased to $3,596,759 for the three months ended June 30, 2015, compared to $2,349,617 in the comparable period of 2014, an increase of $1,247,142 or 53%. This increase is directly related to additional stock-based compensation for services period over period.

For the three months ended June 30, 2015, stock compensation expense increased to $1,137,464 from $341,798 in the comparable period of 2014, an increase of $795,666 or 233%. This increase was due to managements' cash conservation efforts to pay for services with stock instead of cash.

For the three months ended June 30, 2015, legal and professional fees increased to $503,126 from $185,471 in the comparable period of 2014, an increase of $317,655 or 171%. The increase was primarily due to ongoing litigation related to matters from previously completed acquisitions. In 2015, we expect the litigation efforts to continue but decrease as we address them accordingly.

For the three months ended June 30, 2015, our selling expenses decreased to $29,172 from $345,300 in the comparable period of 2014. This decrease is primarily due to a contraction of our sales and marketing personnel and related costs. In 2015 we expect to streamline our sales force with more industry seasoned sales leaders who can bring in the network relationships and staff to help with our growth initiatives.

For the three months ended June 30, 2015, the research and development costs that we incurred decreased to $17,471 from $314,973 in the comparable period of 2014. This decrease is primarily due to a reduction in staff compared to the prior comparable period. Going forward we expect to maintain a lean staff of highly motivated sales and support resources to help expand our growth efforts.

For the three months ended June 30, 2015, general and administrative expenses increased to $1,263,170 from $1,041,815 in the comparable period of 2014, an increase of $221,355 or 21%. The increase was primarily due to the overall increase in our operations, specifically investor relations and settlement expenses. Going forward these types of expenses will not be an issue for the company.

For the three months ended June 30, 2015, depreciation and amortization increased to $646,356 from $120,260 in the comparable period of 2014, an increase of $526,096 or 437%. The increase was primarily due to the overall increase in furniture and fixtures and intangibles assets acquired that are being amortized over their estimated useful lives. We expect depreciation and amortization to remain at these levelsin absolute dollars in future periods.

Six months Ended June 30, 2015 compared with Six months Ended June 30, 2014

Revenue

For the six months ended June 30, 2015, we recognized revenue of $2,265,546 compared to $1,844,788 in the comparable period of 2014, an increase of $420,758 or 23%. The increase was primarily due to an expanded product platform and general expansion of our media business. Additionally, this increase in revenue is attributable to both increased spending by existing customers and an increase in the number of active customers adopting our solution. We expect our revenue to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole. The Company is actively working to mitigate these fluctuations by proactive planning of business development efforts to onboard more publishers, advertiser and content providers.

Cost of Revenue

For the six months ended June 30, 2015, our cost of revenue increased to $2,040,844 compared to $1,168,038 in the comparable period of 2014, an increase of $872,806 or 75%. The increase was primarily due to the emergence of mobile display as the majority of our media business, which has comparatively high volumes with low margins. In 2015 we expect to increase margins by engaging with both existing and new publisher relationships in mobile video arena through our platform which yields higher revenues at lower costs.

Operating Expenses

As a result of the expansion of our business, our operating expenses increased to $10,731,144 for the six months ended June 30, 2015, compared to $3,777,180 in the comparable period of 2014, an increase of $6,953,964 or 184%. This increase is due to a one time settlement expense of $3,768,485 as discussed in footnote 8 of the Notes to Condensed Consolidated Financial Statements. Our expectations are to grow the platform, higher margin, side of the business throughout the remainder of the year.

For the six months ended June 30, 2015, stock compensation expense increased to $1,715,097 from $661,102 in the comparable period of 2014, an increase of $1,053,995 or 159%. This increase was due to managements' cash conservation efforts to pay for services with stock instead of cash, ongoing investor relation efforts

For the six months ended June 30, 2015, legal and professional fees increased to $856,545 from $308,287 in the comparable period of 2014, an increase of $548,258 or 178%. The increase was primarily due to ongoing litigation related to matters from previously completed acquisitions. In 2015 we expect the litigation efforts to continue but decrease as we address them accordingly.

For the six months ended June 30, 2015, our selling expenses decreased to $304,359 from $533,924 in the comparable period of 2014. This decrease is primarily due to a contraction of our sales and marketing personnel and related costs. In 2015 we expect to streamline our sales force with more external industry seasoned sales leaders and staff, incentivized on a transaction basis, to help with our growth initiatives.

For the six months ended June 30, 2015, the research and development costs that we incurred decreased to $174,443 from $454,861 in the comparable period of 2014. This decrease is primarily due to a reduction in staff compared to the prior comparable period. With that effort behind us we are expecting growth within our platform sales initiatives.

For the six months ended June 30, 2015, general and administrative expenses increased to $6,378,782 from $1,579,134 in the comparable period of 2014, an increase of $4,799,648 or 304%. The increase was primarily due to the overall increase in our operations, specifically investor relations and one time settlement expense, to be paid in common stock and warrants valued at $3,363,485, as discussed in footnote 10 of the Notes to Condensed Consolidated Financial Statements above. In 2015 we expect to reduce our general and administrative cost footprint to a minimum requirement.

For the six months ended June 30, 2015, depreciation and amortization increased to $1,301,918 from $239,872 in the comparable period of 2014, an increase of $1,062,046 or 443%. The increase was primarily due to the overall increase in furniture and fixtures and intangibles assets acquired that are being amortized over their estimated useful lives. We expect depreciation and amortization to increase in absolute dollars in future periods.

Net Loss

For the six months ended June 30, 2015, we incurred a net loss of $10,591,063, or $.72 per basic and diluted share compared to a net loss of $3,139,318, or $0.56 per basic and diluted share for the six months ended June 30, 2014. The increase in the net loss is described above.

Liquidity and Capital Resources

As of June 30, 2015, we had total current assets of $1,914,683 consisting of $62,248 in cash, $1,219,129 in accounts receivable, net of allowance of $411,282, and $633,306 in prepaid expenses. We had total current liabilities of $8,183,943 consisting of accounts payable and accrued expenses.

We have limited funds to pay our currently due debts and liabilities. Should one or more of our creditors seek or demand payment, we are not likely to have the resources to pay or satisfy any such claims. Thus, we face risk of defaulting on our obligations to our creditors with consequential legal and other costs which would adversely impact our ability to continue our existence as a corporate enterprise.

Our insolvent financial condition also may create a risk that we may be forced to file for protection under applicable bankruptcy laws or state insolvency statutes. We also may face the risk that a receiver may be appointed. We face that risk and other risks resulting from our current financial condition.

For these and other reasons, we anticipate that unless we can obtain sufficient capital from outside sources and do so in the very near future, we may be unable to continue to operate as a corporation, continue to meet our filing obligations under the Securities Exchange Act of 1934, or otherwise satisfy our obligations to our vendors, stock transfer agent, our accountants, our legal counsel, our EDGAR filing agent, and many others.

For these and other reasons, our management recognizes the adverse difficulties and continuing severe challenges we face. Apart from the funds that we have received to date, there can be no assurance that we will receive any additional financing or funding from any source or if any financing should be obtained, that existing shareholders will not incur substantial, immediate, and permanent dilution of their existing investment.

The following is a summary of the Company's cash flows provided by (used in) operating, investing, and financing activities for the six months ended June 30, 2015 and 2014:

	For the six months ended	
	June 30, 2015	**June 30, 2014**
Net cash used in operating activities	$ (4,084,110)	$ (2,022,325)

Net cash used by investing activities	(109,426)	(33,742)
Net cash provided by financing activities	2,000,000	2,180,874
Net increase (decrease) in Cash	(2,193,536)	124,807
Cash , beginning	2,255,784	22,188
Cash, ending	$ 62,248	$ 146,995

Going Concern Uncertainties

As of June 30, 2015, we do not have an adequate source of operating revenue to cover our operating costs, and have only limited working capital with which to pursue our business plan. The amount of capital required to sustain operations until we achieve positive cash flow from operations is subject to future events and uncertainties. It will be necessary for us to secure additional working capital through sales of our common stock and/or debt financing, and there can be no assurance that such funding will be available in the future. These conditions raise substantial doubt about our ability to continue as a going concern.

Our auditor has issued a going concern qualification as part of their opinion in their audit report contained in Form 10-K filed with the SEC for the year ended December 31, 2014.

Capital Expenditures

For the six months ended June 30, 2015, we have not incurred any material capital expenditures.

Commitments and Contractual Obligations

As a "smaller reporting company", the Company is not required to provide this information.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be considered material to investors.

Changes in Senior Leadership

Effective as of January 26, 2015, the Chief Executive Officer was terminated by the Board of Directors from his position as Chief Executive Officer and Director. The Board of Directors has established a committee of five individuals to actively search for a qualified successor Chief Executive Officer.

Effective as of January 25, 2015, the Company appointed an Acting Chief Operating Officer of the Company pursuant to a consulting agreement.

Effective as of March 9, 2015, the Principal Accounting Officer of the Company resigned.

Effective as of March 11, 2015, Omar Akram, a Director, was appointed President and Chief Financial Officer.

Effective as of June 17, 2015, the Company announced the resignation of Jim Waltz as intererim Chief Operations Officer and as a Director of the Company.

Effective as of July 6, 2015, the Company announced the removal of Norman Brodeur from the Board of Directors.

Effective as of August 6, 2015, the Board of Directors unanimously voted in favor of appointing John Strong to act as the interim Chief Executive Officer.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a "smaller reporting company", the Company is not required to provide information required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the "Evaluation Date").. Based on that evaluation, our President and Principal Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2015 at a reasonable assurance level, as a result of material weaknesses primarily related to a lack of a sufficient number of personnel with appropriate training and experience in GAAP and a proper segregation of duties based on our size and available resources.

Remediation

To remediate the material weaknesses, as identified above, in internal control over financial reporting, management has taken or will take the following actions as the financial resources become available:

- We have retained additional accounting personnel, and continue to enhance our internal finance and accounting organizational structure.
- We have hired a third party consultant who has the required background and experience in accounting principles generally accepted in the United States of America and with SEC rules and regulations.
- We are in the process of further enhancing the supervisory procedures to include additional levels of analysis and quality control reviews within the accounting and financial reporting functions.

- We are in the process of strengthening our internal policies and enhancing our processes for ensuring consistent treatment and recording of accounting estimates and ensuring the validation of our conclusions regarding significant accounting policies and their application to our business transactions are carried out by personnel with an appropriate level of accounting knowledge, experience and training.

- We will build our procedures to effectively control our financial closing activities.

- We will improve and automate the preparation of our audit schedules to include a systematic audit of all the figures presented in the financial statements.

We believe that the foregoing actions will improve our internal control over financial reporting, as well as our disclosure controls and procedures. We intend to perform such procedures and commit such resources as they become available and necessary to continue to allow us to overcome or mitigate the material weaknesses such that we can make timely and accurate quarterly and annual financial filings until such time as the material weaknesses are fully addressed and remediated.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company legal proceedings are summarized in Note 8 of the condensed consolidated financial statements.

The Company does not believe the ultimate outcome of these proceedings will have a material adverse impact on the Company’s consolidated financial statements.

There are presently no other material pending legal proceedings to which the Company, any executive officer, any owner of record or beneficially of more than five percent of any class of voting securities is a party or as to which any of the Company’s property is subject, and no such proceedings are known to the Company to be threatened or contemplated against it.

Item 1A. Risk Factors.

As a "smaller reporting company", the Company is not required to provide information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the six months ended June 30, 2015, the Company issued 747,912 shares of its common stock for to various employees and consultants in exchange for services rendered. Additionally, the Company issued and sold 1,183,432 shares of its common stock to an accredited investor for an aggregate purchase price of $2,000,000, and 981,229 shares in relation to anti-dilution clauses from the aforementioned and previous cash equity raises.

No underwriters were involved in any of the issuances provided in this Item 2. The shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended (the “Act”) because the individuals either represented that they were “accredited investors” as such term is defined in the rules and regulations promulgated under the Securities Act or were employees of the Company and were in possession of the information that registration of the securities would provide them. The sale of the securities did not involve any form of general solicitation or general advertising.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Number	**Exhibit**
31.1	Certification of the Company's Principal Executive Officer pursuant to 15d-15(e), under the Securities and Exchange Act of 1934.
31.2	Certification of the Company's Principal Financial Officer pursuant to 15d-15(e), under the Securities and Exchange Act of 1934.
32.1+	Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of the Company's Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

+ In accordance with the SEC Release 33-8238, deemed being furnished and not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ADAPTIVE MEDIAS, INC.
August 17, 2015	/s/ Omar Akram
	Omar Akram
	President, Chief Financial Officer and Director
	(Duly Authorized Officer and Principal Executive Officer and Principal Financial Officer)