

ADAPTIVE AD SYSTEMS, INC.

Trading Symbol: AATV

Company Information and Continuing Disclosure Statement

For the Period Ending:

June 30, 2018

ADAPTIVE AD SYSTEMS, INC.

Information and Disclosure for the period ending June 30, 2018

The Company voluntarily reports information through the OTC Markets platform. This document constitutes part of the Company's voluntary reporting and should be read in conjunction with other filings by the Company.

FORWARD LOOKING STATEMENTS

This periodic disclosure contains forward-looking statements. To the extent that any statements made in this report contain information that is not historical, these statements are essentially forward looking. Forward-looking statements can be identified by the use of words such as “expects”, “plans”, “may,”, “anticipates”, “believes”, “should”, “intends”, “estimates”, and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, marketability of our products; legal and regulatory risks associated with being a publicly listed company; our ability to raise additional capital to finance our activities; the effectiveness, profitability and; the future trading of our common stock; our ability to operate as a public company; our ability to protect any proprietary information we own or may develop; general economic and business conditions; the volatility of our operating results and financial condition; our ability to attract or retain qualified senior management personnel and research and development staff; expansion into various geographic markets of cable television ad-insertion and television ad sales; and other risks detailed from time to time in our filings with the OTC Markets (the “OTC”), or otherwise.

Information regarding relevant markets and industry contained in this report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements. As a result, investors should not place undue reliance on these forward-looking statements.

1) Name of the issuer and its predecessors (if any) within the past five years

Adaptive Ad Systems, Inc. (6/17/2014 to current)

Adaptive Media, Inc. (4/15/2014 to 6/17/2014)

Praeibus Communications, Inc. (12/30/2007 to 4/15/2014)

2) Address of the issuer's principal executive offices

Company

Address: 4400 NE 77th Avenue , Suite 275, Vancouver, Washington 98662

Phone: 310-321-4958

Email: info@aatv.co

Website: www.aatv.co

IR Contact - N/A

3) Security Information

Trading Symbol:

AATV

Exact title and class of securities outstanding:

Common Stock

CUSIP:

00650A100

Par or Stated Value:

\$.001 both common and preferred

Total shares authorized as of:

6/30/2018: 500,000,000 common
100,000,000 preferred

Total shares outstanding as of:

6/30/2018: 47,730,628 common
500,000 preferred

Transfer Agent

VStock Transfer, 18 Lafayette Place, Woodmere, NY 11598; Phone: 212-828-8436

Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

List any restrictions on the transfer of security: None

Trading suspension orders issued by the SEC in the past 12 months: None

Any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization within the past 12 months or currently anticipated: None

4) Issuance History of Stock, Options, and Warrants.

Amount

<u>Date</u>	<u>Security Amount</u>	<u>Type of Security</u>	<u>Recipient</u>	<u>Purpose</u>
1/2016	100,000	Common	Service Provider	Contract services
	100,000	Warrants - Exercisable at \$1.10		
5/2016	1,500,000	Common**	Dignitas Consulting	Contract services
8/2016	400,000	Common	Private Investor	Private placement of \$200,000

None of the foregoing issuances were registered in any jurisdiction.

** During the second quarter of 2016, the Company contingently issued 1,500,000 shares for a prepaid consulting contract for future business consulting and market development. The shares delivered were to be held pending completion of all contingencies to the contract. The Company later learned that the shares were sold to third parties prior to fulfillment of contingencies. Consequently, the Company demanded either return of the shares or payment of consideration. At year-end, the Company had received 800,000 shares back from transferees. Dignitas represented to the Company that over 450,000 additional shares would be returned for cancellation by year-end 2017. That did not occur. The Company currently anticipates commencing litigation in the third quarter. For transferees who fail to return or pay for the shares received, the Company will be forced to include them in litigation to cancel shares and to recover damages.

Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act: Yes.

5) Financial Statements

Unaudited financial statements for the period ending **June 30, 2018** are attached hereto and posted to www.otcmarkets.com.

6) Issuer's Business, Products and Services

Date and State (or Jurisdiction) of Incorporation: December 1994 - Nevada

The issuer's fiscal year end date: December 31

The issuer's primary and secondary SIC Codes:

7319-02 (Advertising-television), and

3663 (Television communications equipment)

Principal business, products, services, and their markets:

Adaptive Ad Systems, Inc. ("the Company") represents the consolidated and merged companies Praebius Communications, Inc., which was incorporated in Nevada in December 1994 and Adaptive Media, Inc., which was incorporated in Nevada in March of 2013. Additionally, the Company had previously acquired the operations of Ad Systems, Inc., a Utah corporation organized in 1984 that developed the foundational intellectual property of the Company's ad insertion technology. Since 2015, the Company also owns and operates Adaptive Broadband, an Oregon wireless broadband business. Adaptive Broadband acquired the customer base of Speedpal, a similar business which had been providing services in Oregon and Washington since 2003, and continues to expand service areas and customers.

Thus, the Company is the product of merging or acquiring several longstanding business entities, assets and new state of the art technology. As a result of these combined activities, the Company is cash flow positive and profitable.

The Company is engaged in the cable television (CATV) and online media advertising business, which provides the majority of the Company's revenue. To pursue its business plans, the Company develops, manufactures, markets, deploys, and operates its proprietary video ad-insertion technology. The Company's technology is primarily "cloud-based," which allows the Company to manage thousands of locations from a central hub with a minimal number of employees. This operational structure provides competitive scalability in the markets it pursues.

The Company's proprietary technology enables the Company to build and create new business revenue segments in the traditional CATV industry and generate revenue by deploying its ad-insertion technology in previously un-served and under-served markets. Together, these segments comprise a market opportunity of more than thirty million households (referred to in the industry as "subscribers").

Utilizing technology developed by the Company over a period exceeding three decades, the Company is already a leading turnkey technology based provider of CATV ad insertion equipment and ad-sales to cable television operators. The Company is also an independent provider of DMA (Designated Market Area) based Cable TV advertising sales and commercial delivery in the United States. Furthermore, the Company is actively creating many un-wired markets, particularly in University Campuses and Multi-Dwelling-Units (MDU's).

The Company's main objective is to 1) create "advertising avails" inventory on all major CATV networks across the country where there was no inventory before, and 2) provide reliable and high quality representation for the newly-created advertising inventory. In conducting its business, the Company also provides media solutions for local, regional and national advertisers by inserting advertising into major CATV networks such as ESPN, MTV, DISCOVERY, CNN, LIFETIME, A&E, FOX NEWS, TNT and SPIKE, as well as providing advertising solutions to a large un-served market by utilizing proprietary technologies.

The Company provides advertising insertion products and services to cable television head-ends that are either conventional or consumer satellite systems, as well as any streaming or IP delivery systems. Our services include acquiring advertising sales from local, regional and national advertisers, scheduling, and traffic and billing. The Company's operations are primarily carried out in-house. There are over 210 designated marketing areas in the United States and the Company has deployed over 160 systems into over one hundred of these markets in approximately 34 states.

The Company does not sell its technology and, therefore, installs its own proprietary software and servers and maintains full ownership and control under long-term contracts. Such contracts create an exclusive relationship between the cable television, or digital video provider, and the Company.

Due to the growth of mobile technology (smart phones, tablets, etc.), today's advertisers are learning the value of splitting their advertising spending between CATV and on-line streaming media, as well as over-the-top video streaming. The Company intends to continue development of its products and services to meet the needs of customers as technology and customer needs evolve.

7) Issuer's Facilities

The Company's primary offices are leased office space in Vancouver, Washington and Mesa, Arizona. The Company also leases flex-office space in New York City, Chicago, and Los Angeles. The Company does not own any physical facilities.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons. J.Michael Heil is currently the sole officer and director of the Company.

B. Legal/Disciplinary History. Whether any of the foregoing persons have, in the past five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses): None.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities: None.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated: None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities: None.

C. Beneficial Shareholders (5% or more) at June 30, 2017

J. Michael Heil, (Dir/CEO/Pres; 14,708,663 shares (1)(2).

c/o 4400 NE 77th Avenue , Suite 275, Vancouver, Washington 98662

Wilmark Investments LLC; 11,559,063 shares (1); Mark Cragun Owner/President.

6126 East Paradise Lane, Scottsdale, AZ 85254

(1) Includes shares held directly or through affiliate entities.

(2) Through ownership of preferred shares, Mr. Heil may vote an additional 50 million shares.

9) Third Party Providers

Legal Counsel

Procopio, Hargreaves & Savitch LLP
12544 High Bluff Drive, Suite 300, San Diego, CA 92101
Phone: 858-720-6300

Accounting

Main Street Consulting and Accounting Services, Inc.
299 South Main, Suite 1300, Salt Lake City, Utah 84111

Investor Relations Consultant: (NA)

Other Advisor: (NA)

10) Issuer Certification

I, J. Michael Heil, hereby certify that:

1. I have reviewed this periodic Disclosure Statement of Adaptive Ad Systems, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

This information and Certification is effective as August 14, 2018.

/s/ J. Michael Heil
Chairman and CEO

ADAPTIVE AD SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS AND YEAR ENDED

JUNE 30, 2018 AND DECEMBER 31, 2017

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

	JUNE 30, 2018	DECEMBER 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,648,413	\$ 1,298,673
Accounts Receivable - Trade (Net)	1,811,952	1,462,362
Interest Receivable	63,566	45,854
Short Term Notes	236,240	388,590
Short Term Notes - Related Party	989,661	809,044
Prepaid Expenses	396,216	380,000
Total	5,146,048	4,384,523
EQUIPMENT (Net)	1,681,369	1,515,166
NOTES RECEIVABLE - LONG TERM	87,000	87,000
OTHER LONG TERM ASSETS	3,123	1,098
TOTAL ASSETS	<u>\$ 6,917,540</u>	<u>\$ 5,987,787</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 407,436	\$ 299,407
Accrued Interest	155,154	154,935
Taxes Payable	512,900	247,200
Short Term Notes Payable - Related Party	235,811	450,323
Short Term Notes Payable	19,500	19,500
Total	1,330,801	1,171,365
STOCKHOLDERS' EQUITY		
Preferred Stock, \$.001 Par Value, 100,000,000 Shares Authorized 500,000 Shares Outstanding	500	500
Common Stock, \$.001 Par Value, 500,000,000 Shares Authorized, 47,730,628 and 48,530,628 Shares Issued and Outstanding	47,731	47,731
Additional Paid in Capital	4,398,642	4,398,642
Treasury Stock	(225,000)	-
Retained Earnings (Deficit)	1,364,866	369,548
Total	5,586,739	4,816,422
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 6,917,540</u>	<u>\$ 5,987,787</u>

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED JUNE 30, 2018	THREE MONTHS ENDED JUNE 30, 2017	SIX MONTHS ENDED JUNE 30, 2018	SIX MONTHS ENDED JUNE 30, 2017
REVENUES	\$ 1,878,392	\$ 955,268	\$ 3,120,047	\$ 1,651,479
COST OF REVENUES	<u>345,045</u>	<u>285,087</u>	<u>649,971</u>	<u>504,525</u>
GROSS PROFIT	1,533,347	670,181	2,470,076	1,146,954
EXPENSES				
Advertising	-	7,596	-	8,466
Cable System Repairs and Maintenance	81,719	86,095	229,534	118,188
Commissions	86,740	42,975	148,590	78,875
Consulting	32,749	17,400	60,109	37,400
Credit Card Charges	3,259	1,258	3,259	2,430
Fuel	3,032	2,478	5,976	3,540
Insurance	11,124	2,179	11,745	5,236
Legal	33,000	11,500	43,000	21,500
Legal Filings	735	1,520	1,385	2,170
Miscellaneous	1,612	3,179	1,862	3,900
Office	5,442	1,677	8,281	4,137
Outside Services	162,160	142,054	246,166	230,226
Payroll & Payroll Taxes	177,216	147,811	325,878	290,524
Postage and Shipping	1,996	3,487	7,457	6,773
Publications	1,690	-	1,690	2,585
Rent	18,520	16,327	33,959	32,089
Repairs	4,925	-	8,535	-
Services Charges	1,590	1,928	919	1,076
Telephone	7,757	3,292	16,778	8,345
Travel	39,299	30,398	64,520	69,512
Transfer Agent	2,544	3,391	5,103	5,600
Utilities	<u>1,037</u>	<u>573</u>	<u>1,610</u>	<u>1,185</u>
Total Operating Expenses	678,146	527,118	1,226,356	933,757
NET OPERATING INCOME	858,460	143,063	1,243,720	213,197
OTHER NON OPERATING INCOME/EXPENSES				
Interest Income	8,949	5,830	17,898	11,400
Interest Expense	<u>(378)</u>	<u>(3,879)</u>	<u>(600)</u>	<u>(6,837)</u>
Net Non Operating Income/(Expenses)	8,571	1,951	17,298	4,563
NET PROFIT/(LOSS) BEFORE TAXES	867,031	145,014	1,261,018	217,760
TAXES	<u>182,700</u>	<u>-</u>	<u>265,700</u>	<u>-</u>
NET PROFIT/(LOSS)	<u>\$ 684,331</u>	<u>\$ 145,014</u>	<u>\$ 995,318</u>	<u>\$ 217,760</u>
NET PROFIT/(LOSS) PER SHARE OF COMMON STOCK	<u>\$ 0.0143</u>	<u>\$ 0.0030</u>	<u>\$ 0.0209</u>	<u>\$ 0.0045</u>
FULLY DILUTED EARNINGS PER SHARE	<u>\$ 0.0143</u>	<u>\$ 0.0030</u>	<u>\$ 0.0209</u>	<u>\$ 0.0045</u>
BASIC AVERAGE SHARES OUTSTANDING	<u>47,730,628</u>	<u>48,130,628</u>	<u>47,730,628</u>	<u>48,530,628</u>
FULLY DILUTED AVERAGE SHARES OUTSTANDING	<u>47,730,628</u>	<u>48,130,628</u>	<u>47,730,628</u>	<u>48,530,628</u>

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

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

	SIX MONTHS ENDED JUNE 30, 2018	SIX MONTHS ENDED JUNE 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 995,318	\$ 217,760
Adjustments to Reconcile Net Income		
Depreciation and Amortization	284,666	220,874
Total Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	(367,302)	78,840
Short Term Loans	(28,267)	(272,260)
Prepaid Expenses	(16,216)	6,086
Increase (Decrease) in Liabilities:		
Accounts Payable	108,029	(19,643)
Accrued Interest	219	5,917
Taxes Payable	265,700	-
Short Term Loans	(214,512)	(157,821)
Net Cash Provided by Operating Activities	<u>1,027,635</u>	<u>79,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits and Other Long Term Assets	2,025	-
Increase in Long Term Notes	-	(24,000)
Purchase of Treasury Stock	(225,000)	-
Purchase of Equipment and Other Assets	(454,920)	(392,234)
Net Cash (Used) by Investing Activities	<u>(677,895)</u>	<u>(416,234)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Provided by Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH	349,740	(336,481)
CASH AT BEGINNING OF PERIOD	<u>1,298,673</u>	<u>1,921,994</u>
CASH AT END OF PERIOD	<u>\$ 1,648,413</u>	<u>\$ 1,585,513</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:		
None		

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2017 TO JUNE 30, 2018

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED DEFICIT/ EARNINGS
BALANCE, JANUARY 1, 2017	500,000	\$ 500	47,730,628	\$ 47,731	\$ 4,398,642	\$ (180,145)
NET INCOME FOR THE PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,693</u>
BALANCE, DECEMBER 31, 2017	500,000	500	47,730,628	47,731	4,398,642	369,548
NET INCOME FOR THE PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>995,318</u>
BALANCE, JUNE 30, 2018	<u>500,000</u>	<u>\$ 500</u>	<u>47,730,628</u>	<u>\$ 47,731</u>	<u>\$ 4,398,642</u>	<u>\$ 1,364,866</u>

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Operations

Adaptive Ad Systems, Inc. is a Nevada corporation originally incorporated under the name of Synergetic Technologies, Inc. on December 30, 1994 (hereafter “The Company”). The Company has been an active corporation from its inception and has completed several name changes over the years – Synergetic Technologies, Inc. (1994-2007), Praebius Communications, Inc. (2007 to 2014), Adaptive Media, Inc. (2014), and the current name of Adaptive Ad Systems, Inc. (changed on June 17, 2014).

The Company is involved in the video media advertising business in the cable tv, television and streaming media markets throughout the United States, catering to smaller cable and television operations. The Company also operates wireless internet service providing broadband, telephone and video services.

The Company currently has three operating subsidiaries - Ad Systems, Inc., Adaptive Media, Inc. and Adaptive Broadband, Inc. Adaptive Broadband, Inc. was created in 2015 to operate its wireless and broadband business to private homes and businesses in the northwest Oregon and southern Washington area. Ad Systems and Adaptive Media operates function as the operating entities for the Company’s nation-wide advertising business. Additionally, these subsidiaries have been maintained for contractual, administrative, and name recognition purposes. All subsidiaries are 100% owned by the Company and are reported under the consolidated operations as Adaptive Ad Systems, Inc.

Basis of Presentation

The Company prepares its financial statements in conformity with generally accepted accounting principles in the US. In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of the financial position at June 30, 2018, the results of operations and cash flows for the months and years presented have been made.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the US 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Company's balance sheets include the following financial instruments: cash, short term notes receivable, accounts receivable – trade, accounts payable – trade, deposits, interest receivables and payables, loans from related party and non-related parties. The carrying amounts of current assets and current liabilities approximate their fair value due to the relatively short period of time between the origination of these instruments and their expected realization. The carrying values of the notes payable to related party approximates fair value based on borrowing rates currently available to the Company for instruments with similar terms and remaining maturities.

Fair Value Measurement

All financial and nonfinancial assets and liabilities were recognized or disclosed at fair value in the financial statements. This value was evaluated on a recurring basis (at least annually). Generally accepted accounting principles in the US define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. The accounting principles also established a fair value hierarchy which require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measure fair value. Three levels of inputs were used to measure fair value.

Level 1: Quotes of market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that were corroborated by market data.

Level 3: Unobservable inputs that were not corroborated by market data.

Income Taxes

The Company accounts for income taxes using the liability method. As such, deferred tax assets and liabilities are recorded based on the differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purpose, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

The Company has not recognized any deferred tax assets in association with losses incurred from marketable equity securities transactions, due to tax limitations and uncertainties concerning its ability to generate taxable income in future periods. That is expected to change for the tax year ended December 31, 2017 and 2018 now that the Company has realized a book net income for the last three years and will use up all of its net operating loss in the current year, except for approximately \$180,000 that will be used in 2018. The Company has estimated a book income tax liability for the current year through the year end has determined various options in the tax law to reduce or eliminate the current tax year liability. There will be a timing difference this year that will give rise to a deferred tax benefit based on the tax computations through tax savings of optional choices within the tax code.

The deferred tax liability 2017 tax year been estimated at \$200,000 with a book tax of \$230,000 and a current payment estimated at about \$30,000. Estimated taxes are based on future tax rates established on the new tax law going into effect for 2018. Actual numbers will be available when the tax return is filed sometime in late summer 2018.

The tax liability for the first half of 2018 is based on current tax law and the current book income. Any book and actual tax differences for 2018 is yet to be determined until the end of the year when tax law options of deferring tax are considered.

Earnings per Share

Basic earnings (loss) per share calculations are determined by dividing net income (loss) by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share are determined by dividing net income (loss) by the weighted average number of shares and options (as if exercised) available at the end of the year. At June 30, 2018 and December 31, 2017, there were no financial instruments that were convertible to common stock, in particular, the preferred stock. As for stock equivalent calculations for the stock options, the exercise price is more than the open market price or other sources including direct offerings (recent transactions) from the corporation and would not be considered as a stock equivalent since it would be less expensive to buy the stock from the market or direct from the corporation rather than exercise stock options at the option price.

Cash and Cash Equivalents and Possible Risks on Cash Deposits

All cash accounts of the Company are maintained in a major financial institution in the United States. Deposits with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed on demand and, therefore, bear minimal risk. The Company considers all highly liquid investments purchased with an original maturity of six months or less to be cash equivalents.

Stock Issuances/Prepaid Expenses

During the first quarter of 2016, the Company issued 100,000 common shares as an incentive for a new five-year contract with additional customers. The Company also issued 50,000 shares of common shares for legal services. The stock was estimated to be valued at \$.50 based on current purchases of common stock. The 100,000 shares issued for the new contract was capitalized as prepaid expenses and is being amortized over the life of the new contract.

During the second quarter of 2016, the Company contingently issued 1,500,000 shares for a prepaid consulting contract for future business and market development. The contingent contract becomes null and void if the contract terms are not met. The stock was valued at \$.50 per share (\$750,000) based on current cash purchases of common stock through existing and new stockholders. The issuance was classified as a prepaid expense and will be either expensed or cancelled depending on the results of the contract. The shares delivered were to be held by the consultant pending completion of all contingencies to the contract. Due to current information regarding this contract, the Company is

reviewing potential legal action to cancel all shares delivered to the consultant. (See Legal Matters)

There have been no stock issuances in 2017 or the first six months of 2018.

Treasury Stock

The Company purchased 400,000 shares of common stock from an investor in the first quarter of 2018. The shares are being held as treasury stock until the Company decides to either resale the stock or cancel the shares and returned to treasury.

Recently Issued Accounting Pronouncements

The Company has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, Generally Accepted Accounting Principles – Overall (ASC 105-10), which was formerly known as SFAS 168, ASC 105-10 establishes the FASB Accounting Standards Codification (the “Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with US GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of grandfathered, non-SEC accounting literature not included in the Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the codification, provide background information about the guidance and provide the basis of conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IRFSSs, which results in common requirements for measuring fair value and for disclosing information.

Revenue Recognition

The Company will recognize revenue in accordance with Accounting Standards Codification subtopic 605-10, Revenue Recognition (ASC 605-10), which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the selling price is fixed and determinable, and (4) collectability is reasonably assured.

Property and Equipment

Property and Equipment is stated at cost. Depreciation is computed by the straight-line method over estimated useful lives. The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation period is warranted. Based on its most recent analysis, the Company believes that no impairment of property and equipment exists at June 30, 2018.

The Company currently has the following classes of equipment: computer and computer software used for installations at local television station locations and for selected centralized ad insertion operations (depreciated over 4 years), leasehold improvements (depreciated over 5 years), and transportation equipment (depreciated over 5 to 7 years). Current depreciation expense for the six months of 2018 is \$284,666.

Accounts Receivable

The Company has accounts receivable with well-established advertising and marketing agencies that have routinely proven their reliability on payment over the years. With this record of established collections, the Company does not estimate its bad debt, but only writes off uncollectable receivables on a case by case basis as identified by management. There was an estimate of bad debt write offs related to 2016) in 2018 of approximately \$5,000.

Short Term Loans-Related Party

The Company has made several non-affiliate and affiliate loan transactions. Two loans were made last year and are secured by properties that the loans were used to purchase. These loans carry a simple interest rate of 3%

Another loan is a revolving loan from the principle owner where funds are loaned and paid back on an as need basis depending on cash flow. Currently the Company has been profitable for the last couple of years and the cash flow has been sufficient to have the loan balance paid below zero so that now a receivable exists as of June 30, 2018. The balance is years past has exceeded over \$1,000,000 and is now just over \$160,000 as a receivable. The Company has made no demand on the collection of the receivable since the loan was in a payable position for many years in the past and liquidity for the Company is of prime importance for the Company and the principle.

Short Term Loans

The Company has entered into several loan arrangements for individuals and other companies that have a close relationship with AATV in working on projects that have a mutual benefit to all parties. Some loans are interest bearing from 5% to 8% and others are non-interest bearing depending on the anticipated loan periods and relationships of the projects.

Notes Receivable – Long Term

The Company entered into long term loans (2 years) to a foreign corporation with a 9% interest rate. The loan is secured by the corporation and by real estate that the corporation owns.

Stock Options

At the time the shares of common stock were issued to employees of the Company in May 2015, the Company also issued 2,400,000 stock options to the same employees. The options are exercisable at

\$1.00 and vest at a rate of 25% of the options every six months, fully vesting the options after 24 months. The options expire in three years.

There is no reasonable valuation of the options since there is no options market for the Company and the price of the stock is so thinly traded and unrealistic as to any other valuation method as to the value of the stock compared to the current quoted market value of the stock. Therefore, no cost has been associated with the issuance of the options. Any valuation of common stock issuances are valued at recent common stock purchases for cash.

Leases for Shared Offices and Other Working Locations/Tower Rental Locations

The Company has strategically located three flex-space offices around the country and is currently on a year to year occupancy. The Company also has a 2,000 square foot operating office/warehouse in Salem, Oregon where the broadband subsidiary operates. The lease is month to month and costs \$1,000 per month. The wireless and broadband subsidiary also has short term leases in various parts of its operating territory where space is rented to install towers and operating equipment for the wireless signal for paying customers. All of the leases are generally month to month (some 12 months at a time) and the expense of such arrangements is about \$3,000 to \$3,500 per month. The Company is currently evaluating its flex-space office leases to see if a greater presence is needed in the cities where they are located.

Legal Matters

During the second quarter of 2016, the Company contingently issued 1,500,000 shares for a prepaid consulting contract for future business consulting and market development. The shares delivered were to be held pending completion of all contingencies to the contract. Due to information received in the fall of 2016 regarding transfer of shares prior to fulfillment of contingencies, the Company demanded return of the shares or payment of consideration. As of December 31, 2017, the Company had received 800,000 shares back from transferees. Dignitas has represented to the Company that the remaining shares would be returned for cancellation. That has not occurred. The Company is currently intends to commence litigation in the third quarter to cancel all remaining shares.