Disclosure Statement

(Pursuant to the Pink Basic Disclosure Guidelines & Instructions)

Adaptive Ad Systems, Inc.

(A Nevada Corporation)

4400 NE 77th Avenue
Vancouver, WA 98662
(310) 321-4958
info@aatv.co

SIC Code: 7319-02

Quarterly Report

For the Reporting Period Ending:
June 30, 2022

As of the **Current** Reporting Period (*the quarter ending June 30, 2022*) and adjusted for all approved but pending issuances of certificates during the period, the number of shares outstanding of our Common Stock was: 50,648,128.

At the end of the **Prior** Reporting Period (*year ending March 31, 2022*), the number of shares outstanding of our Common Stock was: 50,228,128.

As of the prior **Year** ending December 31, 2021, the number of shares outstanding Common Stock was: 50,028,128.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: **X**

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: **X**

Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☐ No: **X**

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[1] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any).

Provide the current name of the issuer and any names used by predecessor entities and dates of name changes.

The state of incorporation/registration of the issuer and each of the predecessors (if any) during the past five years:

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

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

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

Synergetic Technologies, Inc. (12/30/1994 to 12/2007)

Current standing of issuer in Nevada: Active

Describe any trading suspensions since inception: None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None

Address(es) of the Issuer's principal executive office: 4400 NE 77th Avenue, Vancouver, WA 98662

Address(es) of the Issuer's principal place of business: Same as above.

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years? Yes: ☐ No: **X**

2) Security Information

	Common Stock		
Trading symbol:	AATV		
CUSIP:	00650A100		
Par or stated value:	$.001		
Total shares authorized:	500,000,000	as of date: 6/30/2022	
Total shares outstanding:	50,648,128	as of date: 6/30/2022	(See page 3)
Number of shares in the Public Float[2]:	14,972,000	as of date: 6/30/2022	
Total number of shareholders of record:	590	as of date: 6/30/2022	

Note: Includes shares authorized by Board, but certificates not issued yet.

Additional class of securities (if any):

The Company also has 100,000,000 shares of Preferred stock authorized. Of that, two classes of stock (Preferred A&B) constituting a total of 5,000,000 shares have been designated (or pending designation).

Title and Class of Stock:	Class A Preferred	Class B Preferred*
Trading symbol:	n/a	n/a
CUSIP:	n/a	n/a
Par or stated value:	$.001	$.001
Total shares authorized:	2,500,000 at 6/30/2022	2,500,000 at 6/30/2022
Total shares outstanding:	500,000 at 6/30/2022	300,000 at 6/30/2022
Shareholders	1	1

*Class B has been authorized; designation is pending.

Transfer Agent: Colonial Stock Transfer, 7840 South 700 East, Sandy, UT 84070; (877) 285-8605; Email: shareholders@colonialstock.com

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

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period. Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt

[2] "Public Float" means the total number of unrestricted shares not held directly or indirectly by an officer, director, any person deemed a "control person" (the beneficial owner of more than 10 percent of the total shares outstanding), or any affiliates or immediate family members of officers, directors, or control persons.

convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years (2020 & 2021) and any subsequent periods (two quarters of 2022)\: ☐

Changes in number of shares outstanding are included in the table below:

Number of Shares as of **1/1/2020**	**Opening Balance:** **Common**: 48,563,128 **Preferred A**: 500,000 **Preferred B**: -0-								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation)**	**Number of Shares Issued or cancelled.**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Shares issued at discount to market?**	**Individual/ Entity Shares were issued to.**	**Reason for share issuance OR Nature of Services Provided (if applicable)**	**Restricted or not as of filing?**	**Exemption or Registration Type?**
4/2/2020	Issuance	235,000	Comm	$25.85k	y(1)	Rainer Poertner	Consulting	R	4(a)(2)
9/1/2020	Issuance	500,000	Comm	$50k	y(1)	Geoffrey Greenlees	Consulting	R	n/a
10/5/2020	Issuance	185,000	Comm	$41.625	y(1)	Rainer Poertner	Consulting	R	4(a)(2)
12/15/2020	Issuance	210,000	Comm	$47.25k	y(1)	Rainer Poertner	Consulting	R	4(a)(2)
12/30/2020	Issuance	150,000	Pref B	n/a	n(3)	Adaptive HMDO (Subsidiary)(4)	Stock Plan	R	4(a)(2)
5/5/2021	Issuance	35,000	Comm	$8.75k	y(1)	Rainer Poertner	Consulting	R	4(a)(2)
7/13/2021	Issuance	200,000	Comm	$30,000	y(1)	Anthony Lenzi	Ad Sales	R	4(a)(2)
9/14/2021	Issuance	100,000	Comm	$30,000	y(1)	Ngensolutions LLC	Reno Station Acquisition	R	4(a)(2)
12/30/2021	Issuance	150,000	Pref B	n/a	n(3)	Adaptive HMDO (Subsidiary)(4)	Stock Plan	R	4(a)(2)
1/3/2022	Issuance	200,000	Comm	$60,000	y(1)	Anthony Lenzi	Ad Sales	R	4(a)(2)
5/30/2022	Issuance	420,000	Comm	$100,000	y(1)	Rainer Poertner	Consulting	R	4(a)(2)
Shares as of: **6/30/2022**:	**Ending Balance:** **Common**: 50,648,128 **Preferred A**: 500,000 **Preferred B**: 300,000	Footnotes: (1) Issuance of stock of the Company categorized as "restricted," with holding periods pursuant to Rule 144, are typically issued at a discount to "the market" of free trading shares; (2) These shares have a three year holding period; (3) In addition to any holding periods required by Rule 144, Class B Preferred shares cannot be converted to common shares for 5 years after issuance (five year holding period); (4) Adaptive HMDO is a subsidiary owned and controlled by the Company and JM Heil.							

<u>Additional note to stock table above</u>: In 2016, the Company contingently issued 1,500,000 shares for a prepaid consulting contract for future services. The shares were to be held pending completion of all contract contingencies. The Company later learned that the shares were sold to third parties prior to fulfillment of the Dignatas contingencies. The Company demanded either return of the shares or payment of consideration. The Company has received 887,500 shares back from transferees (identified above). As to Dignatas and its transferees who fail to return shares, or pay for the shares received, the Company may be forced to include them in litigation to cancel shares delivered to them by Dignatas and/or to recover damages.

B. Debt Securities, Including Promissory and Convertible Notes

Using the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.
Check box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms	Name of Note Holder	Reason for Issuance
4/2020	$24,224	$45,080	0	4/2025	n/a	Kubota Corp.(1)	Equipment Purchase

Notes to Chart: (1) Kabota Corp. is an international equipment manufacturer with revenue exceeding 1.2 Trillion Yen. Controlling person(s) unknown.

4) Financial Statements

A. The following financial statements were prepared in accordance with: **U.S. GAAP**
B. The financial statements for this reporting period were prepared by[3] Main Street Consulting & Accounting Services (Kevin Orton, Owner); Relationship to Issuer: Service Provider.
Financial statements described below have been provided for the most recent fiscal year or quarter.
C. Balance sheet;
D. Statement of income;
E. Statement of cash flows;
F. Financial notes; and
G. Audit letter, if audited [Not applicable]

Financial statements of the Company have been attached to this disclosure statement. [Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.]

5) Issuer's Business, Products and Services

A. Summary of Issuer's business operations.

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, which 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.

Functioning as a holding company for various subsidiaries, 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. In fact, despite the national upheavals created through the Covid-19 Pandemic, the Company generated its largest revenues and profits during the year 2020.

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 own proprietary video ad-insertion technology. The Company's technology is primarily "cloud-based," which allows the Company to manage thousands of ad insertions at several hundred head-end locations from a central hub with a minimal number of employees. This operational structure provides competitive scalability in the television markets it targets and 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 potential market opportunity of more than thirty million households (referred to in the industry as "subscribers").

[3] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

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 small and medium cable television operators. The Company is also an independent provider of DMA (Designated Market Area) based Cable TV advertising sales and TV 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 previously there was no inventory, and 2) provide reliable and high quality representation for the newly-created advertising inventory to advertisers. In conducting its business, the Company provides media solutions for local, regional and national advertisers by inserting advertising into major CATV networks such as ESPN, A&E, DISCOVERY, CNN, MSNBC, FOX NEWS, HISTORY, LIFETIME, SPIKE, TNT, and USA.

With the mainstream acceptance and broad expansion of internet services, many television and advertising industry watchers predicted that traditional television advertising would soon become a thing of the past. That was twenty years ago. Despite the evolution of video technology with its availability on multiple platforms and through multiple services, television advertising remains robust and a growing source of revenue for the Company.

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 selling advertising to local, regional and national advertisers, scheduling adverisements, and then providing traffic and billing for our customers. The Company's operations are primarily carried out in-house. With over 210 designated marketing areas in the United States, the Company has deployed its technology into over two hundred of these markets in about 40 states.

The Company does not sell its technology to customers. Instead, we install our own proprietary software and servers at the television service head-end and we maintain full ownership and control pursuant to long-term contracts. Such contracts create an exclusive relationship between the cable television or digital video service 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 over-the-top (OTT) video streaming, as well as on-line streaming media. The Company intends to continue development of its products and services to meet the needs of customers as technology and customer needs evolve. To remain relevant and competitive, the Company continues to actively invest in research and development of new products, technologies, and services.

Note on Anticipated Developments

The Company currently plans to effect a change of its corporate name in late 2022. The new name will be disclosed pursuant to a press release at the relevant time.

Note on Covid19 Pandemic

As the second quarter of 2020 commenced, the United States became mired in the effects of the Covid-19 virus pandemic, which resulted in substantial economic, financial, and social upheaval across America. Initially, these events included "shelter at home" orders, guidance and recommendations throughout the country, which resulted in massive layoffs of employees across all industries, as well as material constriction of capital resources and reserves. Consequently, many companies were forced to shut down operations until it was safe for employees to return to work, while other companies were able to continue operations through remote-working by employees. The Company is in the latter category and we continued operations through employees utilizing remote access technology. At year-end 2020, the Company continued to conduct audio and video conference calls as needed to maintain operations. Many communities and states began "re-opening" in June 2020, but, infections of the Delta variant in 2021 created some uncertainties as to remedial steps to be taken by state and national health officials. Similarly, at the end of 2021, infections dramatically increased through the Omicron variant.

With few exceptions, revenue and net profits of most industries and companies were negatively affected by the pandemic during the course of 2020. Likewise, the Company was affected to some degree through the second quarter of 2021. Notwithstanding any of the foregoing, the Company currently has capital reserves sufficient to meet operational requirements and, furthermore, experienced some periods of historic revenue since the onset of the pandemic. As an ongoing update to prior filings, the Company does not *currently* expect material impairment to its operations from the Covid-19 pandemic.

B. Description of subsidiaries, parents, or affiliated companies, (if applicable):

Adaptive Media, Inc.	(Subsidiary)
Adaptive TV, Inc.	(Subsidiary)
Ad Systems, Inc.	(Subsidiary)
Adaptive Broadband, Inc.	(Subsidiary)
Adaptive HMDO, Inc.	(Minority-owned subsidiary)

C. Description of Issuers' principal products or services, and their markets. See above.

6) Issuer's Facilities

The Company's primary offices are three leased office spaces in Vancouver, Washington; Salem, Oregon; and Mesa, Arizona. The Company also leases flex-office space in other locations as needed from time to time. The Company does not own any physical facilities. Additionally, the Company has tower leases at various locations with total monthly obligations that do not $3,500 per month.

7) Officers, Directors, and Control Persons

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% of more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer, Director or Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
J. Michael Heil	CEO, Pres, CFO	Salem, Oregon	15,895,000 500,000	Common Preferred A	31.6% 100%	Preferred A shares are entitled to 100 votes per share.
Willmark Investments LLC	5+% owner	Manilla, Philippines	11,559,063	Common	23%	Principal: Bryant Cragun
Adaptive HMDO	Subsidiary	n/a	300,000	Preferred B	100%	Preferred B shares are non-voting

8) Legal/Disciplinary History

A. Whether any of the persons listed above have, in the past 10 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): No

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: No

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: No

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: No

B. Brief description of any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities: None

9) Third Party Providers

Name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Procopio, Hargreaves & Savitch LLC
12544 High Bluff Drive, Suite 300, San Diego, CA 92101; (858) 720-6300

Law Office of Michael L. Corrigan
Wateridge Pavilion, 10525 Vista Sorrento Pkwy, Suite 200, San Diego, CA 92121-2746
(619) 535-1100

Corporate Counsel

Nelson Jones Corporate Law Group
8941 South 700 East, Suite 203, Sandy, UT 84070; (801) 981-8779

Accounting

Mainstreet Consulting & Accounting Services, Inc.
299 South Main, Suite 1300, Salt Lake City, Utah 84111; (801) 534-4437

Investor Relations Consultant - N/A

10) Issuer Certification

Principal Executive Officer: I, J. Michael Heil, certify that:

1. I have reviewed this **Quarterly Report** 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.

August 13, 2022. /s/ J. Michael Heil, CEO

Principal Financial Officer: I, J. Michael Heil certify that:

1. I have reviewed this **Quarterly Report** 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.

August 13, 2022. /s/ J. Michael Heil, CFO

ADAPTIVE AD SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED MARCH 31 AND JUNE 30, 2022

AND THE YEAR ENDED DECEMER 31, 2021

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

	JUNE 30 2022	DECEMBER 31, 2021
ASSETS		
CURRENT ASSETS		
Cash	$ 6,703,543	$ 6,318,153
Accounts Receivable - Trade (Net)	2,292,808	1,649,798
Interest Receivable	-	73,898
Advances to Affiliates	221,218	164,340
Prepaid Expenses	73,159	4,861
Inventory	31,442	-
Total	9,322,170	8,211,050
EQUIPMENT (Net)	3,672,058	3,277,183
INVESTMENT IN SUBSIDIARIES	4,813,154	4,113,950
OTHER LONG TERM ASSETS	296,348	824,305
TOTAL ASSETS	$ 18,103,730	$ 16,426,488
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 291,414	$ 207,789
Advances from Affiliates	20,269	218,171
Taxes Payable	2,569,669	2,232,369
Prepaid Revenue	34,596	35,043
Current Portion - Long Term Debt	9,600	16,263
Total Current Assets	2,925,548	2,709,635
LONG TERM DEBT		
Notes Payable	177,402	182,209
STOCKHOLDERS' EQUITY		
Preferred Stock Class A, $.001 Par Value, 100,000,000 Shares Authorized 500,000 Shares Outstanding	500	500
Preferred Stock Class B, $.001 Par Value,300,000 Shares Authorized 300,000 and 150,000 Shares Outstanding	300	300
Common Stock, $.001 Par Value, 500,000,000 Shares Authorized, 50,648,128 and 50,028,128 Shares Issued and Outstanding	50,649	50,028
Additional Paid in Capital	5,647,546	5,474,766
Treasury Stock	(225,000)	(225,000)
Retained Earnings	9,526,785	8,234,050
Total Stockholders' Equity	15,000,780	13,534,644
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 18,103,730	$ 16,426,488

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

	THREE MONTHS ENDED JUNE 30, 2022	THREE MONTHS ENDED JUNE 30, 2021	SIX MONTHS ENDED JUNE 30, 2022	SIX MONTHS ENDED JUNE 30, 2021
REVENUES	$ 2,502,016	$ 1,193,457	4,260,771	$ 2,671,274
COST OF REVENUES	391,845	240,916	744,744	499,909
GROSS PROFIT	2,110,171	952,541	3,516,027	2,171,365
EXPENSES				
Advertising and Promotion	14,895	6,050	35,109	10,100
Cable System Repairs and Maintenance	136,288	57,195	214,855	228,266
Cable System Management	15,256	15,447	31,530	36,243
Commissions	110,782	23,200	220,326	93,900
Consulting	128,400	48,875	211,773	86,375
Credit Card Charges	40,240	3,402	8,131	7,100
Insurance	19,542	5,604	28,662	13,173
Legal	-	6,500	4,500	14,000
Legal Filings	2,252	2,162	3,539	3,365
Office	2,672	2,401	4,937	11,457
Outside Services	165,166	131,333	335,450	338,627
Payroll & Payroll Taxes	284,374	222,860	495,804	502,846
Rent	56,229	61,562	105,997	92,222
Research and Development	48,000	35,000	98,000	70,000
Telephone	7,312	5,869	16,018	12,675
Travel	2,257	17,302	7,933	31,860
Other General and Administrative Expense	44,292	35,604	70,640	41,254
Total Operating Expenses	1,893,204	680,366	1,893,204	1,593,463
NET OPERATING INCOME	1,068,593	272,175	1,622,823	577,902
OTHER NON OPERATING INCOME/EXPENSES				
Interest Income	315	3,668	315	7,320
Interest Expense	(631)	(686)	(967)	(1,227)
Miscellaneous Income	2,000	8,500	7,864	8,500
Net Non Operating Income/(Expenses)	4,684	11,482	7,212	14,593
NET PROFIT/(LOSS) BEFORE TAXES	1,070,277	283,657	1,630,035	592,495
TAXES	224,700	59,500	337,300	124,300
NET PROFIT/(LOSS)	$ 845,577	$ 224,157	$ 1,292,735	$ 468,195
NET PROFIT/(LOSS)				
PER SHARE OF COMMON STOCK	$ 0.0168	$ 0.0045	$ 0.0257	$ 0.0094
FULLY DILUTED EARNINGS PER SHARE	$ 0.0168	$ 0.0045	$ 0.0257	$ 0.0094
BASIC AVERAGE SHARES OUTSTANDING	50,368,128	49,693,128	50,298,128	49,698,961
FULLY DILUTED AVERERAGE SHARES OUTSTANDING	50,368,128	49,693,128	50,298,128	49,698,961

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

		SIX MONTHS ENDED JUNE 30, 2022		SIX MONTHS ENDED JUNE 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	$	1,292,735	$	468,195
Adjustments to Reconcile Net Income				
Depreciation and Amortization		378,575		356,431
Total Net Cash (Used)/Provided by Operations				
Increase (Decrease) in Current Assets:				
Receivables		(643,010)		2,895,626
Short Term Loans		-		-
Interest Receivable		73,898		(7,001)
Advances to Affiliates		(56,878)		(103,669)
Inventory		(31,442)		-
Prepaid Expenses		(68,298)		(324)
Increase (Decrease) in Liabilities:				
Accounts Payable		83,625		(358,606)
Loans Payable to Affiliates		(197,882)		58,338
Taxes Payable		337,300		94,300
Prepaid Revenue		447		12,870
Short Term Loans		(6,663)		542
Net Cash Provided by Operating Activities		1,162,407		3,416,702
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposits and Other Long Term Assets		(171,247)		(417,734)
Increase/(Decrease) in Long Term Notes		(4,807)		(12,632)
Purchase of Equipment and Other Assets		(774,363)		(681,204)
Net Cash (Used) by Investing Activities		(950,417)		(1,111,570)
CASH FLOWS FROM FINANCING ACTIVITIES				
Stock Issued For Consulting Services		173,400		11,375
Forgiveness of Debt Income		-		(8,500)
Net Cash Provided by Financing Activities		173,400		2,875
NET INCREASE (DECREASE) IN CASH		385,390		2,308,007
CASH AT BEGINNING OF PERIOD		6,318,153		4,440,091
CASH AT END OF PERIOD	$	6,703,543	$	6,748,098
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash Paid During the Period For:				
Interest	$	967	$	1,227
Income Taxes	$	-	$	30,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Stock Issued for Payment of Consulting Services	$	173,400	$	11,375

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2021 TO JUNE 30, 2022

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS
BALANCE, JANUARY 1, 2021	650,000	$ 650	49,693,128	$ 49,693	$ 5,223,876	$ 7,558,823
STOCK ISSUED FOR SERVICES	150,000	150	235,000	235	220,990	-
COMMON STOCK ISSUED FOR ACQUISITION OF ASSETS	-	-	100,000	100	29,900	-
NET INCOME FOR THE YEAR	-	-	-	-	-	675,227
BALANCE, DECEMBER 31, 2021	800,000	$ 800	50,028,128	$ 50,028	$ 5,474,766	$ 8,234,050
COMMON STOCK ISSUED FOR SERVICES	-	-	620,000	620	172,780	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	1,292,735
BALANCE, JUNE 30, 2022	800,000	$ 800	50,648,128	$ 50,648	$ 5,647,546	$ 9,526,785

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2022

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 had several corporate names, starting with 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 in June of 2014).

The Company engages in the video media advertising business in the cable TV and streaming media markets throughout the United States. The Company initially catered to smaller cable and television operations, but now also services some Tier 1 markets. The Company also operates a wireless internet service providing broadband, telephone and video services.

The Company currently has five operating subsidiaries - Ad Systems, Inc., which has been a leading developer of ad insertion technology since 1984, Adaptive Media, Inc., Adaptive Broadband, Inc., and Adaptive TV, Inc. and Adaptive Broadcasting, Inc. Adaptive Broadband, Inc. was created in 2015 to operate its wireless and broadband business which provides internet services to private homes and businesses in the northwest Oregon and southern Washington area. Ad Systems and Adaptive Media function as the operating entities for the Company's nation-wide advertising and ad insertion 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. In 2019, the Company organized a minority owned subsidiary, Adaptive HDMO, to take advantage of real estate and other investment opportunities that are of interest to the Company, as well as function as an employee benefits administrator for the Company.

In 2020, the Company organized another wholly owned subsidiary, Adaptive TV, to stream cable TV content to underserved markets. In 2021, the Company purchased a Spanish tv station in Reno, Nevada to begin an entry in the broadcast market. The Company organized a wholly owned subsidiary, Adaptive Broadcasting, Inc., to establish organizational structure for that operation. As of March 31, 2022, the two entities – Adaptive TV and Adaptive Broadcasting have yet to begin its primary operations and is just now designing and refining its business plan for future operations. Both companies have yet to show any revenues and is experiencing minimal overhead while the Company is formulating a plan for beginning operations. They are expected to see first revenues in late 2022 or 2023.

Basis of Presentation

The Company prepares its financial statements in conformity with generally accepted accounting principles (GAAP) in the United States ("US"). In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of the financial position on June 30, 2022, the results of operations and cash flows for the periods 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 any 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, GAAP defines 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 measuring 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 deferred tax liability for all prior years is estimated after the current tax return is filed, and taxes paid at about $2,560,000. The tax liability for the year 2021 is approximately $183,000 based on an accrual basis computation. The actual payment of taxes will be different based on the cash basis computations once the tax return is filed. The amount that will be paid at the time of filing is yet to be determined. The Company fulfilled their filing requirement in October for 2021. There is a total deferred tax liability of approximately $1,600,000 due to a change in accounting method (accrual to cash) that was effective for the year beginning in 2018, and an adjustment in the estimated future tax liability timing difference due to the change in the corporate tax rate in the new tax law enacted for 2018.

The IRS has recently relaxed its administrative rulings on changing from accrual to cash basis with an automatic approval subject to review by staff. The Company applied for this change in cash basis reporting in 2018 and continues to report on that basis. Based on this change in tax reporting, there will always be some amount of tax deferral based on the operations from tax liabilities paid versus accrued taxes and year to year increases in cash flow based on accrual vs cash basis of accounting for revenues and expenses which affect actual tax liabilities from year to year.

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. There are currently no stock options or other convertible debt or stock instruments that the Company has outstanding except a new issuance of Class B Preferred to some officers and other personnel of the Company for services rendered. The Class B Preferred stock is convertible into common stock on a 5 to 1 basis, but the conversion feature is not exercisable until five years passes from the time of issuance. Thus, basic outstanding shares and fully diluted shares are the same on June 30, 2021, and 2022.

Cash and Cash Equivalents and Possible Risks on Cash Deposits

All cash accounts of the Company are maintained in a major US financial institution. 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 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 at the time 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. The contract, however, was never fulfilled and the Company canceled the contract and demanded return the shares. To date, 887,500 shares have been returned, but the remaining shares are still outstanding. The prepaid expense that represents the outstanding shares were written off in 2018 with an expense of $306,250. The Company is now considering the legal options, of which one is to file a lawsuit and demand that the shares be cancelled through a court order. (See Legal Matters below)

Stock Issuances for Contract Services

In the fourth quarter 2020, the Company created another class of Preferred stock designated as Class B Preferred Stock. It has the same par value and features of Class A preferred with the following exceptions: the stock has a conversion feature of five shares common to one class of B preferred and is not exercisable for a period of five years. It has no voting rights, dividend rights, or liquidation rights. The value of the stock was placed at $157,500, the value of the conversion feature to common (5 common shares) with applicable restrictions on common stock issued during 2020 which has a value of $.21 per share. The stock was issued to the subsidiary of the Company as a further incentive to manage the property and investment portfolio of the Company.

In the fourth quarter 2021, the Company issued a similar issuance of Class B Preferred stock (150,000 shares) similar to 2020. The terms are the same as the 2020 issuance and the valuation was also the same, attaching a value of $150,000 for the stock and the conversion feature in conjunction with the current trading value of the stock for the quarter it was issued.

During the quarter ended June 30, 2021, there was 35,000 shares issued for services based on this same contract for services mentioned in the previous paragraph. The stock was issued at an estimated value of $11,375 based on the trading value of the stock during June 2021 less a reasonable reduction of value based on the restrictions placed on trading the stock for at least one year.

In the third quarter 2021, the Company entered into a formal contractual arrangement with a long-time sales representative of the Company who has generated substantial ad insertion business over the years. The agreement formally establishes terms and conditions of services over the next few years, including stock issuances based upon ongoing performance of advertising sales. The agreement calls for issuances of stock over the next few years of which 200,000 shares were issued in July 2021 and another 200,000 shares issued in January 2022. The shares were valued at $.30 for both issuances based on the current trading value of the stock, the restrictive nature of the tradability of the stock for one year, and the trading volume of the Company's stock.

The Company also issued 100,000 shares of stock as part of the purchase of the television station in Reno, Nevada (mentioned earlier) as part of the compensation for that purchase. Another cash payment was paid in the fourth quarter 2021 to complete the purchase.

In June 2022, the Company completed a contract for press release reviews and public relations messages in various forms. The contract ended in June 2022, and the Company issued 420,000 shares for services rendered per the contract. The stock was valued at $.26 based on current market price of the stock with discounts attributed to restrictions on trading and limited tradability of the stock in the market.

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 Financial Accounting Standards Board ("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, FASB issued authoritative guidance regarding Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IRFSs, 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 exits, (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 on June 30, 2022.

The Company currently has the following classes of equipment: computer and computer software used for installations at local cable television head-end locations and for selected centralized ad insertion operations (depreciated over 4 to 7 years), leasehold improvements (depreciated over 5 years), office furniture and fixtures (depreciated over 7 years), transportation equipment (depreciated over 5 to 7 years) and tower equipment for broadcasting and improvements to existing buildings purchased earlier in 2015 to 2015 (7 to 20 years). Current depreciation expense for the year ended December 31, 2020, is $775,224 and $660,735 for the year ended December 31, 2021 and $378,575 for the quarter ended June 30, 2022.

Accounts Receivable

The Company has accounts receivable with well-established advertising and marketing agencies that have routinely proven their reliability on payment over many 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. The Company made an adjustment of $30,000 in estimated write down of receivables in 2020 and another $20,000 in 2021. There is currently no estimate of bad debt since all accounts receivable prior to 2020 are written off. There is no estimated bad debt against the receivables because they are considered all collectable.

Short Term Loans-Related Party

A short-term loan from a related party is a revolving loan from the principal owner where funds are loaned and paid back on an as-needed basis (depending on cash flow). Currently, the Company has been profitable for the last several years and cash flow has been sufficient to have the loan balance paid below zero, so that now a receivable exists as of June 30, 2021. The balance in years past has exceeded over $1,000,000 (payable) and is now fluctuating around $2,250,000 based on the cash flow needs of the business. The Company has made no demand on the collection of the receivable because the loan was in a payable position for many years in the past when liquidity for the Company was of prime importance for the Company and no demand was made by the principle on the Company. The current receivable has been assigned to a minority owned subsidiary for management and eventual collection. It is secured by issuance of 1,300,000 shares of common stock that was used to redeem a liability (see earlier note) that was on the books for several years. It is expected that this stock will be sufficient to retire the account receivable over the next five years. The current balance of the payable to the owner is now in a payable position based on current loans to the Company rather than pay backs.

Loans Issued To/Received by Affiliates.

The Company has entered into several loan arrangements for individuals and other companies that have a close relationship with the Company in working on projects that have a mutual benefit to all parties. The loans are non-interest bearing, since the Company has fluid receivable/payable balances depending on the current cash flow back and forth among the participants that works to the anticipated advantage of the needs of each of the parties based on circumstances and relationships of the projects underway at the time.

Notes Payables – Long Term

During the third quarter 2018, the Company purchased a piece of equipment that will be used in various locations in excavation for site preparation at various construction sites with towers for their broadband business in Oregon. The equipment was purchased for $58,000 with a $20,000 down payment and payments of $791 over four years for the balance of the note (0% financing). This loan was paid off in the first quarter 2022.

In the second quarter of 2020, the Company purchased a similar piece of equipment with an offer of interest free financing for a period of sixty months. The purchase price was $70,080 with a $25,000 down payment and payments of $800 per month for the sixty months. The principal payments for the five years are as follows:

2022	4,800
2023	9,600
2024	9,600
2025	223

In the spring of 2020, the world experienced emergence of the Covid-19 virus, which has affected the US with various health and economic implications. Spread of the virus grew into a world pandemic, resulting in domestic loss of jobs and impact on economic activity has not been seen since the great depression. In response, Congress pursued various legislative efforts to stimulate the economy and assist in the dramatic rise in unemployment. As part of these efforts, Congress passed the Cares Act which included the Paycheck Protection Program (PPP) to assist employers in keeping employees working through the pandemic conditions. Because of the unprecedented nature of the pandemic, the Company was uncertain as the future economic impact based on what was happening to the overall economy in the US, especially the uncertainty of advertising revenue as advertising activity decreased substantially.

Pursuant to the national health and financial crises, the Treasury department offered loans that would fund the retention of employees over a period of two months with the provision that if such funds were spent for such purposes, the loan would eventually go through an administrative review (governmental supervised) that would determine that the funds were spent properly on the specific purpose of the loan. The Company secured a small loan of $162,778 for such purposes based on employment at the time of the loan program was introduced. Any part of the loan that is not forgiven will be required to be paid back over 5 years at a 1% interest rate. The Company prepared and submitted an application to the SBA for full forgiveness of the loan. The application is now going through several requested revisions and additions as requested by the sponsoring bank. The application is in the final stages of adjustment before final submission to the SBA. Even though the result of the review is uncertain as of the date of this report, the consensus of other similar loans that have gone through this review, the probability is high that most if not all the loan will be forgiven.

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

The Company has strategically located a flex-space office in Vancouver, Washington, which acts as Company headquarters and is currently leased 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 (Adaptive Broadband) operates. The lease is month to month and costs $1,500 per month. The wireless and broadband subsidiary also has short term leases in various parts of its operating territory where space is rented for towers and operating equipment for broadband services. The leases are generally month to month (some yearly) and the expense of such arrangements vary in the $5,000 to $7,000 per month range, depending on expansion or relocation activities that Adaptive Broadband experiences over time.

During the year, the Company has secured operating leases for space based on the expanding needs throughout the western United States. The leases are month to month and are in Stayton, Oregon, Jefferson, Oregon, Salt Lake City, Utah and Apache Junction and Mesa, Arizona. The Company is currently paying $9,800 per month for those five locations and could expand or reduce the space needed in each location as needed.

The property located in Apache Junction was recently disqualified in a zoning change for operations at that location. This precipitated a change to a different location that better suits the needs of its operations. The purchase was finalized in April 2022 and the move to the new location is anticipated to be completed by year-end.

Legal Matters

During the second quarter of 2016, the Company contingently issued 1,500,000 shares to Dignitas 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, 2018, the Company had received 887,500 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 evaluating its options to commence litigation in the future if circumstances do not change.