ADAPTIVE AD SYSTEMS, INC.

Trading Symbol: AATV

Company Information and Continuing Disclosure Statement

For the Year Ending:

December 31, 2016

ADAPTIVE AD SYSTEMS, INC.

Information and Disclosure for the period ending December 31, 2016

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)
Praebius 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:	12/31/2016:	500,000,000	common
		100,000,000	preferred
Total shares outstanding as of:	12/31/2016:	48,530,628	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: **X** 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

Date	Security Amount	Type of Security	Recipient	Purpose
5/2015	500,000	Common	Employee	Employee benefits
	1,200,000	Options**	Employee	Employee benefits
	250,000	Common	Employee	Employee benefits
	300,000	Options**	Employee	Employee benefits
	250,000	Common	Employee	Employee benefits
	300,000	Options**	Employee	Employee benefits
	250,000	Common	Employee	Employee benefits
	300,000	Options**	Employee	Employee benefits
	100,000	Common	Employee	Employee benefits
	300,000	Options**	Employee	Employee benefits
	500,000	Preferred***	J. Michael Heil	Management Incentive
12/2015	50,000	Willmark Investments LLC		Private purchase
12/2015	50,000	Common	Lawyer	Legal Services
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.

* Issued as freely tradeable.

** Employee stock options, exercisable at $1 per share for a period of three years; 25% vest every six months.

*** Class A Preferred, no liquidation preference, no dividend rights, 100 votes per share voting rights and convertible into 100 common shares per 1 share Class A Preferred. Mr. Heil has waived any conversion rights relating to this Class.

**** 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 after September 30th regarding transfer of shares prior to fulfillment of contingencies, the Company demanded return of the shares or payment of consideration. As of March 30,2017, the Company had received 200,000 shares back from transferees. Dignitas has represented to the Company that another 980,000 shares will be returned for cancellation the first week of April, 2017. The Company is prepared to file legal action to cancel all shares, but is waiting to see how many shares are returned.

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 as to those that do not have an "*" notation.

5) Financial Statements

Unaudited financial statements for the period ending **December 31, 2016** 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:

Primarily, Adaptive Ad Systems, Inc. ("the Company") represents the consolidated and merged companies Adaptive Media, Inc., which was incorporated in Nevada March 4, 2013, and Praebius Communications, Inc., which was incorporated in Nevada December 1994. 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 which had acquired the customer base of Speedpal, a similar business which had been providing services in Oregon and Washington since 2003.

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 which creates . This operational structure provides advantageous 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) deliver reliable, high quality representation of all 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 our 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 already deployed its technology into many of these markets in approximately 44 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. The Company has additional leased 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)

J. Michael Heil, (Dir/CEO/Pres; 14,708,663 shares (1)(2).
c/o Adaptive Ad Systems, Inc., 5015 Birch Street, Newport Beach, CA 92606

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.
10 West Broadway, Suite 605, Salt Lake City, Utah 84101.

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 March 30, 2017.

/s/ J. Michael Heil
Chairman and CEO

ADAPTIVE AD SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2016 AND DECEMBER 31,2015

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

	DECEMBER 31, 2016	DECEMBER 31, 2015
ASSETS		
CURRENT ASSETS		
Cash	$ 1,921,994	$ 517,207
Accounts Receivable (Net)	1,084,928	726,858
Interest Receivable	22,069	6,527
Short Term Loans	373,590	229,000
Prepaid Expenses	791,629	-
Total	4,194,210	1,479,592
EQUIPMENT (Net)	1,087,145	792,385
NOTES RECEIVABLE - LONG TERM	63,000	-
OTHER LONG TERM ASSETS	1,098	1,804
TOTAL ASSETS	$ 5,345,453	$ 2,273,781
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 232,939	$ 160,369
Accrued Interest	143,126	132,750
Taxes Payable	21,200	-
Short Term Notes Payable - Related Party	273,218	380,873
Short Term Notes Payable	19,500	54,500
Total	689,983	728,492
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, 48,530,628 and 46,480,628 Shares Issued and Outstanding	48,531	46,481
Additional Paid in Capital	4,797,842	3,774,892
Retained Earnings (Deficit)	(191,403)	(2,276,584)
Total	4,655,470	1,545,289
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,345,453	$ 2,273,781

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

	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
REVENUES	$ 5,082,638	$ 2,591,812
COST OF REVENUES	1,163,257	804,326
GROSS PROFIT	3,919,381	1,787,486
EXPENSES		
Accounting	-	1,000
Advertising	2,610	796
Association Dues	2,500	-
Cable System Repairs and Maintenance	168,207	225,778
Commissions	410,428	346,075
Computer Software and Repair	1,613	1,444
Consulting	52,250	30,240
Contract Services	-	10,724
Fuel	7,350	4,051
Insurance	10,586	3,302
Legal	74,358	84,077
Legal Filings	9,198	10,820
Miscellaneous	556	3,732
Office	13,956	11,631
Outside Services	320,820	252,396
Payroll & Payroll Taxes	507,417	379,034
Postage and Shipping	14,950	7,579
Publications	2,331	995
Repair	29,222	15,134
Rent	45,662	67,583
Research & Development	11,100	23,500
Services Charges	7,438	7,723
Taxes	331	-
Telephone	17,915	12,666
Training	1,990	-
Travel	91,721	130,721
Transfer Agent	8,746	6,788
Utilities	1,907	727
Total Operating Expenses	1,815,162	1,638,516
NET OPERATING INCOME	2,104,219	148,970
OTHER NON OPERATING INCOME/EXPENSES		
Interest Income	15,595	6,712
Interest Expense	(13,433)	(15,584)
Net Non Operating Income/(Expenses)	2,162	(8,872)
NET PROFIT/(LOSS) BEFORE TAXES	$ 2,106,381	$ 140,098
TAXES	(21,200)	-
NET PROFIT/(LOSS)	$ 2,085,181	$ 140,098
NET PROFIT/(LOSS) PER SHARE OF COMMON STOCK	$ 0.0435	$ 0.0030
FULLY DILUTED EARNINGS PER SHARE	$ 0.0435	$ 0.0030
BASIC AVERAGE SHARES OUTSTANDING	47,922,295	45,979,795
FULLY DILUTED AVERERAGE SHARES OUTSTANDING	47,922,295	46,079,795

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

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

	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 2,085,181	$ 140,098
Adjustments to Reconcile Net Income		
Depreciation and Amortization	388,819	295,897
To Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	(373,612)	(134,428)
Short Term Loans	(144,590)	(193,500)
Prepaid Expenses	(791,629)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	72,570	(27,726)
Accrued Interest	10,376	15,584
Taxes Payable	21,200	-
Short Term Loans	(142,655)	(165,241)
Net Cash Provided by Operating Activities	1,125,660	(69,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	706	-
Issuance of Notes Receivable - Long Term	(63,000)	-
Purchase of Equipment and Other Assets	(683,579)	(480,982)
Net Cash (Used) by Investing Activities	(745,873)	(480,982)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Common Stock to Pay Expenses	25,000	37,000
Issuance of Common Stock to Pay for Prepaid Expenses	800,000	-
Paydown of Loans Payable	-	-
Issuance of Common Stock for Cash	200,000	25,000
Net Cash Provided by Financing Activities	1,025,000	62,000
NET INCREASE (DECREASE) IN CASH	1,404,787	(488,298)
CASH AT BEGINNING OF PERIOD	517,207	1,005,505
CASH AT END OF PERIOD	$ 1,921,994	$ 517,207
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period For:		
Interest	$ 2,500	$ -
Income Taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
For the Nine Months Ended September 30:		
Stock issued for Prepaid Expenses and Other Expenses	$ 825,000	$ -
Stock Issued To Officer/Director and Employees for Services (1,350,000 Common Shares and 500,000 Preferred Shares)	$ -	$ 37,000

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED DEFICIT
BALANCE, JANUARY 1, 2015	-	$ -	45,080,628	$ 45,081	$ 3,714,792	$ (2,437,474)
COMMON SHARES ISSUED FOR EMPLOYEES	-	-	1,350,000	1,350	25,650	-
PREFERRED SHARES ISSUED FOR OFFICER/DIRECTOR	500,000	500	-	-	9,500	-
COMMON SHARES ISSUED FOR CASH	-	-	50,000	50	24,950	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	160,890
BALANCE, DECEMBER 31, 2015	500,000	500	46,480,628	46,481	3,774,892	(2,276,584)
COMMON SHARES ISSUED FOR INCENTIVE FOR NEW CONTRACT	-	-	100,000	100	49,900	-
COMMON SHARES ISSUED FOR LEGAL SERVICES	-	-	50,000	50	24,950	-
STOCK ISSUED FOR PREPAID EXPENSE	-	-	1,500,000	1,500	748,500	-
STOCK ISSUED FOR CASH	-	-	400,000	400	199,600	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	2,085,181
BALANCE, DECEMBER 31, 2016	500,000	$ 500	48,530,628	$ 48,531	$ 4,797,842	$ (191,403)

ADAPTIVE AD SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 (The Company). The Company has been an active corporation from its inception and has effected 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 its advertising business which is nationwide. Adaptive Ad Systems and Adaptive Media were created when the Company name change occurred. Ad Systems, Inc. and other subsidiaries were retained 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 December 31, 2016, 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. The tax benefit for the periods presented is offset by a valuation allowance (100%) established against deferred tax assets arising from the securities capital losses and other temporary differences, the realization of which could not be considered more likely than not. In future periods, tax benefits and related deferred tax assets will be recognized when management considers realization of such amounts to be more likely than not. The Company has net operating loss carryforwards of approximately $2,000,000 resulting in a tax benefit that will be used in the current and future years, but is offset by the uncertainty of such losses being used in the future. Current taxes and liability is an estimate of alternative minimum tax provisions, which require a certain minimum payment of taxes even though net operating loss carryforward offset any current earnings. It is estimated that the net operating carryforwards will be "used up" in the next calendar year – 2017.

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 December 31, 2016, 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

The majority of cash is 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

In the first quarter 2015, the Company issued 1,350,000 shares of common stock and 500,000 shares of preferred stock to various key employees as performance rewards over the years. The value of the preferred stock was $10,000 and the common stock was $27,000. The value was placed at current trading values (very limited in volume) and the restrictive nature of the stock issued.

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 information received after December 31 regarding this contract, the Company is reviewing potential legal action to cancel all shares delivered to the consultant. (See Legal Matters)

During the third quarter of 2016, the Company sold 400,000 shares of common stock in a private placement to an individual for a total purchase price of $200,000 ($.50 per share).

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 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 at December 31, 2016.

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 year ended December 31, 2016 is $388,456.

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 were no uncollected receivables in 2015 and approximately $20,000 or the year 2016.

Short Term Loans

The Company has made several non-affiliate loan transactions. The loans are on a demand basis and is expected to be paid within the next 12 months. Some notes became due at the end of 2016, but were extended for one year to 2017. The loans carry a simple interest rate at 5% to 8% APR.

Short Term Loans – Related Party

The Company has received several ongoing loans over the years to manage cash flow planning and capital expenditure needs. Such loans carry a 5% interest rate and are payable upon demand.

Notes Receivable – Long Term

The Company entered into a long term loan (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 (see previous footnote), 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

The Company has strategically located three virtual reality offices around the country and is currently on a month by month 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 and the expense of such arrangements is about $2,500 to $3,000 per month. The Company is currently evaluating its virtual reality office leases to see if a 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 after September 30th regarding transfer of shares prior to fulfillment of contingencies, the Company demanded return of the shares or payment of consideration. As of March 30,2017, the Company had received 200,000 shares back from transferees. Dignitas has represented to the Company that another 980,000 shares will be returned for cancellation the first week of April, 2017. The Company is prepared to file legal action to cancel all shares, but is waiting to see how many shares are returned.