

Disclosure Statement

(Pursuant to the Pink Basic Disclosure Guidelines & Instructions v6.0 1/31/2025)

Adaptive Ad Systems, Inc.

(A Nevada Corporation)

4400 NE 77th Avenue, Vancouver, WA 98662

(310) 321-4958

www.adaptivemedia.com

eMail: info@aatv.co

Quarterly Report

For the Reporting Period Ending: **March 31, 2025**

Outstanding Shares

The number of shares outstanding of Common Stock:

51,558,128 shares as of March 31, 2025 (Current reporting period).

51,258,128 shares as of December 31, 2024 (Most recent completed fiscal year end).

Shell Status

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 Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: **X**

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).**

Current name of the issuer and any prior names used by predecessor entities, along with dates of name changes:

Current State & Date of Incorporation: Nevada; 12/30/1994 Standing: Current

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)

Any SEC or FINRA 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

☒ Check if principal executive office and principal place of business are the same address.

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

2) **Security Information**

Transfer Agent: Colonial Stock Transfer (801) 355-5740; 7840 South 700 East, Sandy, UT 84070

Website: www.colonialstock.com; Email: shareholders@colonialstock.com

Common Stock

Trading symbol: AATV

CUSIP: 00650A100

Par or stated value: \$.001

Total shares authorized: 500,000,000 as of date: 3/31/2025

Total shares outstanding: 51,558,128 as of date: 3/31/2025 (See page 3)

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

Number of shares in the Public Float: 16,850,067 as of date: 3/31/2025

Total number of shareholders of record: 608 as of date: 3/31/2025

Additional class of securities (**not publicly traded**):

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:	<u>Class A Preferred</u>	<u>Class B Preferred*</u>
Trading symbol:	n/a	n/a
CUSIP:	n/a	n/a
Par or stated value:	\$.001	\$.001
Total shares authorized:	2,500,000 at 3/31/2025	2,500,000 at 3/31/2025
Total shares outstanding:	500,000 at 3/31/2025	1,100,000 at 3/31/2025
Shareholders of record:	1	1

*Class B has been authorized; designation is pending.

Security Description

1. **For common equity, describe any dividend, voting and preemption rights.** All common stockholders are entitled to one vote per share with no preemptive rights and no preferences for voting, dividends, or liquidation.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights, as well as redemption or sinking fund provisions.** Class A Preferred are issued as "management" shares and entitled to one hundred votes per share, but have no dividend, liquidation, or conversion rights. Class B Preferred shares are convertible into common shares at a ratio of 1 preferred for 5 common, but cannot be converted for five years and have no voting or liquidation preferences.

3. **Describe any other material rights of common or preferred stockholders.** There are no other material rights of common or preferred to report at this time.

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.** None.

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 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

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years (2023 & 2024). Yes: **X** No: ☐. Changes in number of shares outstanding included in the table below:

Shares as of 1/1/2023	Starting Balance Common: 50,648,128 Preferred A: 500,000 Preferred B: 300,000								
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. Disclose control person if entity.	Reason for share issuance OR Nature of Services Provided	Restricted or not as of filing?	Exemption or Registration Type?
1/3/2023	Issuance	160,000	Comm	\$100,000	y(1)	Rainer Poertner	Consulting	R	4(a)(2)
1/3/2023	Issuance	200,000	Comm	\$60,000	y(1)	Anthony Lenzi	Ad Sales	R	4(a)(2)
12/30/2023	Issuance	150,000	Pref B	n/a	n(3)	Adaptive HMDO (Minority Subsidiary)(4)	Stock Plan	R	4(a)(2)
1/15/2024	Issuance	250,000	Comm	\$50,000	7(1)	Anthony Lenzi	Ad Sales	R	4(a)(2)
1/3/2025	Issuance	300,000	Comm	\$60,000	y(1)	Anthony Lenzi	Ad Sales	R	4(a)(2)
Shares as of: 3/31/2025:	Ending Balance: Common: 51,558,128 Preferred A: 500,000 Preferred B: 1,100,000		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 Mr. Heil.						

Additional note to stock table above: 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. Convertible Debt

The following is a complete list of the Company's Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification. Alternatively, Indicate by check mark whether there are any 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. No: **X** Yes: ☐

4) 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 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.

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").

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 over twenty years ago. Despite the evolution of video technology with its availability on multiple platforms and through multiple services, television advertising remains relatively robust and is the primary 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 advertisements, 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.

In 2020, the Company organized Adaptive TV as a wholly-owned subsidiary with a view to eventually stream cable TV content to underserved markets, or provide retransmission services to small cable systems. Development on this business segment continues. In 2021, the Company purchased low power television station KRRI in Reno, Nevada to begin entry in the broadcast market. The Company organized a wholly owned subsidiary, Adaptive Broadcasting, Inc., to serve as the corporate entity for those broadcast television operations. At the time of acquisition, KRRI was an affiliate of Azteca, which was a Spanish-based television network. Thereafter, Azteca ceased operations. KRRI is now an affiliate of YouTooAmerica (YTA).

Adaptive Broadband, Inc. ("ABB") was created in 2015 to operate the Company's wireless and broadband business which provides internet services to homes and businesses in the northwest Oregon and southern Washington area. Assets of ABB's Oregon operations were sold in November 2023 and the Company retains the corporate entity which still has some name recognition and some proprietary assets that may be utilized in the future.

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. Many companies were forced to shut down operations until shelter in place advisories ended. The Company was able to continue operations by utilizing remote access technology. The Company is not directly affected any remaining issues related to the Pandemic.

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

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

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

5) Issuer's Facilities

The Company's primary offices consists of 1) lease of flex-office space in Vancouver, Washington; 2) lease of flex-office space in Sale Lake City, Utah, 3) lease of approximately 1,500 sq feet office space in Stayton, Oregon, 4) ownership of approximately 3,800 sq ft of office space and approximately 2,200 sq ft auxiliary storage in Apache Junction, Arizona. The Company also owns several properties that are currently held as investment and not used to conduct technology operations.

6) Officers, Directors, and Control Persons

Provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person who performs similar function, regardless of the number of shares they own. In addition, list all individuals or entities controlling more than 5% of more of any class of the issuer's securities. 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. Include Company insiders who own any outstanding units or shares of any class of any equity security of the issuer.

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer title, Director or Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Notes
J. Michael Heil	CEO, Pres, CFO, Owner	Salem, Oregon	14,494,617	Common	28.3%	Preferred A shares are entitled to 100 votes per share.
			500,000	Preferred A	100%	
Willmark Investments LLC	5+% owner	Manilla, Philippines	11,309,063	Common	22.0%	Principal: Bryant Cragun
Adaptive HMDO	Minority Subsidiary	n/a	750,000	Preferred B	60.0%	Preferred B shares are non-voting
Neovix, Inc.	Subsidiary of Mecdia Technologies, Inc.; J. Michael Heil controlling shareholder	Newport Beach, CA	500,000	Preferred B	40.0%	Preferred B shares are non-voting.

7) Legal/Disciplinary History

A. Whether any of the persons listed above have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses): No
2. Been the subject of 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, financial - or investment -related, insurance or banking activities: No
3. Been the subject of a finding, disciplinary order 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, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated: No
4. Named as a defendant or a respondent in a regulatory complain or proceeding that could result in a "yes" answer to part 3 above; No
5. Been the subject 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
6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail. 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

8) Third Party Providers

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

<u>Securities Counsel</u>	Procopio, Hargreaves & Savitch LLC (858) 720-6300 12544 High Bluff Drive, Suite 300, San Diego, CA 92101 Law Office of Michael L. Corrigan Wateridge Pavilion, 10525 Vista Sorrento Pkwy, Suite 200, San Diego, CA 92121-2746 (619) 535-1100; mcorrigan@outlook.com
<u>Accounting</u>	Mainstreet Consulting & Accounting Services, Inc. 299 South Main, Suite 1300, Salt Lake City, Utah 84111; (801) 534-4437; orton.kevin@yahoo.com

Investor Relations Consultant - N/A

9) Disclosure & Financial Statements

A. This Disclosure Statement was prepared by:
Name: Mainstreet Consulting & Accounting
Title: Accountants Relationship to Issuer: Accountants

- B. The following financial statements were prepared in accordance with:
____ IFRS
☒ U.S. GAAP
- C. The following **un-audited financial statements** were prepared by:
Name: Main Street Consulting & Accounting Services (Kevin Orton, Owner);
Relationship to Issuer: Accounting Service Provider.
Qualifications or preparer: Mr. Orton has worked as an accountant for over 46 years, with focus on corporate finance, financials statements reporting, and preparation of corporate and individual tax returns.
Financial statements described below have been provided for the most recent fiscal year or quarter:
- (1) Audit letter (***not applicable & not included***)
 - (2) Balance sheet;
 - (3) Statement of income;
 - (4) Statement of cash flows;
 - (5) Statement of Retained Earnings (statement of Changes in Stockholders' Equity);
 - (6) Financial notes.

Financial Statement Requirements - Financial statements must be:

Published together with this disclosure statement as one document and "Machine readable" (no scans).
Presented with comparative financials against the prior FYE or period, as applicable, and prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

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

1. I have reviewed this Disclosure Statement/Periodic 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.

May 14, 2025. /s/ J. Michael Heil, CEO

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

1. I have reviewed this Disclosure Statement/Periodic 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.

May 14, 2025. /s/ J. Michael Heil, CFO

ADAPTIVE AD SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIODS ENDED MARCH 31, 2025 AND 2024

AND THE YEAR ENDED DECEMBER 31, 2024

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

	MARCH 31, 2025	DECEMBER 31 2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 11,874,167	\$ 12,703,680
Accounts Receivable - Trade (Net)	671,371	1,174,927
Interest Receivable	-	-
Advances to Affiliates	2,893,744	2,036,163
Prepaid Expenses	54,800	54,800
Short Term Notes Receivable	142,903	140,781
Total	15,636,985	16,110,351
EQUIPMENT (Net)	3,202,497	3,211,498
INVESTMENT IN SUBSIDIARIES	4,813,154	4,813,154
LONG TERM NOTES RECEIVABLE	440,087	476,618
OTHER LONG TERM ASSETS	63,895	63,895
TOTAL ASSETS	<u>\$ 24,156,618</u>	<u>\$ 24,675,516</u>
	\$	-
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 100,705	\$ 107,171
Advances from Affiliates	95,355	62,000
Taxes Payable	3,298,302	3,450,302
Total Current Liabilities	3,494,362	3,619,473
LONG TERM DEBT		
Notes Payable	17,775	20,175
STOCKHOLDERS' EQUITY		
Preferred Stock Class A, \$.001 Par Value, 2,500,500 Shares Authorized 500,000 Shares Outstanding	500	500
Preferred Stock Class B, \$.001 Par Value, 2,500,000 Shares Authorized 1,750,000 and 1,100,000 Shares Outstanding	1,750	1,750
Common Stock, \$.001 Par Value, 500,000,000 Shares Authorized, 51,558,128 and 51,259,128 Shares Issued and Outstanding	51,558	51,259
Additional Paid in Capital	6,765,586	6,705,886
Treasury Stock	(225,000)	(225,000)
Retained Earnings	14,050,087	14,501,473
Total Stockholders' Equity	<u>20,644,481</u>	<u>21,035,868</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 24,156,618</u>	<u>\$ 24,675,516</u>

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED MARCH 31, 2025	THREE MONTHS ENDED MARCH 31, 2024
REVENUES	\$ 466,138	\$ 1,163,064
COST OF REVENUES	<u>311,287</u>	<u>347,953</u>
GROSS PROFIT	154,851	815,111
EXPENSES		
Cable System Repairs & Maintenance	92,695	85,624
Commissions	29,700	21,500
Consulting and Contract Services	77,508	88,747
Outside Services	111,615	174,053
Payroll & Payroll Taxes	352,163	268,659
Rent	11,938	29,659
IT Programming	76,000	52,300
Travel	15,155	22,314
Other General and Administrative Expenses	<u>69,957</u>	<u>92,949</u>
Total Operating Expenses	836,731	835,805
NET OPERATING INCOME	(681,880)	(20,694)
OTHER NON OPERATING INCOME/EXPENSES		
Interest Income	110,526	126,916
Interest Expense	(32)	(197)
Miscellaneous Income	-	71,323
Loss From Discontinued Operations	<u>-</u>	<u>(13,728)</u>
Net Non Operating Income/(Expenses)	110,494	184,314
NET PROFIT/(LOSS) BEFORE TAXES	(571,386)	163,620
TAXES (EXPENSE)/BENEFIT	<u>120,000</u>	<u>(34,200)</u>
NET PROFIT/(LOSS)	\$ (451,386)	\$ 129,420
NET PROFIT/(LOSS)		
PER SHARE OF COMMON STOCK	\$ (0.0088)	\$ 0.0025
FULLY DILUTED EARNINGS PER SHARE	<u>\$ 0.0088</u>	<u>\$ 0.0025</u>
BASIC AVERAGE SHARES OUTSTANDING	<u>51,558,128</u>	<u>51,258,128</u>
FULLY DILUTED AVERAGE SHARES OUTSTANDING	51,558,128	51,258,128

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED MARCH 31, 2025	THREE MONTHS ENDED MARCH 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (451,386)	\$ 129,420
Adjustments to Reconcile Net Income		
Depreciation and Amortization	198,012	191,925
To Net Cash (Used)/Provided by Operations		
Increase (Decrease) in Current Assets:		
Receivables	503,556	(130,924)
Interest Receivable	-	(98,900)
Advances to Affiliates	(857,581)	(168,370)
Short Term Loans Receivable	(2,127)	
Increase (Decrease) in Liabilities:		
Accounts Payable	(6,467)	5,950
Advances from Affiliates	33,355	(34,433)
Taxes Payable	(138,800)	34,400
Net Cash Provided by Operating Activities	<u>(721,438)</u>	<u>(70,932)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment and Other Assets	<u>(165,675)</u>	<u>(166,049)</u>
Net Cash (Used) by Investing Activities	(165,675)	(166,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle Paid on Long Term Debt	(2,400)	(4,803)
Collection of Note Receivable	-	31,410
Issuance of Common Stock to Pay Expenses and Prepaid Expenses	<u>60,000</u>	<u>37,500</u>
Net Cash (Used)/Provided for Financing Activities	57,600	64,107
NET INCREASE (DECREASE) IN CASH	(829,513)	(172,874)
CASH AT BEGINNING OF PERIOD	<u>12,703,680</u>	<u>11,051,069</u>
CASH AT END OF PERIOD	<u>\$ 11,874,167</u>	<u>\$ 10,878,195</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period For:		
Interest	\$ 32	\$ 197
Income Taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
For the Periods Ended March 31:		
Stock Issued/(Cancelled) for Prepaid Expenses and Other Expenses (Net)	\$ 60,000	\$ 37,500

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1, 2023 TO MARCH 31, 2025

	PREFERRED STOCK	PAR	COMMON STOCK	PAR	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS
BALANCE, JANUARY 1, 2023	1,450,000	\$ 1,450	50,648,128	\$ 50,648	\$ 6,296,896	\$ 11,803,089
STOCK ISSUED FOR SERVICES	150,000	150	360,000	360	221,490	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	707,137
BALANCE, DECEMBER 31, 2023	1,600,000	\$ 1,600	51,008,128	\$ 51,008	\$ 6,518,386	\$ 12,510,226
STOCK ISSUED FOR SERVICES	150,000	150	250,000	250	187,500	-
NET INCOME FOR THE PERIOD	-	-	-	-	-	1,991,247
BALANCE, DECEMBER 31, 2024	1,750,000	\$ 1,750	51,258,128	\$ 51,258	\$ 6,705,886	\$ 14,501,473
STOCK ISSUED FOR SERVICES			300,000	300	59,700	-
NET INCOME/(LOSS) FOR THE PERIOD	-	-	-	-	-	(451,386)
BALANCE, MARCH 31, 2025	1,750,000	\$ 1,750	51,558,128	\$ 51,558	\$ 6,765,586	\$ 14,050,087

SEE ACCOMPANYING FOOTNOTES TO FINANCIAL STATEMENTS

ADAPTIVE AD SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Operations

Adaptive Ad Systems, Inc. is a Nevada corporation originally incorporated on December 30, 1994 under the name of Synergetic Technologies, Inc. (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 in June of 2014).

The Company engages in the video media advertising business for cable TV and streaming media markets throughout the United States. The Company initially catered to smaller cable and television operations, but now also services Tier 1 markets. The Company has also operated a wireless internet service providing broadband, telephone and video services in Oregon. The assets of Adaptive Broadband were sold in November 2023.

The Company currently has four 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. Adaptive Broadband, Inc. was created in 2015 to operate its wireless and broadband business which provides internet services to homes and businesses in the northwest Oregon and southern Washington area. Assets of the Oregon operations were sold in November 2023, and is keeping the corporate shell known as Adaptive Broadband which still has some name recognition and small proprietary assets that may be of use in the future. 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, with a view to eventually stream cable TV content to underserved markets, or provide retransmission services to small cable systems. 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 serve as the corporate entity for those operations. As of March 31, 2025, Adaptive TV has yet to begin its primary commercial operations and is just now designing and refining its business plan for future business. Both Adaptive Broadcasting and Adaptive TV have yet to show any revenues and are experiencing relatively minimal overhead while in this stage. They are expected to see first revenues sometime in the near future.

In the third quarter, 2022, the Company organized, but does not own, StreamlyTV, Inc. for the purpose of researching and building a specialty streaming service with a focus on using the internet to stream content from video content providers. The research is ongoing with specific technology challenges in using the internet to stream video content.

In 2022, the Company purchased a building that will be used to house backbone services for the Company's legacy ad insertion business, as well as future retransmission services and possibly, streaming television content. A move to the new building should be sometime in the second or third quarter 2025.

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 March 31, 2025 and December 31, 2024, 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.

For all prior years and after the current tax return is filed and taxes paid, current deferred tax liability is estimated at about \$3,300,000. The tax liability for the year 2023 was approximately \$185,000 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 Company fulfilled their filing requirement in October for 2024. There is a total deferred tax liability of approximately \$2,000,000 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 and other entities that have performed services for the benefit of the Company. 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 for all reported periods for 2024 and 2023.

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. The Company has recently diverted some funds to Money market accounts with an interest bearing significantly more than regular checking or savings account. In 2025, the Company is expected to divert funds to Money Market accounts as the gap between interest rates are significant between these different investment vehicles.

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 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. Final cash payment was paid in the fourth quarter 2021 to complete the purchase.

The Company had an ongoing relationship with a public relations firm under ongoing contracts of various lengths that concluded in June 2022. 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. The Company finished completing the issuance of stock for this contract by issuing 160,000 shares in January 2024. The stock was valued at \$.20 per share. In January, 2025 the Company issued another 300,000 shares under the same agreement valued at \$.20 per share (\$60,000).

In December 2022, the Company issued 150,000 shares of Preferred class B stock as incentives and awards for services rendered by key employees and a related affiliate company that are key players in the future success of other expanded services and products that are being developed through 2023 and future years. The value of the stock is similar to pricing as was evidenced by the 2021 issuances. Similarly, In December 2023 and 2024, the Company issued another 150,000 shares of Preferred class B stock.

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 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 on March 31, 2025.

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 period ended March 31, 2025, is \$198,012 and \$786,311 for the year ended December 31, 2024.

Accounts Receivable

The Company has accounts receivable with well-established advertising and marketing agencies that have routinely proven their reliability for 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. There is currently an estimate of bad debt of \$40,000 for

accounts receivable based on a current review of old accounts and collectability limitations. There are no receivables older than 2022.

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 cover current cash flow of the company. The balance in years past has exceeded over \$1,000,000 (payable) and is now fluctuating around \$3,500,000 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, to the benefit of the Company, 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 ongoing for several years. It is expected that this stock will be sufficient to retire the account receivable over the next five years.

Loans Issued To/Received by Affiliates.

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

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. Since the first piece of equipment was paid off, the Company is making double payments on the second loan and was paid off in 2023.

In the fourth quarter 2023, the Company purchased similar construction type equipment with the same purpose of construction in various locations in the communities where the Company operates. The equipment was purchased at about \$45,000 and was offered financing with zero interest and payable in sixty months. Payments are \$800 dollars a month. The Company is currently making double payments of \$1,600 and is expected to retire the note early.

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.

Until November 2023, the Company also had a 2,000 square foot operating office/warehouse in Salem, Oregon for operations of its broadband subsidiary (Adaptive Broadband). The lease was month to month for \$1,500 per month. The broadband subsidiary also held short term leases in various parts of its operating territory. (See Sale of Adaptive Broadband Oregon Operations” below). Once the operations of Adaptive Broadband were sold in November, 2023, the office in Salem was abandoned and any existing operations in and around Salem, Oregon operate out of a building purchased in Stayton, Oregon which acts as a warehouse and office space for whatever Company purposes require.

As a course of business, 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 located in Vancouver, Washington, Reno, Nevada and Apache Junction and Mesa, Arizona. The Company is currently paying approximately \$6,500 per month for those six locations and could expand or reduce the space needed in each location as needed.

Property located in Apache Junction was recently disqualified for a zoning change for operations originally planned at that location. Consequently, the Company located a different facility that better suits the Company’s operational needs. The purchase was finalized in April 2022 and a move to the new location is anticipated to be completed sometime in 2025 after several years of investing in broadcasting equipment for its Streamly business sometime in 2025.

The Company is currently looking to expand its broadband business to offer wifi in various forms and locations through the operating locations it currently

Sale of Adaptive Broadband Oregon Operations

In November 2023, the Company sold the Adaptive Broadband operations in northern Oregon. The sale included all equipment, leases, towers, client lists, goodwill, and the name of business to an interested third party. The Company still owns the corporate entity Adaptive Broadband and plans to use the entity for future development of wireless broadband business in other geographic locations. There is limited activity within that entity until another activity opens up for review and operation. The sale was negotiated for \$800,000 with a down payment of \$50,000 and monthly payments of approximately \$15,000 for a period of sixty months.

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 yet. The Company is currently evaluating its options to commence litigation in the future if circumstances do not change.