Control Number: 54443

Item Number: 37

American PowerNet

PUBLIC UTILITY COMMISSION OF TEXAS
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Monday, February 27, 2023

Public Utility Commission of Texas
1701 N. Congress Avenue
PO Box 13326
Austin, TX 78711

To whom it may concern: 54443

American PowerNet Management, L.P., (APNM) herewith files certain information required by Section 25.107(i)(5)(A)(vii) with the Public Utility Commission of Texas.

Specifically:

- APNM meets the requirements of Section 25.107(f)(1)(B) of maintaining shareholders'equity of not less than one million dollars and has also provided an irrevocable stand-by letter of credit payable to the commission with a face value of $500,000.00.

- APNM does not hold and customer deposits or advance payments and as such is not subject to the provisions of Section 25.107(f)(2).

- APNM is not required to provide any deposit to any TDU except as required for certain Transition Charges as specified and APNM has provided such Transition Charges deposits as required by Section 25.107(f)(3)(A).

- APNM is, to the best of its knowledge, compliant with all other commission requirements.

I, Eugene F. Carter, Jr., Chief Financial Officer, certify that the above information and responses are, to the best of my knowledge, entirely accurate and true.

Sincerely,

Eugene F. Carter, Jr., CFO

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American PowerNet Management, L.P.
Consolidated Balance Sheet
As of September 30, 2022 (Unaudited)

Current Assets	
Cash on hand and in banks	2,114,191.41
Restricted cash, client prepayments	725,000.02
Cash collateral deposits	1,695,646.93
Accounts receivable	12,391,437.56
RECs held in inventory	-
Investment accounts	40,473.39
Intercompany - APNM	(1,400,000.00)
Intercompany - APNS	(5,000.00)
Intercompany - APNSF	-
Intercompany - JAG3	-
Intercompany - SmartSmiths Inc.	1,641.00
Prepaid PA GRT	3,242,100.00
Other prepayments	-
Other current assets	-
TOTAL CURRENT ASSETS	18,805,490.31
Other Assets	610,699.59
Deferred compensation trust	-
Gross fixed assets	168,500.00
Accumulated depreciation	(3,500.00)
TOTAL ASSETS	19,581,189.90
Liabilities:	
Current liabilities	
Accounts payable	-
Client prepayments and deposits	2,044,706.37
Energy / RECs Accrual	9,914,293.15
Gross receipts tax payable	4,638,089.52
Other taxes payable	188,124.17
Assessments and other liabilities	8,183.00
Current debt - ST Line Payable	1,600,000.00
Other current liabilities	-
TOTAL CURRENT LIABILITIES	18,393,396.21
Other Liabilities	
Non-current debt - term loan	-
Deferred compensation obligation	-
TOTAL LIABILITIES	18,393,396.21
Equity:	
Partner Equity	1,187,793.69
TOTAL LIABILITIES AND PARTNER EQUITY	19,581,189.90

ADVISORS for WHAT'S NEXT

American Powernet Management, LP and Affiliates

Combined Financial Statements and Supplementary Information

December 31, 2021 and 2020

Table of Contents
December 31, 2021 and 2020

rkl ADVISORS for WHAT'S NEXT

Independent Auditor's Report

To the Partners
American Powernet Management, LP and Affiliates
Wyomissing, Pennsylvania

Opinion

We have audited the combined financial statements of American Powernet Management, LP and affiliates (the Company), which comprise the combined balance sheet as of December 31, 2021 and 2020, the related combined statements of income, comprehensive income, changes in partners' equity, and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for within one year after the date that the financial statements are issued.

1330 Broadcasting Road, Wyomissing, PA 19610 610.376.1595 610.376.7340 rklcpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and; therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RKL LLP

May 5, 2022
Wyomissing, Pennsylvania

American Powernet Management, LP and Affiliates

Combined Balance Sheet

	December 31, 2021	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 5,509,968**	$ 4,675,090
Accounts receivable	**10,136,022**	7,410,602
Prepaid expenses	**162,248**	11,883
Total Current Assets	**15,808,238**	12,097,575
Property and Equipment		
Furniture and equipment	**296,671**	296,671
Accumulated depreciation	**(173,352)**	(168,316)
Property and Equipment, Net	**123,319**	128,355
Other Assets		
Security deposits	**2,109,332**	1,665,970
Investments	**759,618**	443,828
Other	**25,558**	16,354
Total Other Assets	**2,894,508**	2,126,152
Total Assets	**$ 18,826,065**	$ 14,352,082
Liabilities and Partners' Equity		
Current Liabilities		
Note payable, lines of credit	**$ 1,600,000**	$ 600,000
Accounts payable	**9,864,744**	6,016,857
Accrued expenses	**82,361**	176,746
Total Current Liabilities	**11,547,105**	6,793,603
Security Deposits Payable	**3,413,466**	3,422,778
Total Liabilities	**14,960,571**	10,216,381
Partners' Equity		
Partners' capital	**3,620,517**	3,923,066
Accumulated other comprehensive income	**244,977**	212,635
Total Partners' Equity	**3,865,494**	4,135,701
Total Liabilities and Partners' Equity	**$ 18,826,065**	$ 14,352,082

See accompanying notes.

Combined Statement of Income

	Years Ended December 31, 2021	2020
Revenue		
Energy sales	**$ 97,208,507**	$ 82,912,783
Management fee income	**2,828,057**	2,706,143
Total Revenue	**100,036,564**	85,618,926
Cost of Energy Purchases	**97,759,595**	83,155,018
Gross Profit	**2,276,969**	2,463,908
General and Administrative Expenses	**1,678,594**	1,727,030
Operating Income	**598,375**	736,878
Other (Income) Expense		
Interest expense	**19,520**	21,189
Interest income	**(3,602)**	(1,387)
Paycheck Protection Program loan forgiveness income	**-**	(188,700)
Net (gain) loss on investments	**(3,831)**	5,965
Total Other (Income) Expense, Net	**12,087**	(162,933)
Net Income	**$ 586,288**	$ 899,811

See accompanying notes.

Combined Statement of Comprehensive Income

	Years Ended December 31, 2021	2020
Net Income	**$ 586,288**	$ 899,811
Other Comprehensive Income		
Unrealized gains on securities available for sale		
Net unrealized holding gains arising during period	**36,173**	205,516
Reclassification adjustment for realized (gains) losses included in net income	**(3,831)**	5,965
Total Other Comprehensive Income	**32,342**	211,481
Comprehensive Income	**$ 618,630**	$ 1,111,292

See accompanying notes.

	Partners' Capital	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2019	$ 3,933,878	$ 1,154	$ 3,935,032
Net income	899,811	-	899,811
Unrealized gains on investments	-	211,481	211,481
Partners' withdrawals, net	(910,623)	-	(910,623)
Balance at December 31, 2020	3,923,066	212,635	4,135,701
Net income	**586,288**	**-**	**586,288**
Unrealized gains on investments	**-**	**32,342**	**32,342**
Partners' withdrawals, net	**(888,837)**	**-**	**(888,837)**
Balance at December 31, 2021	**$ 3,620,517**	**$ 244,977**	**$ 3,865,494**

	Years Ended December 31, 2021	2020
Cash Flows from Operating Activities		
Net income	**$ 586,288**	$ 899,811
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	**5,036**	5,514
Realized (gains) losses on investments	**(3,831)**	5,965
Paycheck Protection Program loan forgiveness	**-**	(188,700)
(Increase) decrease in assets		
Accounts receivable	**(2,725,420)**	(1,337,703)
Prepaid expenses	**(150,365)**	62,005
Other assets	**(9,204)**	350
Increase (decrease) in liabilities		
Accounts payable	**3,847,887**	395,200
Accrued expenses	**(94,385)**	(176,058)
Net Cash Provided by (Used in) Operating Activities	**1,456,006**	(333,616)
Cash Flows from Investing Activities		
Capital expenditures	**-**	(14,294)
Proceeds from sales and maturities of investments	**-**	110,059
Purchases of investments available for sale	**(279,617)**	(111,592)
Net Cash Used in Investing Activities	**(279,617)**	(15,827)
Cash Flows from Financing Activities		
Net borrowings (repayments) on line of credit	**1,000,000**	(200,000)
Proceeds from Paycheck Protection Program loan	**-**	188,700
Security deposits	**(443,362)**	(310,099)
Security deposits payable	**(9,312)**	625,501
Partner withdrawals, net	**(888,837)**	(910,623)
Net Cash Used in Financing Activities	**(341,511)**	(606,521)
Net Increase (Decrease) in Cash and Cash Equivalents	**834,878**	(955,964)
Cash and Cash Equivalents at Beginning of Year	**4,675,090**	5,631,054
Cash and Cash Equivalents at End of Year	**$ 5,509,968**	$ 4,675,090
Supplementary Cash Flows Information		
Interest paid	**$ 19,771**	$ 27,147
Change in unrealized gains on investments	**$ 32,342**	$ 211,481

See accompanying notes.

Note 1 - Nature of Operations

American Powernet Management, LP and affiliates, d/b/a American Powernet, financial statements represent the combined financial statements of American Powernet Management, LP, American Powernet Services, LP, and APN Starfirst, LP (collectively the Company). American Powernet Management, LP and affiliates d/b/a American Powernet derives revenues from energy purchases, and sales and commission earnings and consulting for management services performed.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying combined financial statements follows.

Principles of Combination

The combined financial statements of the American Powernet Management, LP and affiliates, d/b/a American Powernet, include the accounts of American Powernet Management, LP, American Powernet Services, LP, and APN Starfirst, LP. Combined financial statements are presented due to common ownership among the entities. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly-liquid, short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Restricted Cash

Amounts in restricted cash are required to be set aside by a contractual agreement with customers for energy supply needs.

Note 2 - Summary of Significant Accounting Policies (continued)

Restricted Cash (continued)

The following table provides a reconciliation of cash and cash equivalents, and restricted cash reported within the combined balance sheet to the total of the same such amounts in the combined statement of cash flows as of December 31:

	2021	2020
Cash and cash equivalents	$ 4,200,805	$ 3,057,423
Restricted cash	1,309,163	1,617,667
Total cash and cash equivalents, and restricted cash shown in the combined statement of cash flows	$ 5,509,968	$ 4,675,090

Securities Available for Sale

Securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time, but not necessarily to maturity. Securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the term of the securities.

The Company evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. The Company employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Company evaluates, among other factors, the magnitude and duration of the decline in fair value; the expected cash flows of the securities; the financial health of, and business outlook for, the issuer; the performance of the underlying assets for interests in securitized assets; and the Company's intent and ability to hold the investment. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded in investment income and a new cost basis in the investment is established.

Accounts Receivable

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, agings of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due. The Company does not accrue interest income on its delinquent accounts receivable. The allowance for doubtful accounts was $-0- for both of the years ended December 31, 2021 and 2020.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Major renewals and betterments are capitalized while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Upon retirement, sale, or other disposition of property and equipment, the asset and related allowance for depreciation are eliminated from the accounts, and any gain or loss on the transaction is included in income. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives of furniture and equipment used to calculate depreciation are as follows:

Furniture and equipment	5 to 10 years

Security Deposits

Security deposits recorded as long-term assets are amounts that have been posted by the Company as collateral with various suppliers, which allow the Company to sell energy to customers in various locations.

Security deposits recorded as long-term liabilities are amounts that are due to customers based on terms of the stated contracts and the location of the customer business. The security deposits are held as long as the Company is doing business with the customer and are amounts due to the customer.

Income Taxes

The Company is treated as a pass-through entity for federal and state income tax purposes. Consequently, federal and state income taxes are not payable by, or provided by, the Company. The partners are taxed individually on their share of the Company's earnings. The Company's net income or loss is allocated among the partners in accordance with their pro-rata share of the Company. Generally though, distributions made to the partners are to fund their individual tax liabilities related to the Company income. The Company files composite tax returns in several states.

U.S. GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2018.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of risk consist principally of cash and cash equivalents, accounts receivable, and other receivables.

Note 2 - Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

The Company regularly maintains amounts on deposit with various financial institutions in excess of that insured by the FDIC. The Company believes that it limits its credit exposure by placing its temporary cash investments with, what management believes to be, high credit quality financial institutions.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as performance obligations are satisfied.

The Company's revenue is primarily derived from the sale of power as a licensed entity. The Company sells primarily to commercial customers in the United States. Sales are subject to economic conditions and may fluctuate based on changes in the industry, trade policies, and financial markets. The Company assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. Customer contracts generally are standardized and noncancellable for the duration of the stated contract term. Certain customer contracts may include various termination rights which, if deemed to be substantive, would impact the determination of the contract term and may give rise to material rights with respect to renewal options.

Revenue from the sale of power is recognized upon transfer to the customer, which is typically upon allocation from the power grid.

Additionally the Company derives revenue from management fees charged to customers associated with the sale and distribution of power. These fees are calculated based on agreed upon rates in customer contracts.

As discussed previously, revenue from the sale of power and revenue from management fees are recognized at a point in time. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration such as early payment discounts, volume discounts, rebates, and rights of return, if applicable.

Payment terms on invoiced amounts are due upon receipt. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and not to receive financing from, or provide financing to, the customer.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as subsequently amended in ASU 2019-10 and ASU 2020-05. The guidance in these ASUs supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for the privately held Company for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The ASU is expected to impact the Company's combined financial statements, as the Company has certain operating leases for which it is the lessee. The Company will be evaluating the impact of this new guidance.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available for sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held to maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available for sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the combined statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of adopting this new guidance on its combined financial statements.

Note 3 - Investments

Management classifies all of its investments in certificates of deposit and cryptocurrencies as available for sale and; accordingly, carries its investments at estimated fair market value. Unrealized gains and losses on the contracts and investments are recorded as a separate component of other comprehensive income. Realized gains and losses are included in the net income of the Company, and the cost of the contracts is computed using the specific identification method.

Note 3 - Investments (continued)

Market values of the certificates of deposit and cryptocurrencies are summarized as follows at December 31:

2021	Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Market Value
Certificates of deposit	$ 157,475	$ 7,167	$ -	$ 164,642
Cryptocurrencies	223,500	374,409	(2,933)	594,976
	$ 380,975	$ 381,576	$ (2,933)	$ 759,618
2020				
Certificates of deposit	$ 157,475	$ 3,951	$ -	$ 161,426
Cryptocurrencies	73,718	208,684	-	282,402
	$ 231,193	$ 212,635	$ -	$ 443,828

Note 4 - Note Payable, Lines of Credit

The Company has lines of credit available totaling $28,000,000 from Santander Bank. The lines consist of a working capital line of credit of $2,000,000, a credit facility of $13,000,000 to fund client related letters of credit to secure purchases of electricity, and a $13,000,000 line of credit to support the relationship with a single, publicly traded company. The lines of credit mature on September 30, 2022. The terms of the working capital and $15,000,000 credit facility provide for monthly interest payments at the bank's prime rate (3.25% at December 31, 2021 and 2020) on outstanding balances. These notes are secured by a first lien priority security interest in the Company's assets and cross guarantees of American Powernet Services, LP, APN Starfirst, LP, and American Powernet Management, LP. The working capital line of credit is personally guaranteed by the partners of the Company. The $15,000,000 credit facility provides for monthly interest payments at 1.50% and is guaranteed by a single, publicly traded company. At December 31, 2021 and 2020, the Company had borrowed $600,000 on the working capital line of credit. Also, outstanding against the availability on the line of credit were letters of credit totaling $8,010,000 at December 31, 2021 and 2020.

The Company has a $12,000,000 line of credit available from PNC Bank. The terms of the agreement provide for monthly interest payments at the daily LIBOR rate plus 2.00% (2.08% and 2.15% at December 31, 2021 and 2020, respectively) on any outstanding balances. The note is secured by customer security deposits and an interest in the Company assets and cross guarantees of American Powernet Services, LP, APN Starfirst, LP, and American Powernet Management, LP. The line of credit is personally guaranteed by the partners of the Company. The line of credit matures on December 31, 2022. At December 31, 2021 and 2020, the Company had $1,000,000 and $-0- outstanding on the line of credit, respectively. Also, outstanding against the availability on the line of credit were letters of credit totaling $7,350,000 at December 31, 2021 and 2020.

Note 4 - Note Payable, Lines of Credit (continued)

The line of credit with Santander Bank has certain financial covenants which must be met annually. All covenants with Santander Bank were met during the year ended December 31, 2021.

The line of credit with PNC Bank has certain financial covenants which must be met annually. The financial covenants with PNC Bank did not pass for the year ended December 31, 2021, but the failure was waived by PNC Bank.

Note 5 - Paycheck Protection Program Loan

In response to the COVID-19 Pandemic, the Paycheck Protection Program (PPP) was established under the CARES Act and administered by the Small Business Association. Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans. In April of 2020, the Company received loans with six of the related affiliates totaling $188,700 under the PPP provided by M&T Bank. On February 24, 2022, the Company was notified that their PPP loans were fully forgiven and no further payments were due.

During the year ended December 31, 2020, the Company accounted for the loan as a government grant. As U.S. GAAP does not contain guidance on the accounting for government grants, the Company is following the guidance in International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance.* Under the provisions of IAS 20, "a forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan." As discussed above, the Company believes there is reasonable assurance it will meet the terms of forgiveness. Under IAS 20, government grants are recognized in income as required activities are undertaken.

As the Company believes that it completed the required activities by utilizing PPP proceeds for payroll and other qualified expenditures, it has recognized PPP grant income of $188,700 of the PPP loans and no liability for the PPP loan is reflected in the combined balance sheet as of December 31, 2020. The Company was notified of full forgiveness by the bank during 2021.

Note 6 - Employee Retirement Plan

The Company provides a 401(k) plan to all eligible employees. Employees will receive an employer match annually based on the terms of the plan document. Total contributions and costs paid by the Company for the years ended December 31, 2021 and 2020 were $29,904 and $29,389, respectively.

Note 7 - Deferred Compensation

In 2006, American Powernet Management, LP adopted the Supplemental Executive Compensation Plan, which allows for deferred compensation to certain key employees. The value of the Plan is based upon the calculation and payments outlined in the agreement. All employer contributions to the Plan have a three-year vesting period. At December 31, 2021 and 2020, the Company has accrued a liability of $58,270.

Note 8 - Fair Value Measurements

FASB ASC's authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the combined financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

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

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The investments disclosed in Note 3 are Level 2 investments.

Note 9 - Commitments and Contingencies

Related Party Lease

The Company is party to a lease with a related party for office space. The lease has a five-year term with rental expenses annually amounting to $60,000. The lease expires in December of 2024.

Litigation

The Company is subject to certain legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect the Company's combined financial statements or results of operations.

Major Customer

Revenues from three customers represented approximately 80% and 69% of total revenues during the years ended December 31, 2021 and 2020, respectively. The total accounts receivable from these customers at December 31, 2021 and 2020 was $3,907,045 and $4,205,482, respectively. The loss of one or more of these large customers could have a materially adverse effect on the Company's business.

Note 10 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area in which the Company operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Company.

Additionally, it is reasonably possible that estimates made in the combined financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 11 - Subsequent Events

The Company has evaluated subsequent events through May 5, 2022. This date is the date the combined financial statements were available to be issued. No events subsequent to December 31, 2021 were noted.

American Powernet Management, LP and Affiliates

Combining Balance Sheet

	December 31, 2021				
	Combined	Eliminations and Adjustments	American Powernet Management, LP	APN Starfirst, LP	American Powernet Services, LP
Assets					
Current Assets					
Cash and cash equivalents	$ 5,509,968	$ -	$ 4,454,844	$ 939,923	$ 115,201
Accounts receivable	10,136,022	-	8,777,130	1,328,612	30,280
Intercompany	-	-	(1,600,000)	1,600,000	-
Prepaid expenses	162,248	-	157,025	-	5,223
Total Current Assets	15,808,238	-	11,788,999	3,868,535	150,704
Property and Equipment					
Furniture and equipment	296,671	-	93,500	-	203,171
Accumulated depreciation	(173,352)	-	(3,500)	-	(169,852)
Property and Equipment, Net	123,319	-	90,000	-	33,319
Other Assets					
Security deposits	2,109,332	-	1,467,647	641,685	-
Investments	759,618	-	595,449	-	164,169
Other	25,558	-	10,000	-	15,558
Total Other Assets	2,894,508	-	2,073,096	641,685	179,727
Total Assets	$ 18,826,065	$ -	$ 13,952,095	$ 4,510,220	$ 363,750

American Powernet Management, LP and Affiliates

Combining Balance Sheet (continued)

	December 31, 2021				
	Combined	Eliminations and Adjustments	American Powernet Management, LP	APN Starfirst, LP	American Powernet Services, LP
Liabilities and Partners' Equity					
Current Liabilities					
Note payable, lines of credit	$ 1,600,000	$ -	$ 1,600,000	$ -	$ -
Accounts payable	9,864,744	-	9,821,630	-	43,114
Accrued expenses	82,361	-	7,349	16,736	58,276
Total Current Liabilities	11,547,105	-	11,428,979	16,736	101,390
Security Deposits Payable	3,413,466	-	1,098,407	2,315,059	-
Total Liabilities	14,960,571	-	12,527,386	2,331,795	101,390
Partners' Equity					
Partners' capital	3,620,517	-	1,179,732	2,178,425	262,360
Accumulated other comprehensive income	244,977	-	244,977	-	-
Total Partners' Equity	3,865,494	-	1,424,709	2,178,425	262,360
Total Liabilities and Partners' Equity	$ 18,826,065	$ -	$ 13,952,095	$ 4,510,220	$ 363,750

American Powernet Management, LP and Affiliates

Combining Balance Sheet (continued)

	December 31, 2020				
	Combined	Eliminations and Adjustments	American Powernet Management, LP	APN Starfirst, LP	American Powernet Services, LP
Assets					
Current Assets					
Cash and cash equivalents	$ 4,675,090	$ -	$ 3,510,331	$ 1,099,935	$ 64,824
Accounts receivable	7,410,602	-	6,685,565	725,037	-
Intercompany	-	-	(1,600,000)	1,600,000	-
Prepaid expenses	11,883	-	-	-	11,883
Total Current Assets	12,097,575	-	8,595,896	3,424,972	76,707
Property and Equipment					
Furniture and equipment	296,671	-	93,500	-	203,171
Accumulated depreciation	(168,316)	-	(3,500)	-	(164,816)
Property and Equipment, Net	128,355	-	90,000	-	38,355
Other Assets					
Security deposits	1,665,970	-	829,333	836,637	-
Investments	443,828	-	475	-	443,353
Other	16,354	-	-	-	16,354
Total Other Assets	2,126,152	-	829,808	836,637	459,707
Total Assets	$ 14,352,082	$ -	$ 9,515,704	$ 4,261,609	$ 574,769

American Powernet Management, LP and Affiliates

Combining Balance Sheet (continued)

	December 31, 2020				
	Combined	Eliminations and Adjustments	American Powernet Management, LP	APN Starfirst, LP	American Powernet Services, LP
Liabilities and Partners' Equity					
Current Liabilities					
Note payable, lines of credit	$ 600,000	$ -	$ 600,000	$ -	$ -
Accounts payable	6,016,857	-	5,986,656	-	30,201
Accrued expenses	176,746	-	113,041	5,437	58,268
Total Current Liabilities	6,793,603	-	6,699,697	5,437	88,469
Security Deposits Payable	3,422,778	-	1,361,721	2,061,057	-
Total Liabilities	10,216,381	-	8,061,418	2,066,494	88,469
Partners' Equity					
Partners' capital	3,923,066	-	1,454,286	2,195,115	273,665
Accumulated other comprehensive income	212,635	-	-	-	212,635
Total Partners' Equity	4,135,701	-	1,454,286	2,195,115	486,300
Total Liabilities and Partners' Equity	$ 14,352,082	$ -	$ 9,515,704	$ 4,261,609	$ 574,769

American Powernet Management, LP and Affiliates

Combining Statement of Income

	Year Ended December 31, 2021				
	Combined	Eliminations and Adjustments	American Powernet Management, LP	APN Starfirst, LP	American Powernet Services, LP
Revenue					
Energy sales	$ 97,208,507	$ -	$ 87,032,586	$ 10,175,921	$ -
Management fee income	2,828,057	(2,665,300)	2,673,519	153,300	2,666,538
Total Revenue	100,036,564	(2,665,300)	89,706,105	10,329,221	2,666,538
Cost of Energy Purchases	97,759,595	-	87,574,748	10,184,847	-
Gross Profit	2,276,969	(2,665,300)	2,131,357	144,374	2,666,538
General and Administrative Expenses	1,678,594	(2,665,300)	2,744,576	171,550	1,427,768
Operating Income (Loss)	598,375	-	(613,219)	(27,176)	1,238,770
Other (Income) Expenses					
Interest expense	19,520	-	19,771	(251)	-
Interest income	(3,602)	-	(77)	-	(3,525)
Net gain on investments	(3,831)	-	-	-	(3,831)
Total Other (Income) Expenses, Net	12,087	-	19,694	(251)	(7,356)
Net Income (Loss)	$ 586,288	$ -	$ (632,913)	$ (26,925)	$ 1,246,126

American Powernet Management, LP and Affiliates

Combining Statement of Income (continued)

	Year Ended December 31, 2020				
	Combined	Eliminations and Adjustments	American Powernet Management, LP	APN Starfirst, LP	American Powernet Services, LP
Revenue					
Energy sales	$ 82,912,783	$ -	$ 76,893,321	$ 6,019,462	$ -
Management fee income	2,706,143	(2,150,000)	2,544,619	155,300	2,156,224
Total Revenue	85,618,926	(2,150,000)	79,437,940	6,174,762	2,156,224
Cost of Energy Purchases	83,155,018	-	77,060,981	6,094,037	-
Gross Profit	2,463,908	(2,150,000)	2,376,959	80,725	2,156,224
General and Administrative Expenses	1,727,030	(2,150,000)	2,364,321	76,450	1,436,259
Operating Income	736,878	-	12,638	4,275	719,965
Other (Income) Expenses					
Interest expense	21,189	-	25,904	(5,958)	1,243
Interest income	(1,387)	-	(548)	-	(839)
Paycheck Protection Program loan forgiveness	(188,700)	-	(188,700)	-	-
Net loss on investments	5,965	-	-	-	5,965
Total Other (Income) Expenses, Net	(162,933)	-	(163,344)	(5,958)	6,369
Net Income	$ 899,811	$ -	$ 175,982	$ 10,233	$ 713,596

American Powernet Management, LP and Affiliates

Combining Schedule of General and Administrative Expenses

	Year Ended December 31, 2021				
	Combined	Eliminations and Adjustments	American Powernet Management, LP	APN Starfirst, LP	American Powernet Services, LP
Salaries	$ 889,756	$ -	$ -	$ -	$ 889,756
Amortization	351	-	-	-	351
Bank charges	24,174	-	27,171	-	(2,997)
Contributions	17,525	-	-	-	17,525
Deferred compensation	21,000	-	-	-	21,000
Depreciation	5,036	-	-	-	5,036
Dues and subscriptions	127,727	-	63,108	-	64,619
Employee benefits	50,416	-	-	-	50,416
Freight and postage	3,196	-	-	-	3,196
Insurance	104,646	-	27,983	-	76,663
Legal and accounting	46,018	-	43,266	(238)	2,990
Management fee	-	(2,665,300)	2,512,000	153,300	-
Miscellaneous	38,820	-	(358)	-	39,178
Office supplies	8,009	-	78	145	7,786
Outside services	76,943	-	11,240	720	64,983
Payroll taxes	66,644	-	-	-	66,644
Penalties and fines	29,971	-	29,971	-	-
Rent	60,000	-	-	-	60,000
Permits and licenses	28,732	-	17,665	6,700	4,367
Repairs and maintenance	10,207	-	1,390	-	8,817
Taxes	26,126	-	11,062	10,923	4,141
Telephone	3,032	-	-	-	3,032
Travel	13,869	-	-	-	13,869
Utilities	26,396	-	-	-	26,396
Total General and Administrative Expenses	$ 1,678,594	$ (2,665,300)	$ 2,744,576	$ 171,550	$ 1,427,768

American Powernet Management, LP and Affiliates

Combining Schedule of General and Administrative Expenses (continued)

	Year Ended December 31, 2020				
	Combined	**Eliminations and Adjustments**	**American Powernet Management, LP**	**APN Starfirst, LP**	**American Powernet Services, LP**
Salaries	$ 920,616	$ -	$ -	$ -	$ 920,616
Amortization	351	-	-	-	351
Bad debt	17,350	-	17,350	-	-
Bank charges	7,665	-	4,223	260	3,182
Contributions	11,938	-	-	-	11,938
Deferred compensation	31,000	-	-	-	31,000
Depreciation	5,514	-	350	-	5,164
Dues and subscriptions	165,518	-	92,585	-	72,933
Employee benefits	44,176	-	-	-	44,176
Freight and postage	1,815	-	-	-	1,815
Insurance	117,472	-	40,906	-	76,566
Legal and accounting	116,832	-	106,127	633	10,072
Management fee	-	(2,150,000)	2,075,000	75,000	-
Miscellaneous	17,408	-	3,426	-	13,982
Office supplies	12,987	-	-	-	12,987
Outside services	43,770	-	599	841	42,330
Payroll taxes	70,358	-	-	-	70,358
Penalties and fines	3,237	-	3,237	-	-
Rent	60,000	-	-	-	60,000
Permits and licenses	23,626	-	17,539	300	5,787
Repairs and maintenance	11,795	-	-	-	11,795
Taxes	3,995	-	2,979	(584)	1,600
Telephone	4,106	-	-	-	4,106
Travel	14,190	-	-	-	14,190
Utilities	21,311	-	-	-	21,311
Total General and Administrative Expenses	$ 1,727,030	$ (2,150,000)	$ 2,364,321	$ 76,450	$ 1,436,259

Santander

07/02/14

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER

Amount: 500,000 00
Expiration Date: 07/02/15

Issuing Bank: SANTANDER BANK, N.A., 2 Morrissey Blvd.
Dorchester, MA 02125, attn Standby LC Dept.

REP: American PowerNet Management, LP
45 Commerce Drive, Wyomissing, PA 19610-1038

Applicant: American PowerNet Management, LP
45 Commerce Drive, Wyomissing, PA 19610-1038

Beneficiary: Public Utility Commission of Texas, referred to below as "you" or "beneficiary"
1701 N. Congress Avenue
PO Box 13326
Austin, Texas 78711-3326
Authorized Representative: Executive Director or another person authorized by the Executive Director in writing or authorized by Commission rule.

We hereby establish in the favor of the Public Utility Commission of Texas, effective immediately, our Irrevocable Standby Letter of Credit No. 7696 ("Letter of Credit") for the account of Applicant in the amount of 500,000.00

Funds under this Letter of Credit are available for payment to you upon presentation to us of an original or photocopy of this Letter of Credit and any effective amendment to this Letter of Credit, and your written demand for payment, purportedly signed by an authorized representative of the beneficiary, marked "Drawn under SANTANDER BANK, N.A. letter of credit no. 7696" and containing the text "We hereby certify to you that $___________ is due and owing to us by REP, under and in accordance with Public Utility Commission of Texas rules." Such presentation may be made (i) in person at SANTANDER BANK, N.A., (ii) by first class certified and registered U.S. Mail, or (iii) by overnight mail.

Funds may be drawn by you under this Letter of Credit, in one or more drawings, in amounts not exceeding in the aggregate the amount specified above.

Upon your presentation to us in conformity with the foregoing, we will, not later than the close of business on the third banking day after such presentation, but without any other delay whatsoever, irrevocably and without reserve or condition issue payment instructions to the Federal Reserve wire transfer system in proper form to transfer the full amount demanded by you to the account at the bank designated by you in the demand. The transferred funds will be immediately available to you in the account we are directed to pay. We agree that if, on the expiration date of this Letter of Credit, the office of the issuing bank specified above is not open for business, this Letter of Credit will be duly honored if the demand is presented by you within one (1) full banking day after such office is reopened for business.

This Letter of Credit shall be deemed automatically extended without amendment for one year periods from the present or any future expiration date unless, at least 90 days prior to any such date, we send the beneficiary notice at the above stated address by overnight courier that we elect not to extend this Letter of Credit beyond the initial expiration date or any extended expiration date thereof.

The stated amount of this Letter of Credit may be increased or decreased, and the expiration date of this Letter of Credit may be extended (if the expiration date has not been automatically extended as provided above), by an amendment to this Letter of Credit in the form of Attachment A.

We hereby engage with you that your demands for payment in conformity with the terms of this Letter of Credit will be duly honored as set forth above. All fees and other costs associated with the issuance of and any drawings against this Letter of Credit will not reduce the amount payable under this Letter of Credit. The amounts of any actual drawings against this Letter of Credit will reduce the balance by such amounts.

Except as otherwise expressly stated herein, this Letter of Credit is issued subject to the International Standby Practices 1998 (ISP98), International Chamber of Commerce Publication No. 590. For matters not addressed by ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the state of New York, without regard to conflicts of laws principles.

Yours faithfully,

SANTANDER BANK, N.A.
(Name of issuing bank)

By John Ammiggini

Title Assistant Vice President

Direct Telephone Number 617-379-4528

Attachment A

____

LETTER OF CREDIT AMENDMENT

Irrevocable Standby Letter of Credit No. 7696
Original Issue Date: 07/02/14
Amendment Sequence: ________________________________

Issuing Bank: SANTANDER BANK, N.A., 2 Morrissey Blvd
Dorchester, MA 02125, attn Standby LC Dept

REP: Amencan PowerNet Management, LP
45 Commerce Dnve, Wyomissing, PA 19610-1038

Applicant: American PowerNet Management, LP
45 Commerce Drive, Wyomissing, PA 19610-1038

Beneficiary: Public Utility Commission of Texas
1701 N. Congress Avenue
PO Box 13326
Austin, Texas 78711-3326

The above referenced Irrevocable Standby Letter of Credit is hereby amended as follows:

☐ The amount is increased/decreased from $__________ to $__________.
☐ The expiration date is extended from to.

All other terms and conditions of the Letter of Credit remain unchanged.

Yours faithfully,

____
(Name of issuing bank)

By______________________________

Title____________________________

Date ____________________________

Direct Telephone No.________________

UPS CampusShip: View/Print Label

1. **Ensure there are no other shipping or tracking labels attached to your package.** Select the Print button on the print dialog box that appears. Note: If your browser does not support this function select Print from the File menu to print the label.

2. **Fold the printed sheet containing the label at the line so that the entire shipping label is visible. Place the label on a single side of the package and cover it completely with clear plastic shipping tape. Do not cover any seams or closures on the package with the label.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.

3. **GETTING YOUR SHIPMENT TO UPS**
   UPS locations include the UPS Store®, UPS drop boxes, UPS customer centers, authorized retail outlets and UPS drivers.
   Schedule a same day or future day Pickup to have a UPS driver pickup all your CampusShip packages.
   Hand the package to any UPS driver in your area.
   Take your package to any location of The UPS Store®, UPS Drop Box, UPS Customer Center, UPS Alliances (Office Depot® or Staples®) or Authorized Shipping Outlet near you. Items sent via UPS Return Services(SM) (including via Ground) are also accepted at Drop Boxes. To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations

   Customers with a Daily Pickup
   Your driver will pickup your shipment(s) as usual.

FOLD HERE

JOHN AMUZZINI
617-379-4528
SANTANDER MORRISSEY
2 MORRISSEY BLVD
DORCHESTER MA 02125

0.0 LBS LTR 1 OF 1

SHIP TO:
ATTN: CENTRAL RECORDS
512-936-7180
PUBLIC UTILITY COMMISSION OF TEXAS
1701 N. CONGRESS AVENUE
AUSTIN TX 78701-1494

TX 787 9-09

UPS NEXT DAY AIR SAVER 1P

TRACKING #: 1Z 78E 67V 13 9105 7672

BILLING: P/P

Ref #1 Cost Center: 8559
Employee Name / Project Number I: J. Amuzzini

CS 16.2.03. WNTIE80 51.0A 04/2014

American PowerNet

AFFADAVIT

American PowerNet Management, L.P.

I hereby certify that I am the Chief Financial Officer of American PowerNet Management, L.P. and that American PowerNet Management, L.P., the certificate holder is not in material violation of any of the requirements of its certificate and that all the information provided in this annual report is accurate.

In compliance with the REP 1 Annual Report – Financial, American PowerNet Management, L.P. provides the following information regarding a letter of credit on file with the Texas Public Service Commission:

A letter of credit # 7696 in the amount of $500,000, issued by Santander bank for the benefit of the Public Utilities Commission of Texas is on file with the Commission.

American PowerNet Management, LP

Name of Officer: Eugene F. Carter, Jr.

Title: Chief Financial Officer

Date: February 27, 2023

State: Pennsylvania
County: County of Berks

On this 27th day of February, 2023, before me, the undersigned notary public, personally appeared Eugene F. Carter, Jr., proved to me through satisfactory evidence of personal knowledge of identity, to be the person who signed the Officer's Certification in my presence, and who swore to me that the contents of the document are truthful and accurate to the best of his/her knowledge or belief.

Linda F. Jablonski, Notary Public
My Commission expires: June 11, 2023

Commonwealth of Pennsylvania - Notary Seal
LINDA F JABLONSKI - Notary Public
Berks County
My Commission Expires Jun 11, 2023
Commission Number 1262940