



Control Number: 55980



Item Number: 6

American PowerNet

February 19, 2024

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

#55980

To whom it may concern:

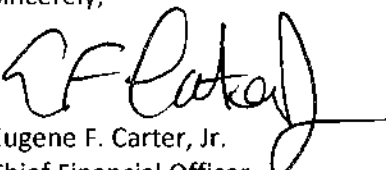
American PowerNet Management, L.P., (APNM) herewith files certain information required by Section 25.107(i)(5)(A)(vii) with the Public Utility Commission of Texas

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 any 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.
Chief Financial Officer

Managing the Energy Evolution.®

45 Commerce Drive, Wyomissing, PA 19610 • (610) 372-8500 • Fax (610) 372-9100
www.americanpowernet.com



OFFICER'S CERTIFICATION OF FINANCIAL STATEMENTS

American PowerNet Management, L.P.

Audited Financial Statements ending December 31, 2021 and 2022

I hereby certify that I am Chief Financial Officer of American PowerNet Management, L.P. and that the enclosed Audited Financial Statements as of December 31, 2021 and 2022 are, in my opinion, correct in all material respects.

I certify that the American PowerNet Management, L.P. is not in material violation of any of the requirements of its certificate.

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.

Customer Deposits

No customer/client deposits or advanced payments are required by American PowerNet Management, L.P. or any of its Affiliates. Therefore, there are no escrow or segregated accounts maintained for this purpose. If at any time American PowerNet Management, L.P. would require customer deposits, we would adhere to the compliance regulations set forth by the Texas Public Utilities Commission.

American PowerNet Management, L.P.

Name of Officer: Eugene F. Carter, Jr.

Title: Chief Financial Officer

Date: February 19, 2024

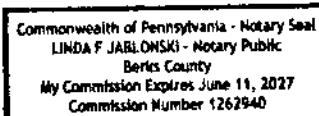
State: Pennsylvania

County: County of Berks

On this 19 day of February, 2024, 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, 2027



Managing the Energy Evolution.®



**American Powernet Management, LP
and Affiliates**

**Combined Financial Statements
and Supplementary Information**

December 31, 2022 and 2021



American Powernet Management, LP and Affiliates

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December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 within one year after the date that the financial statements are issued or available to be issued.



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 26, 2023
Wyomissing, Pennsylvania

American Powernet Management, LP and Affiliates**Combined Balance Sheet**

| | December 31, | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,984,123 | \$ 5,509,968 |
| Accounts receivable | 13,909,810 | 10,136,022 |
| Prepaid expenses | 9,285 | 162,248 |
| Total Current Assets | 17,903,218 | 15,808,238 |
| Property and Equipment | | |
| Furniture, equipment, and software | 448,254 | 296,671 |
| Accumulated depreciation | (177,512) | (173,352) |
| Property and Equipment, Net | 270,742 | 123,319 |
| Other Assets | | |
| Security deposits | 2,732,154 | 2,109,332 |
| Investments | 596,493 | 759,618 |
| Other | 188,723 | 25,558 |
| Total Other Assets | 3,517,370 | 2,894,508 |
| Total Assets | \$ 21,691,330 | \$ 18,826,065 |
| Liabilities and Partners' Equity | | |
| Current Liabilities | | |
| Note payable, lines of credit | \$ 1,600,000 | \$ 1,600,000 |
| Accounts payable | 12,227,279 | 9,864,744 |
| Accrued expenses | 182,250 | 82,361 |
| Total Current Liabilities | 14,009,529 | 11,547,105 |
| Security Deposits Payable | 3,894,717 | 3,413,466 |
| Total Liabilities | 17,904,246 | 14,960,571 |
| Partners' Equity | | |
| Partners' capital | 3,964,987 | 3,620,517 |
| Accumulated other comprehensive income (loss) | (177,903) | 244,977 |
| Total Partners' Equity | 3,787,084 | 3,865,494 |
| Total Liabilities and Partners' Equity | \$ 21,691,330 | \$ 18,826,065 |

See accompanying notes.

American Powernet Management, LP and Affiliates**Combined Statement of Income**

| | Years Ended December 31, | |
|--|---------------------------------|--------------------|
| | 2022 | 2021 |
| Revenue | | |
| Energy sales | \$ 140,110,118 | \$ 97,208,507 |
| Management fee income | 2,812,336 | 2,828,057 |
| Grant income | 137,804 | - |
| Total Revenue | 143,060,258 | 100,036,564 |
| Cost of Energy Purchases | 140,499,009 | 97,759,595 |
| Gross Profit | 2,561,249 | 2,276,969 |
| General and Administrative Expenses | 1,592,488 | 1,678,594 |
| Operating Income | 968,761 | 598,375 |
| Other (Income) Expense | | |
| Interest expense | 43,268 | 19,520 |
| Interest income | (24,816) | (3,602) |
| Net (gain) loss on investments | 12,705 | (3,831) |
| Total Other (Income) Expense | 31,157 | 12,087 |
| Net Income | \$ 937,604 | \$ 586,288 |

See accompanying notes.

American Powernet Management, LP and Affiliates**Combined Statement of Comprehensive Income**

| | Years Ended December 31, | |
|--|---------------------------------|-------------------|
| | 2022 | 2021 |
| Net Income | \$ 937,604 | \$ 586,288 |
| Other Comprehensive Income (Loss) | | |
| Unrealized gains on investments | | |
| Net unrealized holding gains (losses) arising during period | (435,585) | 36,173 |
| Reclassification adjustment for realized (gains) losses included in net income | 12,705 | (3,831) |
| Total Other Comprehensive Income (Loss) | (422,880) | 32,342 |
| Comprehensive Income | \$ 514,724 | \$ 618,630 |

American Powernet Management, LP and Affiliates**Combined Statement of Changes in Partners' Equity**

| | Partners' Capital | Accumulated Other Comprehensive Income (Loss) | Total |
|-------------------------------------|------------------------------|--|----------------------------|
| 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 |
| Net income | 937,604 | - | 937,604 |
| Unrealized loss on investments | - | (422,880) | (422,880) |
| Partners' withdrawals, net | (593,134) | - | (593,134) |
| Balance at December 31, 2022 | <u>\$ 3,964,987</u> | <u>\$ (177,903)</u> | <u>\$ 3,787,084</u> |

See accompanying notes.

American Powernet Management, LP and Affiliates**Combined Statement of Cash Flows**

| | Years Ended December 31, | |
|---|---------------------------------|---------------------|
| | 2022 | 2021 |
| Cash Flows from Operating Activities | | |
| Net income | \$ 937,604 | \$ 586,288 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Depreciation | 4,160 | 5,036 |
| Realized (gains) losses on investments | 12,705 | (3,831) |
| (Increase) decrease in assets | | |
| Accounts receivable | (3,773,788) | (2,725,420) |
| Prepaid expenses | 152,963 | (150,365) |
| Other assets | (163,165) | (9,204) |
| Increase (decrease) in liabilities | | |
| Accounts payable | 2,362,535 | 3,847,887 |
| Accrued expenses | 99,889 | (94,385) |
| Net Cash Provided by (Used in) Operating Activities | (367,097) | 1,456,006 |
| Cash Flows from Investing Activities | | |
| Capital expenditures | (151,583) | - |
| Purchases of investments | (272,460) | (279,617) |
| Net Cash Used in Investing Activities | (424,043) | (279,617) |
| Cash Flows from Financing Activities | | |
| Net borrowings on line of credit | - | 1,000,000 |
| Security deposits | (622,822) | (443,362) |
| Security deposits payable | 481,251 | (9,312) |
| Partner withdrawals, net | (593,134) | (888,837) |
| Net Cash Used in Financing Activities | (734,705) | (341,511) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,525,845) | 834,878 |
| Cash and Cash Equivalents at Beginning of Year | 5,509,968 | 4,675,090 |
| Cash and Cash Equivalents at End of Year | \$ 3,984,123 | \$ 5,509,968 |
| Supplementary Cash Flows Information | | |
| Interest paid | \$ 43,268 | \$ 19,771 |
| Change in unrealized gains (losses) on investments | \$ (422,880) | \$ 32,342 |

See accompanying notes.

American Powernet Management, LP and Affiliates

Notes to Combined Financial Statements

December 31, 2022 and 2021

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.

American Powernet Management, LP and Affiliates

Notes to Combined Financial Statements

December 31, 2022 and 2021

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:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,363,960 | \$ 4,200,805 |
| Restricted cash | <u>1,620,163</u> | <u>1,309,163</u> |
| Total cash and cash equivalents, and restricted cash shown in the combined statement of cash flows | <u>\$ 3,984,123</u> | <u>\$ 5,509,968</u> |

Investments

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 (loss). 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. There was no allowance for doubtful accounts for the years ended December 31, 2022 and 2021.

American Powernet Management, LP and Affiliates

Notes to Combined Financial Statements

December 31, 2022 and 2021

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 2019.

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.

American Powernet Management, LP and Affiliates

Notes to Combined Financial Statements

December 31, 2022 and 2021

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 Federal Deposit Insurance Corporation. 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 Financial Accounting Standards Board (FASB) 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.

American Powernet Management, LP and Affiliates**Notes to Combined Financial Statements**

December 31, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (continued)**Recent Accounting Pronouncement**

In June 2016, the FASB issued Accounting Standards Update (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 (loss). 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.

Market values of the investments held are summarized as follows at December 31:

| | | Gross Unrealized Holding Gain | Gross Unrealized Holding Loss | Market Value |
|-------------------------|-------------------|--|--|-------------------|
| 2022 | Cost | | | |
| Certificates of deposit | \$ 161,193 | \$ - | \$ - | \$ 161,193 |
| Cryptocurrencies | 613,203 | - | (177,903) | 435,300 |
| | <u>\$ 774,396</u> | <u>\$ -</u> | <u>\$ (177,903)</u> | <u>\$ 596,493</u> |
| 2021 | | | | |
| Certificates of deposit | \$ 157,475 | \$ 7,167 | \$ - | \$ 164,642 |
| Cryptocurrencies | 357,166 | 240,743 | (2,933) | 594,976 |
| | <u>\$ 514,641</u> | <u>\$ 247,910</u> | <u>\$ (2,933)</u> | <u>\$ 759,618</u> |

American Powernet Management, LP and Affiliates

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 4 - Note Payable, Lines of Credit

The Company has lines of credit available totaling \$9,000,000 from Santander Bank. The lines consist of a working capital line of credit of \$2,000,000 and a credit facility of \$7,000,000 to fund client related letters of credit to secure purchases of electricity. A line of credit in the amount of \$13,000,000 to support the relationship with a single, publicly traded company has been closed as of December 31, 2022 because that client's business with the Company has concluded. The lines of credit mature on September 30, 2023. The terms of the credit facility provide for monthly interest payments at the bank's prime rate (8.00% and 3.25% at December 31, 2022 and 2021, respectively) 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, L.P., APN Starfirst, L.P., and American PowerNet Management, L.P. The working capital line of credit is personally guaranteed by the partners of the Company. At December 31, 2022 and 2021, the Company had borrowed \$600,000 on the working capital line of credit. \$4,010,000 of letters of credit were outstanding against the availability of the line of credit at both December 31, 2022 and 2021.

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% (6.36% and 2.08% at December 31, 2022 and 2021, 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, L.P., APN Starfirst, L.P., and American PowerNet Management, L.P. The line of credit is personally guaranteed by the partners of the Company. The line of credit matures on December 31, 2023. At both December 31, 2022 and 2021, the Company had \$1,000,000 outstanding on the line of credit. Also, outstanding against the availability on the line of credit were letters of credit totaling \$6,000,000 at both December 31, 2022 and 2021.

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, 2022.

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, 2022, but the failure was waived by PNC Bank.

Note 5 - 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, 2022 and 2021 were \$29,394 and \$29,904, respectively.

American Powernet Management, LP and Affiliates

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 6 - 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, 2022 and 2021, the Company has accrued a liability of \$77,287 and \$58,270, respectively.

Note 7 - 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 8 - 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 lease expenses annually amounting to \$60,000. The lease expires in December 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.

American Powernet Management, LP and Affiliates

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 8 - Commitments and Contingencies (continued)

Major Customer

Revenues from five customers represented approximately 85% and 80% of total revenues during the years ended December 31, 2022 and 2021, respectively. The total accounts receivable from these customers at December 31, 2022 and 2021 was \$8,524,523 and \$3,907,045, respectively. The loss of one or more of these large customers could have a materially adverse effect on the Company's business.

Note 9 - Risks and Uncertainties

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The actions taken to mitigate it adversely affected the economy, financial markets, and the geographical area in which the Company operates. The pandemic and other world events have caused continuing economic and political uncertainties that have also affected the demand for our products or services. It is unknown how long these conditions will last and what the complete financial effect will be to the Company, if any.

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 10 - Subsequent Events

The Company has evaluated subsequent events through May 26, 2023. This date is the date the combined financial statements were available to be issued. No events subsequent to December 31, 2022 were noted.

American Powernet Management, LP and Affiliates
Combining Balance Sheet

December 31, 2022

| | Combined | Eliminations and Adjustments | American Powernet Management, LP | APN Starfirst, LP | American Powernet Services, LP |
|------------------------------------|----------------------|------------------------------------|---|----------------------|--------------------------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 3,984,123 | \$ - | \$ 3,492,240 | \$ 484,337 | \$ 7,546 |
| Accounts receivable | 13,909,810 | - | 12,282,837 | 1,626,230 | 743 |
| Intercompany | - | - | (1,615,744) | 1,600,000 | 15,744 |
| Prepaid expenses | 9,285 | - | - | - | 9,285 |
| Total Current Assets | 17,903,218 | - | 14,159,333 | 3,710,567 | 33,318 |
| Property and Equipment | | | | | |
| Furniture, equipment, and software | 448,254 | - | 245,083 | - | 203,171 |
| Accumulated depreciation | (177,512) | - | (3,500) | - | (174,012) |
| Property and Equipment, Net | 270,742 | - | 241,583 | - | 29,159 |
| Other Assets | | | | | |
| Security deposits | 2,732,154 | - | 1,961,380 | 770,774 | - |
| Investments | 596,493 | - | 435,300 | - | 161,193 |
| Other | 188,723 | - | 10,000 | - | 178,723 |
| Total Other Assets | 3,517,370 | - | 2,406,680 | 770,774 | 339,916 |
| Total Assets | \$ 21,691,330 | \$ - | \$ 16,807,596 | \$ 4,481,341 | \$ 402,393 |

American Powernet Management, LP and Affiliates

Combining Balance Sheet (continued)

| December 31, 2022 | | | | |
|---|----------------------|---|----------------------|--------------------------------------|
| | | American Powernet Management, LP | APN Starfirst, LP | American Powernet Services, LP |
| | Combined | Eliminations and Adjustments | | |
| Liabilities and Partners' Equity | | | | |
| Current Liabilities | | | | |
| Note payable, lines of credit | \$ 1,600,000 | \$ - | \$ 1,600,000 | \$ - |
| Accounts payable | 12,227,279 | - | 12,174,863 | 52,416 |
| Accrued expenses | 182,250 | - | 111,073 | 77,287 |
| Total Current Liabilities | 14,009,529 | - | 13,885,936 | 129,703 |
| Security Deposits Payable | 3,894,717 | - | 1,599,186 | - |
| Total Liabilities | 17,904,246 | - | 15,485,122 | 129,703 |
| Partners' Equity | | | | |
| Partners' capital | 3,964,987 | - | 1,506,500 | 266,567 |
| Accumulated other comprehensive income (loss) | (177,903) | - | (184,026) | 6,123 |
| Total Partners' Equity | 3,787,084 | - | 1,322,474 | 272,690 |
| Total Liabilities and Partners' Equity | \$ 21,691,330 | \$ - | \$ 16,807,596 | \$ 402,393 |

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 |
| 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, equipment, and software | 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 | 9,664,744 | - | 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 | <u>\$ 18,826,065</u> | <u>\$ -</u> | <u>\$ 13,952,095</u> | <u>\$ 4,510,220</u> | <u>\$ 363,750</u> |

American Powernet Management, LP and Affiliates
Combining Statement of Income

| | Year Ended December 31, 2022 | | | | |
|--|------------------------------|------------------------------|----------------------------------|-------------------|--------------------------------|
| | Combined | Eliminations and Adjustments | American Powernet Management, LP | APN Starfirst, LP | American Powernet Services, LP |
| Revenue | | | | | |
| Energy sales | \$ 140,110,118 | \$ - | \$ 123,757,118 | \$ 16,353,000 | \$ - |
| Management fee income | 2,812,336 | (2,118,300) | 2,619,830 | 153,300 | 2,157,506 |
| Grant income | 137,804 | - | 137,804 | - | - |
| Total Revenue | 143,060,258 | (2,118,300) | 126,514,752 | 16,506,300 | 2,157,506 |
| Cost of Energy Purchases | 140,499,009 | - | 124,153,686 | 16,345,323 | - |
| Gross Profit | 2,561,249 | (2,118,300) | 2,361,066 | 160,977 | 2,157,506 |
| General and Administrative Expenses | 1,592,488 | (2,118,300) | 2,151,567 | 154,571 | 1,404,650 |
| Operating Income | 968,761 | - | 209,499 | 6,406 | 752,856 |
| Other (Income) Expense | | | | | |
| Interest expense | 43,268 | - | 43,268 | - | - |
| Interest income | (24,816) | - | (15,646) | (7,089) | (2,081) |
| Net gain on investments | 12,705 | - | 1,560 | - | 11,145 |
| Total Other (Income) Expense | 31,157 | - | 29,182 | (7,089) | 9,064 |
| Net Income | \$ 937,604 | \$ - | \$ 180,317 | \$ 13,495 | \$ 743,792 |

American Powernet Management, LP and Affiliates

Combining Statement of Income (continued)

| | 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) Expense | | | | | |
| Interest expense | 19,520 | - | 19,771 | (251) | - |
| Interest income | (3,602) | - | (77) | - | (3,525) |
| Net loss on investments | (3,831) | - | - | - | (3,831) |
| Total Other (Income) Expense | 12,087 | - | 19,694 | (251) | (7,356) |
| Net Income (Loss) | <u>\$ 586,288</u> | <u>\$ -</u> | <u>\$ (632,913)</u> | <u>\$ (26,925)</u> | <u>\$ 1,246,126</u> |

American Powernet Management, LP and Affiliates

Combining Schedule of General and Administrative Expenses

| | Year Ended December 31, 2022 | | | | |
|--|------------------------------|------------------------------|----------------------------------|-------------------|--------------------------------|
| | Combined | Eliminations and Adjustments | American Powernet Management, LP | APN Starfirst, LP | American Powernet Services, LP |
| Salaries | \$ 789,116 | \$ - | \$ - | \$ - | \$ 789,116 |
| Amortization | 351 | - | - | - | 351 |
| Bank charges | 53,269 | - | 52,523 | - | 746 |
| Contributions | 16,143 | - | - | - | 16,143 |
| Deferred compensation | 59,555 | - | - | - | 59,555 |
| Depreciation | 4,160 | - | - | - | 4,160 |
| Dues and subscriptions | 68,364 | - | 31,425 | - | 36,939 |
| Employee benefits | 35,392 | - | - | - | 35,392 |
| Freight and postage | 1,879 | - | - | - | 1,879 |
| Insurance | 143,200 | - | 5,596 | - | 137,604 |
| Legal and accounting | 42,376 | - | 36,588 | 308 | 5,480 |
| Management fee | - | (2,118,300) | 1,965,000 | 153,300 | - |
| Miscellaneous | 47,607 | - | 22,470 | - | 25,137 |
| Office supplies | 33,400 | - | - | - | 33,400 |
| Outside services | 84,551 | - | 10,229 | 566 | 73,756 |
| Payroll taxes | 63,221 | - | - | - | 63,221 |
| Rent | 60,000 | - | - | - | 60,000 |
| Permits and licenses | 30,530 | - | 24,404 | 400 | 5,726 |
| Repairs and maintenance | 8,102 | - | - | - | 8,102 |
| Taxes | 7,829 | - | 3,332 | (3) | 4,500 |
| Telephone | 2,835 | - | - | - | 2,835 |
| Travel | 22,840 | - | - | - | 22,840 |
| Utilities | 17,768 | - | - | - | 17,768 |
| Total General and Administrative Expenses | \$ 1,592,488 | \$ (2,118,300) | \$ 2,151,567 | \$ 154,571 | \$ 1,404,850 |

American Powernet Management, LP and Affiliates

Combining Schedule of General and Administrative Expenses (continued)

| | 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 | 48,018 | - | 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 |