

Apparent Energy, Inc.

ANNUAL REPORT



APPARENT ENERGY

295 East Main St #17
Ashland, OR 97520

This Annual Report is dated December 31, 2018.

BUSINESS

Business Description

Apparent Energy's vision is to be a world leader in the simplicity of design and the effective implementation of innovative, alternative energy systems and products that dramatically improve how energy is harvested, utilized, managed, monitored, and stored, resulting in better performance and thereby using less energy. In other words, the company's products are so intuitive that anyone can utilize them. Apparent Energy's ongoing aim is to capture the enthusiastic attention of consumers, businesses, and governments worldwide.

The company's ultimate goal is to create a world where energy is as readily accessible and easily utilized as air. Apparent Energy will accomplish this objective by continually improving energy efficiency, lowering costs, and reducing environmental impact while maintaining the highest quality standards.

Apparent Energy's teams design custom energy systems and products that manage and optimize energy use and storage from individual user requirements to enterprise-level business needs. The company's innovative energy solutions include its proprietary charge controller (Nexus Charge Optimizer, with patent pending), and the latest evolution in solar panels, and other key energy components. Each component will be specifically selected to meet the unique needs of each client's use requirements. Apparent Energy has also developed a patented, highly efficient electric motor that runs without the use of magnets or a shaft as used in other electric motors. The motor can be scaled from very small to very large (for example, for use with small drones or very large delivery vehicles) and made from a variety of materials including lightweight durable plastic. This remarkable motor has moved from idea to design to implementing multiple working prototypes.

By way of background, Apparent Energy was founded in Ashland, Oregon as an L.L.C. in 2012 and incorporated in the State of Nevada in 2013. The company operates from an office and engineering lab in Ashland, Oregon. In 2019 Apparent Energy launched products on Amazon and will be expanding in 2020 into three other online marketplaces.

Previous Offerings

- Between April 24, 2018 and December 31, 2018, we sold 47,845 shares of common stock in exchange for \$2.50 per share under Regulation Crowdfunding.
- May 22, 2017, Regulation D, 1200000 Common stock. Use of proceeds: The net proceeds from the sale of the Shares under this offering were used for: (i) research and development; (ii) marketing; (iii) general and administrative expenses; and (iv) general corporate purposes. Development activities will include, but will not be limited to, product development, third party engineer reviews, legal patent fees, and establishing relationships with vendors

REGULATORY INFORMATION

The company has not previously failed to comply with the requirements of Regulation Crowdfunding;

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Operating Results – 2018 Compared to 2017

In 2018, as with 2017, we were in the Research and Development phase and did not generate any revenues. We anticipate our first production runs and corresponding sales to occur in mid 2019. Based on our forecasting, we will require additional funding to operate the business without revenue generation.

The Company's major expenses are employee salaries related to our research and development, as well as consulting expenses. Our second largest expense is the purchase of parts and supplies for testing and building, as the engineers try to break what they have built to see how far they are able to push our products above competitors. Finally, we have endured legal expenses associated with our patents. Once the funding is obtained we'll look to get the first version of our Nexus, to market within 6 months.

Liquidity and Capital Resources

As of December 31, 2018, the Company had cash of \$10,014. [*The Company intends to raise additional funds through an equity financing.*]

The Company is currently generating operating losses and requires this infusion of capital to continue business operations including finishing the implementation and production of our Nexus Charge Controller and continue efforts on our Electric Motor prototypes. We will seek to raise additional capital in the event of needing to move more quickly in the marketplace against a competitor or with one of our other patented products or to meet other essential growth goals.

The use of such proceeds will include work to finalize intended partnerships, finish the work on the Nexus Charge Controller and begin manufacturing product runs, and pursuing third party verification of our technology.

Debt

The Company has outstanding loans for \$19,400 payable to investors. The loans have been issued in compliance with all Regulations, and do not currently bear interest at 3% per annum, and a repayment schedule, if applicable, has not been determined. The Company has outstanding payables of \$69,000 and accrued wages of \$16,000 payable to Officers of the Company.

DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

Our directors and executive officers as of the date hereof, are as follows:

Bill Patridge	President & CEO
Hani Hajje	Founder and Board Member
Nick Baida	Vice President of Product Development
Nagaraj Murthy	Director
William Go	Director
Brett B	Investor

Bill Patridge

Over a career that spans four decades, Bill has served as President and CEO of four privately held companies, which he later took public on NASDAQ: Future Communities, a building conglomerate, Growth Sciences, a scientific and research development company, Patco Industries, a law enforcement products company, and Applied Laser Systems. Bill was directly responsible for raising over \$30,000,000 for Applied Laser Systems. Since 2014 Bill has been the President and CEO of Apparent Energy. He is also President & CEO of Hedgebrook Inc., a shell company, from 2012 - Present

Hani Hajje

Hani Hajje is an engineer and serial entrepreneur. Hani started his first e-commerce software company Power Solutions, Inc. in 1995 and had a success exit. Hani later joined a payment processing company Merchant e-Solutions and was on the executive team till they sold in 2012. Hani is a co-founder of Apparent Energy and has been a board member of the company since 2012.

Nick Baida

Nick Baida is the owner of 7 businesses. Since Nick became an Officer of the Company in August 2017, the Company has moved forward in a positive note by creating structure and teamwork to achieve our goals. Nick is also one of the creators behind our patents. Nick has been the CEO and owner of Sunshine Large Load Laundry since 2007 - Present, and NBC Incorporated, a company that buys and sells houses, for profit, since 1998 - Present.

Nagaraj Murthy

Nagaraj Murphy has been a board member since 2014. He is a dentist that practicing in Southern California and an investor in various companies.

William Go

William Go started as an engineer with Cisco Systems. Since that time he has worked in the investment world managing investments. Since 2014 William Go has been a managing partner of Johnny Carino's restaurant chain. William Go has been a board member of Apparent Energy since 2017.

Brett B

Brett helped found the company and is now working on his own projects and businesses

PRINCIPAL SECURITY HOLDERS

Set forth below is information regarding the beneficial ownership of our Common Stock, our only outstanding class of capital stock, as of December 31, 2018, by (i) each person whom we know owned, beneficially, more than 10% of the outstanding shares of our Common Stock, and (ii) all of the current officers and directors as a group. We believe that, except as noted below, each named beneficial owner has sole voting and investment power with respect to the shares listed. Unless otherwise indicated herein, beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to shares beneficially owned.

Title of Class	Name of Beneficial Owner	Amount and nature of Beneficial ownership	Percent of class
Common Stock	Nagaraj Murthy	1,064,000 shares	25.00%
Common Stock	William Patridge	782,000 shares	18.40%
Common Stock	Brett Belan	585,000 shares	13.80%
Common Stock	Hani Hajje Living Trust	575,161 shares	13.50%
Common Stock	All Directors and Officers	2,864,401 shares	70.70%

RELATED PARTY TRANSACTIONS

Stockholders and potential stockholders / related parties have provided funds throughout the years to the Company. These funds are convertible to Common Stock at the request of the investor. As of December 31st, 2018, notes of \$19,400 were included on the balance sheet.

Leases: The Company leases office space on verbal month to month terms from Hani Hajje, one of the Company's original founders, stockholder and director. As of December 31, 2018, the monthly lease amount of \$1650 includes base rent, insurance and taxes.. For the years ended December 31, 2018, 2017, and 2016, the Company incurred a total out of pocket expense of \$0, \$7,843, and \$6,900 respectively, under this agreement.

OUR SECURITIES

Our authorized capital stock consists of 30,000,000 shares of common stock, par value \$0.01 per share. As of December 31, 2018, 4,252,648 shares of common stock are outstanding. The following is a summary of the rights of our capital stock as provided in our certificate of incorporation and bylaws.

What it means to be a minority holder

As a minority holder you will have limited ability, if at all, to influence our policies or any other corporate matter, including the election of directors, changes to our company's governance documents, additional issuances of securities, company repurchases of securities, a sale of the company or of assets of the company or transactions with related parties.

Dilution

Investors should understand the potential for dilution. The investor's stake in a company could be diluted due to the company issuing additional shares. In other words, when the company issues more shares, the percentage of the company that you own will decrease, even though the value of the company may increase. You will own a smaller piece of a larger company. This increase in number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round or angel investment), employees exercising stock options, or by conversion of certain instruments (e.g. convertible notes, preferred shares or warrants) into stock. If we decide to issue more shares, an investor could experience value dilution, with each share being worth less than before, and control dilution, with the total percentage an investor owns being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if we offer dividends, and most early stage companies are unlikely to offer dividends, preferring to invest any earnings into the company).

The type of dilution that hurts early-stage investors most occurs when the company sells more shares in a “down round,” meaning at a lower valuation than in earlier offerings.

If you are making an investment expecting to own a certain percentage of the company or expecting each share to hold a certain amount of value, it’s important to realize how the value of those shares can decrease by actions taken by the company. Dilution can make drastic changes to the value of each share, ownership percentage, voting control, and earnings per share.

RESTRICTIONS ON TRANSFER

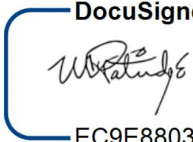
The common stock sold in the Regulation CF offering, may not be transferred by any purchaser, for a period of one-year beginning when the securities were issued, unless such securities are transferred:

- (1) to the Company;
- (2) to an accredited investor;
- (3) as part of an offering registered with the SEC; or
- (4) to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

SIGNATURES

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100-503), the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form C and has duly caused this Form to be signed on its behalf by the duly authorized undersigned, on September 17, 2019.

Apparent Energy

By /s/  **DocuSigned by:**
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Name: William Patridge
Title: Chief Executive Officer

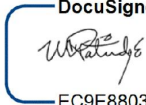
Exhibit A

FINANCIAL STATEMENTS

CERTIFICATION

I, William Patridge, Principal Executive Officer of Apparent Energy, hereby certify that the financial statements of Apparent Energy included in this Report are true and complete in all material respects.

DocuSigned by:



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Principal Executive Officer

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BALANCE SHEET COMPARISON

As of December 31, 2018

	TOTAL		
	AS OF DEC 31, 2018	AS OF DEC 31, 2017 (PY)	CHANGE
ASSETS			
Current Assets			
Bank Accounts			
Master Account (4506)	1,738.86	4,264.35	-2,525.49
Peoples General Account	1,000.00	62,036.31	-61,036.31
Peoples Holding Account	7,275.00	2,600.00	4,675.00
Total Bank Accounts	\$10,013.86	\$68,900.66	\$ -58,886.80
Other Current Assets			
Deferred Salary/Consulting Asset	0.00		0.00
Deferred Tax Asset	0.00	0.00	0.00
Other Current Asset	19,300.00		19,300.00
Payroll Refunds	25.00	0.00	25.00
Prepaid Expenses	0.00	0.00	0.00
Uncategorized Asset	7,021.05	-475.00	7,496.05
Total Other Current Assets	\$26,346.05	\$ -475.00	\$26,821.05
Total Current Assets	\$36,359.91	\$68,425.66	\$ -32,065.75
Fixed Assets			
Accumulated Depreciation	-3,161.00	-1,142.00	-2,019.00
Buildout	6,982.00	6,982.00	0.00
Furniture & Equipment	7,148.85	7,148.85	0.00
Patents	62,625.50	62,109.50	516.00
Accumulated Amortization	-5,601.00	-1,426.00	-4,175.00
Total Patents	57,024.50	60,683.50	-3,659.00
Total Fixed Assets	\$67,994.35	\$73,672.35	\$ -5,678.00
Other Assets			
Loans made	8,000.00	5,500.00	2,500.00
Total Other Assets	\$8,000.00	\$5,500.00	\$2,500.00
TOTAL ASSETS	\$112,354.26	\$147,598.01	\$ -35,243.75

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BALANCE SHEET COMPARISON

As of December 31, 2018

	TOTAL		
	AS OF DEC 31, 2018	AS OF DEC 31, 2017 (PY)	CHANGE
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
Accounts Payable (A/P)	41,623.63	36,156.00	5,467.63
Total Accounts Payable	\$41,623.63	\$36,156.00	\$5,467.63
Credit Cards			
Credit Cards Payable	24,070.67	8,835.80	15,234.87
Total Credit Cards	\$24,070.67	\$8,835.80	\$15,234.87
Other Current Liabilities			
Direct Deposit Payable	0.00	0.00	0.00
Expenses due to Shareholders	9,871.58	8,708.77	1,162.81
Other Current Liabilities	3,300.00	10,700.47	-7,400.47
Payroll Liabilities			
Accrued wages	16,000.00		16,000.00
Federal Taxes (941/944)	1,019.66	4,570.64	-3,550.98
Federal Unemployment (940)	168.00	252.00	-84.00
OR Employment Taxes	-0.70	425.90	-426.60
OR Income Tax	97.11	1,195.94	-1,098.83
OR Statewide Transit Taxes	10.02		10.02
Total Payroll Liabilities	17,294.09	6,444.48	10,849.61
Reserve Line	0.00	0.00	0.00
Total Other Current Liabilities	\$30,465.67	\$25,853.72	\$4,611.95
Total Current Liabilities	\$96,159.97	\$70,845.52	\$25,314.45
Long-Term Liabilities			
Shareholder Notes Payable	9,500.00	187,800.00	-178,300.00
Total Long-Term Liabilities	\$9,500.00	\$187,800.00	\$ -178,300.00
Total Liabilities	\$105,659.97	\$258,645.52	\$ -152,985.55
Equity			
Common Stock	42,058.00	25,458.00	16,600.00
Start Engine Common Stock	468.50		468.50
Total Common Stock	42,526.50	25,458.00	17,068.50
Equity Issuance Cost	-8,916.00		-8,916.00
N/P Related Parties	0.00	0.00	0.00
Paid in Capital	2,381,101.25	1,246,267.00	1,134,834.25
Paid in Capital- SBC	1,896,654.38	1,896,654.38	0.00
Retained Earnings	-3,279,426.77	-788,024.06	-2,491,402.71

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BALANCE SHEET COMPARISON

As of December 31, 2018

	TOTAL		
	AS OF DEC 31, 2018	AS OF DEC 31, 2017 (PY)	CHANGE
Net Income	-1,025,245.07	-2,491,402.83	1,466,157.76
Total Equity	\$6,694.29	\$ -111,047.51	\$117,741.80
TOTAL LIABILITIES AND EQUITY	\$112,354.26	\$147,598.01	\$ -35,243.75

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PROFIT AND LOSS COMPARISON

January - December 2018

	TOTAL		
	JAN - DEC 2018	JAN - DEC 2017 (PY)	CHANGE
Income			
Bank Test		0.00	0.00
Credit Card Reward Credits	900.00		900.00
Total Income	\$900.00	\$0.00	\$900.00
Cost of Goods Sold			
Subcontractors - COS		4,380.00	-4,380.00
Supplies & Materials - COGS	-9,900.00	19,025.00	-28,925.00
Total Cost of Goods Sold	\$ -9,900.00	\$23,405.00	\$ -33,305.00
GROSS PROFIT	\$10,800.00	\$ -23,405.00	\$34,205.00
Expenses			
Amortization	4,175.00		4,175.00
Bank Charges	293.50	848.25	-554.75
Commissions & fees	0.23	5,696.75	-5,696.52
Consulting	40,299.75	204,055.29	-163,755.54
Cost of Labor	2,040.00	2,280.00	-240.00
Depreciation	2,019.00		2,019.00
Dues & Subscriptions	3,782.55	6,063.70	-2,281.15
Finance Charge	386.67		386.67
Freight & Delivery	13.40		13.40
Interest Expense	1,989.55	421.98	1,567.57
Job Materials		767.11	-767.11
Legal & Professional Fees	38,494.00	34,960.00	3,534.00
marketing	1,775.00	11,859.00	-10,084.00
video production		3,300.00	-3,300.00
Web design		1,794.00	-1,794.00
Total marketing	1,775.00	16,953.00	-15,178.00
Meals and Entertainment	3,081.91	5,603.72	-2,521.81
Office Expenses	869.51	4,836.29	-3,966.78
Outside Services Rendered	35,830.00		35,830.00
Payroll Expenses		127.42	-127.42
Accrued Wages	0.00		0.00
Benefits and Perks	312.42		312.42
Taxes	5,619.47	23,179.16	-17,559.69
Wages	63,333.00	244,266.72	-180,933.72
Total Payroll Expenses	69,264.89	267,573.30	-198,308.41
Promotional	10,000.00		10,000.00
Rent or Lease	0.00	16,802.92	-16,802.92
Repair & Maintenance		1,779.49	-1,779.49

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PROFIT AND LOSS COMPARISON

January - December 2018

	TOTAL		
	JAN - DEC 2018	JAN - DEC 2017 (PY)	CHANGE
Research & Development	23,568.88	17,852.06	5,716.82
Solar	-435.00	5,650.31	-6,085.31
Subcontractors	3,829.52	3,967.18	-137.66
Total Research & Development	26,963.40	27,469.55	-506.15
Shipping and delivery expense	273.52	1,805.54	-1,532.02
State Tax	162.38	150.00	12.38
Stationery & Printing	337.89	285.96	51.93
Stock Based Compensation	784,425.29	1,713,954.38	-929,529.09
Subcontractors		892.09	-892.09
Taxes & Licenses	244.01	450.68	-206.67
Travel	8,131.57	5,941.06	2,190.51
Travel Meals	126.05	897.22	-771.17
Uncategorized Expense		99.99	-99.99
Utilities	1,066.00	1,409.56	-343.56
Valuation allowance		146,000.00	-146,000.00
Total Expenses	\$1,036,045.07	\$2,467,997.83	\$ -1,431,952.76
NET OPERATING INCOME	\$ -1,025,245.07	\$ -2,491,402.83	\$1,466,157.76
NET INCOME	\$ -1,025,245.07	\$ -2,491,402.83	\$1,466,157.76