

Alternative Energy Partners, Inc.
Form 10-Q
March 22, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended: January 31, 2011

☐ Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from: _____ to _____

Commission file number: 333-154894

ALTERNATIVE ENERGY PARTNERS, INC.
(Exact name of small business issuer as specified in its charter)

FLORIDA
(State or other jurisdiction
of incorporation or
organization)

26-2862564
(I.R.S. Employer I.D.
Number)

1365 N. Courtenay Parkway, Suite A
Merritt Island, FL 329538
(Address of principal executive offices)

321-452-9091
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days:

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated
filer 0
Accelerated filer 0

Non-accelerated filer
0 Smaller reporting
company x
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of March 15, 2011, there were 11,881,661 shares of our common stock outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward looking statements that involve risks and uncertainties, principally in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operation.” All statements other than statements of historical fact contained in this Form 10-Q, including statements regarding future events, our future financial performance, business strategy and plans and objectives of management for future operations, are forward-looking statements. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plan,” “predicts,” “should,” or “will” or the negative of these terms or other comparable terminology. Although we do not make forward looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Risk Factors” or elsewhere in this Quarterly Report on Form 10-Q, which may cause our or our industry’s actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short term and long term business operations, and financial needs. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q, and in particular, the risks discussed below and those discussed in other documents we file with the United States Securities and Exchange Commission that are incorporated into this Quarterly Report on Form 10-Q by reference. The following discussion should be read in conjunction with our annual report on Form 10-K and our quarterly reports on Form 10-Q incorporated into this Quarterly Report on Form 10-Q by reference, and the consolidated financial statements and notes thereto included in our annual and quarterly reports. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statement.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Quarterly Report on Form 10-Q. Before you invest in our common stock, you should be aware that the occurrence of the events described in the section entitled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q could negatively affect our business, operating results, financial condition and stock price. Except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our statements to actual results or changed expectations.

In this Quarterly Report on Form 10-Q, references to “we,” “our,” “us,” “Alternative Energy Partners, Inc.,” “AEGY,” “Registrant” or the “Company” refer to Alternative Energy Partners, Inc., a Florida corporation.

Item 1. Financial Statements

Alternative Energy Partners, Inc. and Subsidiaries
(A Development Stage Company)
Consolidated Balance Sheets
January 31, 2011
(Unaudited)

	January 31, 2011 (Unaudited)	July 31, 2010 (Audited)
Assets		
Current Assets		
Cash	\$ 4,018	\$ 163
Other current assets	5,000	-
Total Current Assets	9,018	163
Other Assets		
Solar generation technology (net)	90,000	95,000
Goodwill	2,101,875	1,875
Total Other Assets	2,191,875	96,875
Total Assets		
	\$ 2,200,893	\$ 97,038
Liabilities & Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 41,256	\$ 8,390
Payroll liabilities	9,260	2,210
Loans payable	12,500	12,500
Notes payable, net of debt discount of \$40,435 and \$0	112,565	--
Related party payable- HOTI	7,337	19,033
Accrued interest	4,713	425
Total Current Liabilities	187,631	42,558
Total Long Term Liabilities	--	-
Total Liabilities	187,631	42,558
Stockholder's Equity (Deficit)		
Common Stock, \$0.0001 par value, 10,000,000 shares authorized		
10,940,636 and 5,568,416 shares issued and outstanding	1,094	557
Preferred stock	500	-
Additional paid in capital	5,933,802	220,844

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Deferred Equity	(1,000,000)	-
Deficit accumulated during the development stage	(2,922,134)	(166,921)
Total Equity	2,013,262	54,480
Total Liabilities and Stockholders' Equity	\$ 2,200,893	\$ 97,038

The accompanying footnotes are an integral part of these consolidated financial statements

Alternative Energy Partners, Inc. and Subsidiaries
(A Development Stage Company)
Consolidated Statement of Operations
(Unaudited)

	For the Three Months Ended January 31,		For the Six Months Ended January 31,		For the Period from April 28, 2008 (Inception) to January 31, 2011
	2011	2010	2011	2010	
Revenues	\$ -	\$ -	\$ -	-	\$ -
General & Administrative Consulting fees-related parties	1,048,500	-	2,573,500	43,000	2,635,631
Professional fees	18,280	3,365	32,360	8,865	67,376
Salaries and wages	12,111	-	26,654	3,706	57,414
Rent	-	-	-	-	9,000
Interest	72,939	-	74,348	--	74,773
Other general and administrative	5,349	3,935	43,351	15,914	67,940
Total Expenses	1,157,179	7,300	2,750,213	71,485	2,912,134
Net loss before income tax expense (benefit)	(1,157,179)	(7,300)	(2,750,213)	(71,485)	(2,912,134)
Income tax expense (benefit)	-	-	-	-	-
Net Loss from continuing operations	\$(1,157,179)	\$ (7,300)	\$(2,750,213)	\$ (71,485)	\$ (2,912,134)
Loss from discontinued operations	(2,500)	-	(5,000)	-	(10,000)
Net loss	\$(1,159,679)	\$ (7,300)	\$(2,755,213)	\$ (71,485)	\$ (2,922,134)
Net loss per share - basic and diluted	\$ (0.12)	\$ (0.00)	\$ (0.35)	\$ (0.02)	\$ (0.56)

Weighted average number of shares outstanding during the period - basic and diluted	9,814,549	3,563,760	7,967,545	3,652,285	5,230,403
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The accompanying footnotes are an integral part of these consolidated financial statements

Alternative Energy Partners, Inc. and Subsidiaries
(A Development Stage Company)
Consolidated Statement of Changes in Stockholders' Equity (Deficit)
For the period from April 28, 2008 (Inception) to January 31, 2011

Common Stock \$0.0001 Par Value		Preferred Stock \$0.0001 Par Value		Additional Paid In Capital		Deferred Equity	Deficit Accumulated During the Development Stage
Shares	Amount	Shares	Amount				
Balance							
-							
April 28, 2008							
	\$ -		-	\$ -	\$ -	\$ -	\$ -
Proceeds from the issuance of common stock							
- founders							
-							
5,280,000	\$0.00004/share)	528	-	-	1,672	-	-
Proceeds from the issuance of common stock							
6,250	\$0.04/share)	1	-	-	6,499	-	-
Net loss for the period from April 28, 2008 (inception)							
	-		-	-	-	-	(3,000)

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to July 31, 2008						
Balance -						
July 31, 2008	5,286,200	529	-	-	8,171	-
Stock issued for services (\$0.06/share)	24,000	2	-	-	1,498	-
Proceeds from the issuance of common stock (\$0.04/share)	5,130	1	-	-	5,749	-
Proceeds from the issuance of common stock (\$0.08/share)	48,000	5	-	-	99,995	-
Net loss for the year ended July 31, 2009	-	-	-	-	-	(52,810)
Balance -						
July 31, 2009	5,363,200	537	-	-	115,413	-

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Cancellation of common stock (1,800,000)	(180)	-	-	180	-	
Expenses paid by Shareholders	-	-	-	5,945	-	
Proceeds from the issuance of common stock 400,000 (0.24/share)-Sunarias	40	-	-	97,460	-	
Proceeds from the issuance of common stock 1,500,000 (0.001/share)-Shovon	150	-	-	1,725	-	
Stock issued for services 104,650 (0.001/share)	10	-	-	121	-	
Net loss for the year ended July 31, 2010	-	-	-	-	-	(111,100)
Balance - July 31, 2010	557	-	-	220,844	-	(166,920)
330,000	33	-	-	1,484,967	-	

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Stock
issued
for
services
(\$4.50/share)

Stock issued for services (\$4.50/share)	22	-	-	999,978	(1,000,000)
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Common
stock
issuance
related
to
R.L.P.
Mechanical
Contractors,

1,120,000	112	-	-	(112)	-
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Proceeds
from
the
issuance
of
common
stock
(\$3.50/share)-SkyNet
Energy

600,000	60	-	-	2,099,940	-
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Stock
issued
for
services

600,000.17/share)	60	-	-	703,440	-
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Stock
issued
for
services

500,000.63/share)	50	-	-	314,950	-
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Proceeds
from
the
issuance
of
notes

-	-	-	-	110,495	-
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payable-beneficial conversion feature						
Common stock issuance related to Xenergy,						
2,000,000	200	5,000,000	500	(700)	-	
Net loss for the six months ended January 31, 2011	-	-	-	-		(2,755,211)
Balance – January 31, 2011	\$ 1,094	5,000,000	\$ 500	\$5,933,802	\$(1,000,000)	\$(2,922,131)

The accompanying footnotes are an integral part of these consolidated financial statements

Alternative Energy Partners, Inc. and Subsidiaries
(a development stage company)
Consolidated Statements of Cash Flows
January 31, 2011
(Unaudited)

	For the Six Months Ended January 31,		For the Period from April 28, 2008 (Inception) to January 31, 2011
	2011	2010	
CASH FLOWS USED IN OPERATING ACTIVITIES:			
Net Loss	\$(2,755,213)	\$ (71,485)	\$ (2,922,134)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	75,060	-	77,560
Stock issued for services	2,503,500	-	2,505,131
Services paid by shareholder	-	-	5,945
Increase in security deposits	(5,000)	-	(5,000)
Increase in accounts payable	32,866	7,587	41,256
Increase in payroll liabilities	7,050	-	9,260
Increase (decrease) in accrued liabilities	-	(2,660)	-
Increase in accrued interest	4,288	-	4,713
Net Cash Used in Operating Activities	(137,449)	(66,558)	(283,269)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	153,000	-	165,500
Increase (decrease) in intercompany payable - HOTI	(11,696)	-	7,337
Proceeds from issuance of stock	-	-	114,450
Net Cash Provided by (Used in) Financing Activities	141,304	-	287,287
Net Increase (decrease) in Cash	3,855	(66,558)	4,018
Cash and cash equivalents, beginning of period	163	66,919	-
Cash and cash equivalents, end of period	\$ 4,018	\$ 361	\$ 4,018
SUPPLEMENTARY CASH FLOW INFORMATION			
Cash paid during the year/period for:			
Income Taxes	\$ -	\$ -	\$ -

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Interest	\$	-	\$	-	\$	-
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SUPPLEMENTARY CASH FLOW INFORMATION

Acquisition of SkyNet, Inc. for Stock	\$ 2,100,000	\$	-	\$	2,100,000
Acquisition of Sunarias Corporation for Stock	\$	-	\$	-	\$ 97,500
Acquisition of Shovon, Inc. for Stock	\$	-	\$	-	\$ 1,875

The accompanying footnotes are an integral part of these consolidated financial statements

Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
January 31, 2011
(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation.

The unaudited interim financial statements should be read in conjunction with the Company's Annual Report on Form 10-K, which contains the audited financial statements and notes thereto, together with the Management's Discussion and Analysis, for the year ended July 31, 2010. The interim results for the period ended January 31, 2011 are not necessarily indicative of results for the full fiscal year. Notes to the Financial Statements, which would substantially duplicate disclosures contained in the audited financials for the fiscal year 2010 as reported in Form 10-K, have been omitted.

Note 2 Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Alternative Energy Partners, Inc. (the "Company") was incorporated in the State of Florida on April 28, 2008.

The Company is involved in the alternative energy sector. The Company has acquired and is seeking to acquire additional emerging growth companies to meet growing demands worldwide in the alternative energy sector. The Company acquired Sunarias Corporation ("Sunarias") during the fiscal year ended July 31, 2010. During the six month period ended January 31, 2011, it continued its business development by the acquisitions of SkyNet Energy Systems, Inc., completed the acquisition of R.L.P. Mechanical Contractors, Inc., a commercial HVAC company in the Dallas-Fort Worth, Texas area, and closed in escrow on the acquisition agreement to acquire Xnergy, Inc., an alternative energy company based in San Diego, California, subject to certain remaining post-closing items.

In March, 2011, as previously announced, the Company completed the transfer of Élan Energy, Inc. and Sunarias Corporation to OCTuS, Inc. as part of a spin-off transaction under which the shares of OCTuS to be received in the transaction, a total of 100 million common shares, will be distributed by OCTuS directly to the shareholders of the Company. That distribution by OCTuS will take place as soon as the Articles of Incorporation of OCTuS are amended to increase the authorized common shares to accommodate the distribution, and as soon as a registration statement for the OCTuS shares to be distributed is declared effective. OCTuS, Inc. is a publicly traded (OTC BB: OCTI) company based in California engaged in the alternative energy market.

Development Stage

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The Company's financial statements are presented as those of a development stage enterprise. Activities during the development stage primarily include equity based financing and further implementation of the business plan. The Company has not generated any revenues since inception.

Principles of Consolidation

The accompanying consolidated financial statements include Alternative Energy Partners, Inc. and its wholly-owned subsidiaries described below. All intercompany balances and transactions have been eliminated in consolidation.

Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
January 31, 2011
(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

Sunarias

Sunarias is a California corporation engaged in thermal and solar energy management. Sunarias marries absorption chilling and solar thermal technologies to provide commercial buildings with energy efficiency at a lower cost. Sunarias intends to assist commercial entities in hedging against extraordinary utility costs, and may be appropriate for use by schools, hospitals, or municipal buildings, among others. It was sold in March 2011 and is no longer part of the Company. See, Subsequent Events.

Shovon, LLC

On July 7, 2010, the Company acquired Shovon, LLC a California Limited Liability Company, from Healthcare of Today, Inc., the Company's majority shareholder ("Healthcare"), in exchange for 1,500,000 (75,000,000 pre-split) shares of Company common stock.

SkyNet Energy

On August 19, 2010, the Company acquired SkyNet Energy Systems, Inc ("SkyNet"), a Florida Corporation, from Healthcare of Today, Inc., the Company's majority shareholder ("Healthcare"), in exchange for 600,000 (30,000,000 pre-split) shares of Company common stock.

Elán

Elán Energy, Inc. was a wholly-owned subsidiary of the Company, formed in September 2010 to manage the Company's commercial HVAC and related operations. It was sold in March 2011 and is no longer part of the Company. See, Subsequent Events.

Xnergy, Inc.

Due to the fact that the final requirements to complete the closing of Xnergy, Inc., and to release the escrow closing documents, have not yet been satisfied, the financial position of and the results of operations of Xnergy, Inc. as of and for the period from November 26, 2010, the escrow closing date, through January 31, 2011, the end of the fiscal quarter, have not been included in the consolidated financial statements in this report.

On October 4, 2010, the Company entered into an agreement with Healthcare of Today, Inc., the Company's majority shareholder ("Healthcare"), to acquire Xnergy, Inc., a California corporation, ("Xnergy"). Healthcare of Today had previously acquired all of the outstanding stock of Xnergy from its shareholders, conditioned on the completion of a number of items, including the payment of \$1,800,000 to the shareholders of Xnergy on or before December 31, 2010 in order to allow the former Xnergy shareholders to satisfy an obligation to a former partner to purchase his interest in Xnergy. That obligation was secured by the stock of Xnergy, so the transfer of the Xnergy stock to Healthcare of Today could not be completed until that obligation was satisfied. The subsequent transfer of Xnergy to the Company was subject to Healthcare's payment of the initial \$1,800,000 amount as well as other deliverables. The acquisition of Xnergy therefore closed in escrow on November 26, 2010 and all of the closing documents remain held by an escrow

agent. As of the date of filing of this report, the conditions to releasing the escrow have not been met, including the payment of the \$1,800,000 by Healthcare to the Xnergy shareholders. The parties remain confident that the conditions to the release of the escrow can be met shortly and the closing completed, although the Xnergy shareholders, Jason Davis, the current CEO of the Company, and Joey Patalano, the current Vice President and a director, have a continuing option to rescind the entire transaction if the conditions are not met.

Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
January 31, 2011
(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

Xnergy specializes in turn-key energy conservation design-build and maintenance solutions for a number of industries including biotech, high tech, medical device manufacturing, pharmaceutical and semi-conductor Industries. Xnergy, a leader in the alternative energy field, has over 80 MW of interconnect experience.

Xnergy analyzes a client facility's energy profile and determines the optimal systems, equipment, technology, Energy Conservation Measures, and strategies for the facility's use. Xnergy offers energy auditing and LEED consulting, and is at the forefront of the ever-changing sustainability and green-build movement. Drawing from over 20 years of construction experience, Xnergy provides a single source for project management, execution, and maintenance of energy and green-building projects.

Risks and Uncertainties

The Company intends to operate in an industry that is subject to rapid technological change. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks associated with a development stage company, including the potential risk of business failure.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A significant estimate in 2010 and 2009 included a 100% valuation allowance for deferred taxes assets arising from net operating losses incurred since inception.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ materially from estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At January 31, 2011 and July 31, 2010, respectively, the Company had no cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At January 31, 2011 and July 31, 2010, respectively, there were no balances that exceeded the federally insured limit.

Earnings per Share

In accordance with accounting guidance now codified as FASB ASC Topic 260, "Earnings per Share," Basic earnings per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock options or warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock options or warrants), and

Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
January 31, 2011
(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

convertible debt or convertible preferred stock, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive. The computation of basic and diluted loss per share for the period from April 28, 2008 (inception) to January 31, 2011, is equivalent since the Company has had continuing losses. The Company also has no common stock equivalents.

Share Based Payments

Generally, all forms of share-based payments, including stock option grants, restricted stock grants and stock appreciation rights, are measured at their fair value on the awards' grant date, and based on the estimated number of awards that are ultimately expected to vest. Share-based payment awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The expense resulting from share-based payments are recorded as a component of general and administrative expense.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and, if impaired, at fair value. They are amortized in accordance with the relevant income stream or by using the straight line method over their useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset but are typically: 1 to 12 years for customer contracts and relationships; 3 to 8 years for capitalized software; 3 to 10 years for patents, trademarks and licenses; and 3 to 8 years for capitalized development currently being amortized.

Intangible assets which are not yet being amortized are subject to annual impairment reviews.

Goodwill

Goodwill arises on the acquisition of a business when the fair value of the consideration given exceeds the fair value attributed to the net assets acquired (including contingent liabilities). It is subject to annual impairment reviews.

Segment Information

During the quarters ended January 31, 2011 and 2009, the Company only operated in one segment; therefore, segment information has not been presented.

Fair Value of Financial Instruments

The carrying amounts of the Company's short-term financial instruments, including accounts payable and accrued liabilities, approximate fair value due to the relatively short period to maturity for these instruments.

Reclassifications

Certain amounts from the prior period financial statements have been reclassified to conform to current period presentation.

Fair Value Measurement

The fair value of the Company's financial assets and liabilities reflects the Company's estimate of amounts that it would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities

Alternative Energy Partners, Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
January 31, 2011
(Unaudited)

Note 2 Nature of Operations and Summary of Significant Accounting Policies (continued)

in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from sources independent from the Company) and to minimize the use of unobservable inputs (the Company's assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on the Company's assessment of the assumptions that market participants would use in pricing the asset or liability.

At January 31, 2011, and July 31, 2010, respectively the Company has no instruments that require additional disclosure.

Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. Where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company's financials properly reflect the change. There were no recently issued accounting pronouncements during the quarter impacting the company's business.

Note 3 Going Concern

As reflected in the accompanying financial statements, the Company has a net loss of \$2,755,213; net cash used in operations of \$137,449 for the six months ended January 31, 2011; and stockholders' deficit of \$2,922,134 at January 31, 2011. Consulting agreements, described under "Contractual Obligations" section, paid with company stock represents \$2,573,500 of the \$2,755,213 net loss for the six months ended January 31, 2011.

These factors, among others, raise doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

In response to these problems, management has taken the following actions:

- the Company is seeking third party debt and/or equity financing;
 - the Company is cutting operating costs, and
- as described in Notes 6 and 7, the Company has been involved in numerous acquisitions with the intent of achieving a level of profitability

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Note 4 Loans Payable to Affiliates

During the quarter ended April 30, 2010, the Company recorded two separate loans payable to an affiliate, McDowell, LLC, totaling \$12,500, and both remained payable as of January 31, 2011. The managing member of McDowell, L.L.C. is Jack Stapleton, who was also sole officer and director of the Company at the time the two promissory notes were executed. The loans are represented by two promissory notes signed by Mr. Stapleton, bear interest at 8% per annum with principal and interest and are due on demand by the holder of the notes. There is no indication in the corporate records of the basis or consideration for the two notes and the Company is investigating the basis on which the notes were executed by Mr. Stapleton. As of January 31, 2011, accrued interest payable was \$675. On December 3, 2010, Mr. Stapleton, as Managing Member of McDowell, LLC, issued a written demand for payment of the notes and subsequently filed suit to collect on the two notes.

Note 5 Lease Agreement

The Company currently occupies office space in Merritt Island, Florida leased by a consultant which also provides financial, accounting, compliance and other support services to the Company on a three year consulting agreement. The rent payable under the consulting agreement is not separately stated and is included in the monthly consulting fee payable for the services agreed. The services include use of office equipment, software, servers, and office personnel of the consultant, as well as use of the consultant's offices as the mailing address for the Company.

Note 6 Subsidiary Transactions

On August 19, 2010, the Company acquired all of the outstanding shares of SkyNet Energy, Inc. ("SkyNet"), in exchange for 600,000 (30,000,000 shares pre-split) common shares, and SkyNet is now a wholly-owned subsidiary. SkyNet's purchase price of \$2,100,000 determined by the fair value of shares trading on an open market, was allocated to goodwill as there were no assets or liabilities acquired.

On October 22, 2010, the Company also acquired all of the outstanding shares of RLP Mechanical Contractors, Inc. ("RLP"), in exchange for 1,120,000 (56,000,000 shares pre-split) common shares, and RLP became a wholly-owned subsidiary of Élan Energy, Inc., a subsidiary of the Company formed to hold and manage the Company's commercial HVAC acquisitions. Effective March 15, 2011, this transaction was rescinded by the former owners of R.L.P (See, Note 9)

In November, 2010, the Company closed in escrow on the acquisition of Xnergy, Inc. from Healthcare of Today, Inc. in exchange for 2,000,000 shares of common stock and 5,000,000 shares of convertible voting preferred stock of the Company. Healthcare of Today had previously acquired all of the outstanding stock of Xnergy from its two shareholders for a total of cash, stock and notes totaling \$23 million. The acquisition by Healthcare of Today was closed in escrow pending payment of the first of three promissory notes on or before December 31, 2010 in the amount of \$1,800,000, which funds were to be used to pay a loan to a former shareholder of Xnergy, secured by the stock and assets of Xnergy. As of January 31, 2011, the first note had not yet been paid by Healthcare of Today and that note has still not been paid as of the date of this report. As a result, the closing of the acquisition of Xnergy, Inc. by the Company remains contingent, and the former shareholders of Xnergy, Inc. hold a right to rescind the sale of their interests to Healthcare of Today, Inc. While the Company expects the contingencies to be resolved, the acquisition of Xnergy, Inc., by the Company is considered as still open and not yet completed, so the results of

operations of Xnergy are not included in these financial statements.

In March, 2011, Élan Energy and Sunarias Corp. were transferred to an escrow agent pending completion of post-closing required steps by OCTuS, Inc. as part of the spin-off transaction under which shareholders of the Company

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Note 6 Subsidiary Transactions (continued)

will receive common shares of OCTuS, Inc. As soon as OCTuS, Inc. has amended its Articles of Incorporation to increase the number of common shares authorized and has registered the common shares to be distributed by it to the shareholders of the Company to complete the spin-off transaction, the escrow agent will complete the transfer of Élan and Sunarias to OCTuS and the common shares of OCTuS will be distributed to the shareholders of the Company by OCTuS. That distribution is expected to take place in May or early June, 2011. Consequently, the results of operations of Sunarias and Élan Energy and its subsidiaries are not included in this Report as discontinued operations.

During the three and six months ended January 31, 2011 and the period from inception (April 28, 2008) to January 31, 2011, the Company recognized \$2,500, \$5,000, and \$7,500 in discontinued operations expense. There were no corresponding discounts for the three and six months ended January 31, 2010.

Note 7 Stockholders' Equity (Deficit)

On November 23, 2010, the Company enacted a 1:50 reverse stock split, as a result of which our outstanding common shares were reduced to 7,840,636 shares and our authorized common shares were reduced by the same ratio, to 10 million shares. All share information in the accompanying financial statements has been retroactively restated to reflect the split.

On August 5, 2010, the Company filed a Form S-8 registration statement registering 330,000 (16,500,000 shares pre-split) shares of common stock issued to certain advisers and consultants.

On September 28, 2010, the Company issued 222,220 (11,111,000 shares pre-split) shares to Ambrose & Keith, LLC as partial payment of a commitment fee under the Share Purchase Agreement. As this agreement relates to work to be performed at a later date, and the fact that Ambrose & Keith, LLC have not earned any amounts under the agreement, the transaction was recorded as deferred equity in the Consolidated Statement of Changes in Stockholders' Equity.

On October 22, 2010, the Company issued 1,120,000 (56,000,000 shares pre-split) shares of common stock for the acquisition of R.L.P. Mechanical Contractors, Inc. to its parent company HOTI. As these shares were contingently issuable, they were valued at \$0 in total.

On October 27, 2010, the Company issued 600,000 (30,000,000 shares pre-split) shares for the completion of the acquisition of SkyNet Energy, Inc.

On November 26, 2010, the Company closed on the acquisition of Xnergy, Inc. and issued 2,000,000 shares of common stock and agreed to issue 5,000,000 shares of voting convertible preferred stock having a total vote equal to 51 percent of all shares entitled to vote to be held in escrow pending completion of the conditions to the escrow release. Those conditions have not yet been met and the transaction is subject to rescission until they are met, so no operating results of Xnergy, Inc. have been included in these financial statements, and the shares contingently issuable to its parent company HOTI, were valued at \$0 in total.

On December 7, 2010, the Company agreed to issue 600,000 shares of common stock for services rendered or to be rendered under 4 consulting agreements and registered the shares under an S-8 registration statement filed and effective on December 7, 2010. Actual issuance of shares will be executed upon agreement of the Board of Directors to increase authorized share capital.

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Note 7 Stockholders' Equity (Deficit) (continued)

On January 4, 2011, the Company amended the previously filed Form S-8 and issued an additional 500,000 common shares in payment of consulting services provided under two consulting agreements.

As a result of these transactions, there were 10,940,636 common shares and 5,000,000 preferred shares outstanding at January 31, 2011.

Note 8 Notes Payable

In September, 2010, the Company issued 4 separate convertible promissory notes to two unrelated funding sources, for a total of \$100,000 in funding, to be used as working capital. Two of the notes for \$25,000 each were issued on September 8, 2010 and the other two, also for \$25,000 each, were issued on September 22, 2010. All four notes provided for interest at 9 percent per year payable at maturity and each note had a maturity of six months after issue. All of the notes also were convertible into common stock at the lower of \$0.01 per share or 50 percent of the average of the two lowest volume weighted average prices of the Company's common stock for the ten trading days prior to the date of conversion. A total of \$3,427 has been accrued as interest on these four notes as of January 31, 2011.

The \$100,000 of convertible debt issued in September 2010 had beneficial conversion features, resulting in a debt discount of \$88,235 to be amortized to interest expense over the six month life of the notes. During the six months ended January 31, 2011, the Company amortized \$66,903 to interest expense in the consolidated statements of operations. As of January 31, 2011, the carrying amount of this debt is \$78,668, which reflects the original \$100,000 less the remaining \$21,332 of debt discount.

All four of the notes, plus all accrued interest, were converted into common stock in February, 2011 and a total of 867,020 common shares were issued to the holders of the 4 notes.

On December 23, 2010, the Company issued its promissory note in the amount of \$53,000 to an unrelated third party for additional working capital. The note is due September 24, 2011 and carries interest at 8 percent per annum, payable at maturity. The note is convertible into common stock of the Company after six months, at the election of the Holder, at 58 percent of the average of the three lowest closing bid prices of the common stock for the ten trading days prior to the date of the election to convert. A total of \$360 has been accrued as interest on this note as of January 31, 2011. The \$53,000 of convertible debt issued in December 2010 had beneficial conversion features, resulting in a debt discount of \$22,260 to be amortized to interest expense over the 275 day life of the note. During the six months ended January 31, 2011, the Company amortized \$3,157 to interest expense in the consolidated statements of operations. As of January 31, 2011, the carrying amount of this debt is \$33,897, which reflects the original \$53,000 less the remaining \$19,103 of debt discount.

Note 9 Changes to previously reported assets

During the quarter ended October 31, 2010, the Company reported that it acquired RLP Mechanical Contractors, Inc. ("RLP") from its parent company, Healthcare of Today, Inc. ("HOTI"), which had acquired RLP during the quarter as well in an agreement that contained rescission terms. Effective March 15 2011, RLP exercised its option to rescind the acquisition by HOTI. As such, RLP is derecognized on the date of rescission, and the following amounts were

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derecognized from the Company's consolidated statements of operations for the quarter ended October 31, 2010 on a retrospective basis:

Revenues	\$	5,003
Cost of sales		2,980
Gross margin		2,023
Salaries and wages		23,439

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Note 9 Changes to previously reported assets (continued)

Professional fees	225
Other general and administrative	2,167
Net loss	\$ (23,808)

Net assets of \$5,040,000 previously reported in the consolidated balance sheet as of October 31, 2010 as follows were similarly derecognized:

Cash	\$ 144,000
Contracts Receivable	760,000
Other Current Assets	1,500,600
Fixed Assets	596,000
Accounts Payable	(76,000)
Payroll Liabilities	(28,000)
Sales Tax Payable	(8,000)
Loans Payable	(26,000)
Goodwill	2,177,400
	\$ 5,040,000

As 1,120,000 shares (56,000,000 pre-split) had been issued to HOTI as contingently issuable, they have been valued at zero with common stock being increased by the par value of \$0.0001 per share or \$112 and a corresponding negative amount recorded as additional paid in capital.

Note 10 Earnings Per Share

As described in Note 6, the Company issued 3,120,000 shares of common stock and 5,000,000 shares of preferred stock to its parent company as contingently issuable shares in connection with the acquisitions of RLP and Xnergy during the six months ended January 31, 2011.

The shares were issued to an escrow agent or to HOTI, and they are deemed issued and outstanding. The following table presents a reconciliation to the weighted average shares and earnings per share had the contingently issuable amounts excluding these shares is as follows:

	Period from		
Three Months		Six Months	April 28, 2008
(Inception) to		Ended	Ended
January 31, 2011		January 31, 2011	January 31, 2011
Weighted Average Shares –			
Basic and diluted	9,814,549		7,967,545
5,230,403			

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Impact of RLP Acquisition (112,222)	(1,120,000)	(620,870)
Impact of Xenergy Acquisition (130,952)	(1,456,522)	(728,261)
Adjusted Weighted Average Shares 4,987,229	7,238,027	6,618,414
Adjusted Earnings Per Share \$ (0.59)	\$ (0.16)	\$ (0.42)

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Note 11 Subsequent Events

Spin-Off Transaction

In December, 2010, the Company announced that it would transfer ownership of Sunarias Corp., Élan Energy and R.L.P. Mechanical Contractors, Inc. to an unrelated public company, OCTuS, Inc., in return for shares of that company, which shares would then be distributed on a proportionate basis to the shareholders of AEGY, resulting in the AEGY shareholders owning shares in two public companies. On February 16, 2011, the Company announced that an acquisition agreement had been entered into with OCTuS, Inc. (OCTI) under which OCTuS agreed to acquire Élan, and Sunarias in exchange for 100,000,000 shares of common stock of OCTuS, in a transaction valued at \$5 million, based on the then trading price of OCTuS, Inc. shares. The Company transferred its ownership in Élan Energy, Inc. and Sunarias Corp. to an escrow agent in March, 2011, and 5 million shares of Series D convertible preferred stock of OCTI will be issued to the same escrow agent by OCTuS, Inc. to hold until (1) OCTuS amends its Articles of Incorporation to increase its authorized common stock; and (2) OCTuS files a registration statement for the 100,000,000 common shares to be distributed to the shareholders of the Company. On the effective date of that registration statement, the Series D preferred shares will automatically convert into common shares of OCTI and the shares will then be distributed to the AEGY shareholders of record on March 2, 2011. On March 2, 2011, there were 11,881,661 shares of AEGY common stock issued and outstanding, so that each shareholder of AEGY will receive 8.42 shares of OCTI common stock for each share of AEGY held on March 2, 2011, rounded to the nearest whole number of shares. Final closing of the transaction remains contingent on certain conditions to be met by OCTuS, Inc. and certain working capital funding to be provided to OCTuS, Inc.

Share Issuances

On February 24, 2011, the Company issued 867,020 common shares to the holders of 4 promissory notes, all due in March 2011 with an annual interest rate of 9 percent. The conversions were the result of conversion elections contained in each promissory note at a conversion price based on 50 percent of the average of the two lowest volume weighted average prices of the Company's common stock for the ten trading days prior to the conversion election, which was calculated to be \$0.15 per share. The conversions were calculated as follows:

Holder	Note Date	Principal	Interest Accrued	Total Due	Conversion Rate	Shares
Caesar Capital, LLC	September 8, 2010	\$ 25,000	\$ 1,047.95	\$ 26,047.95	\$ 0.12	217,066
AARG Corp.	September 8, 2010	25,000	1,047.95	26,047.95	0.12	217,066
Caesar Capital, LLC	September 20, 2010	25,000	973.28	25,973.28	0.12	216,444
AARG Corp.	September 20, 2010	25,000	973.28	25,973.28	0.12	216,444
		\$ 100,000	\$ 4,042.46	\$104,042.46		867,020

On March 2, 2011, the Company issued 46,194 common shares to certain employees of Xnergy, Inc., as required by the terms of the Acquisition Agreement between the Company and Healthcare of Today, Inc., which closed in November, 2010. Under the terms of the Agreement, the Company agreed to issue common shares to the named

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Xnergy employees having a total value of \$200,000, based on the average trading price for the Company shares at the time the original acquisition agreement was signed in September, 2010. The calculation of the shares issued is as follows:

Share Value	Price	Pre-split shares	Post 1:50 split shares
\$ 200,000	\$ 0.086591	2,309,709	46,194

The shares are being held pending release of the escrow under which the Company will acquire Xnergy.

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Note 11 Subsequent Events (continued)

On March 2, 2011, the Company issued 17,142 common shares in payment of accrued consulting compensation due to Crystal Falls Investments, LLC under a Consulting Agreement entered into on September 22, 2010. The Consulting Agreement provided for monthly fees of \$10,000 per month for 24 months, and also provided that Crystal Falls could elect to receive common shares in lieu of cash payments at an exercise price equal to 80 percent of the lowest closing price for the Company shares for the 5 trading days prior to the date of the execution of the agreement. Adjusted for the 1:50 reverse split in November, 2010, the number of shares issued for the conversion of the consulting fees was 17,142.

As a result of these issues, there were 11,881,661 common shares issued as of March 15, 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion includes certain forward-looking statements within the meaning of the safe harbor protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that include words such as "believe," "expect," "should," "intend," "may," "anticipate," "contingent," "could," "may," or other future-oriented statements, are forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding our business plans, strategies and objectives, and, in particular, statements referring to our expectations regarding our ability to continue as a going concern, generate increased market awareness of, and demand for, our current products, realize profitability and positive cash flow, and timely obtain required financing. These forward-looking statements involve risks and uncertainties that could cause actual results to differ from anticipated results. The forward-looking statements are based on our current expectations and what we believe are reasonable assumptions given our knowledge of the markets; however, our actual performance, results and achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Factors within and beyond our control that could cause or contribute to such differences include, among others, our critical capital raising efforts in an uncertain and volatile economical environment, our ability to maintain relationship with strategic companies, our cash preservation and cost containment efforts, our ability to retain key management personnel, our relative inexperience with advertising, our competition and the potential impact of technological advancements thereon, the impact of changing economic, political, and geo-political environments on our business, as well as those factors discussed elsewhere in this Form 10-Q and in "Item 1 - Our Business," "Item 6 - Management's Discussion and Analysis," and elsewhere in our most recent Form 10-K, filed with the United States Securities and Exchange Commission.

Readers are urged to carefully review and consider the various disclosures made by us in this report and those detailed from time to time in our reports and filings with the United States Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that are likely to affect our business.

Our Business

Alternative Energy Partners, Inc. (the "Company" or "AEGY") was organized under the laws of the State of Florida on April 28, 2008. We formed our Company for the purpose of establishing a renewable fuel sources initially within the State of Florida. Ethanol was our initial intended product and we intend to establish other alternative energy products and services including, but not limited to, solar-thermal energy production, energy management controls, and more. Our intended original products, while not technically difficult to produce, must meet all regulatory requirements prior to being marketed. Moreover, there are a multitude of competitive products already in the market place. Due to the competitive nature of the market and our continuing capital requirements, we expanded our initial plan to include solar and thermal projects, with the acquisition of Sunarias Corporation on May 18, 2010 and Shovon, LLC on July 9, 2010. During the current fiscal year, we continued our business development by the formation of Élan Energy Corporation, a subsidiary in which we planned to administer the mechanical contracting companies we intended to acquire, and by the acquisitions of SkyNet Energy Systems, Inc. a Nevada corporation in the business of financing and establishing domestic companies' renewable energy projects in Central and Eastern Europe, and R.L.P. Mechanical Contractors, Inc., a mechanical contracting corporation doing business primarily in the Dallas-Fort Worth, Texas area, which was acquired by Élan Energy. The RLP acquisition was later rescinded as of March 15, 2011. In March, 2011, we transferred both Élan Energy, Inc and Sunarias Corp. to an escrow agent pending completion of the spin-off transaction with OCTuS, Inc. under which our shareholders will receive shares of OCTuS, Inc. in a spin-off transaction as soon as (1) OCTuS amends its Articles of Incorporation to increase its authorized common stock; and (2) OCTuS files a registration statement for the 100,000,000 common shares to be distributed to the shareholders of the Company as of March 2, 2011. On March 2, 2011, there were 11,881,661 shares of AEGY common stock issued and outstanding, so that each shareholder of AEGY will receive 8.42 shares of OCTI common stock for each share of AEGY held on March 2, 2011, rounded to the nearest whole number of shares. Final closing of the transaction remains contingent on certain conditions to be met by OCTuS, Inc. and certain working capital funding to be provided

to OCTuS, Inc.

We also completed an escrow closing of Xenergy, Inc., an alternative energy company based in Carlsbad, California, subject to satisfaction of certain conditions, and, accordingly, Xenergy is not included in our financial position or results of operations.

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On November 23, 2010, we completed a 1 for 50 reverse split by reducing the number of shares of common stock outstanding to 10 million shares, so, as a result, the total equivalent number of shares outstanding at January 31, 2011 is 7,840,636, of which Healthcare of Today, Inc. held 3,209,624. The subsequent reverse split and its effects have been retroactively reflected in the financial statements included in this Report.

Current Business of the Company

We are holding company engaged through our subsidiaries in the business of energy production and management. Our business model of vertical integration recognizes that customers have unique energy needs, and by offering an array of energy services we believe we can best provide customized, efficient energy solutions that will appeal to our markets. We believe our intended products and services could represent an important alternative for customers looking to lower their overhead costs or improve public image through efficient energy usage.

Initially, our largest target market will be the commercial energy market. In order to reach that market, we will market to industries with an interest in lowering their energy costs or increasing energy efficiency; these industries include healthcare and hospitality. In order to attract commercial markets, we must begin by establishing and proving that our energy systems are efficient and offer lower cost to use than traditional utilities or systems. For any alternative energy product, we intend to prove market viability prior to engaging in distribution.

1. ENERGY MANAGEMENT

Complementing AEGY's focus on energy production is its second sector, energy management. Through controllers, our energy management systems will allow consumers to customize their energy use, as well as reduce their costs significantly. The AEGY family of companies will be involved in traditional and innovative concepts in energy management and will assist each customer with energy efficiency advances. This will support our customers in realizing many energy efficiency rebates and incentives available through local utilities.

SHOVON, LLC

We signed an acquisition agreement on July 6, 2010 with Healthcare of Today, Inc. our majority shareholder, to acquire Shovon, LLC, a California limited liability company, for 1,500,000 (75,000,000 shares pre-split) shares of our common stock. Healthcare of Today, Inc. had acquired Shovon, LLC from its previous owners for a total of 416,667 shares of its stock, valued in the acquisition agreement at \$5,000,000 which we valued at \$1,875. We closed on the acquisition of Shovon, LLC in July, 2010. Shovon LLC specializes in advanced control systems. Shovon's leading edge hardware technology provides users with web-based, internet remote control capabilities for monitoring and controlling high power electrical devices in commercial offices, industrial plants, hospitals, schools and residences from anywhere in the world.

Whether one is an individual consumer or operating a large facility, using Shovon hardware will allow optimized, controlled energy consumption, resulting in reduced ongoing costs. Shovon products offer the ultimate convenience of being able to access facilities and view relevant events or statuses (down to the appliance level) online. This remote monitoring can be enabled from anywhere in the world by using a PC or cell phone.

Shovon's advanced control systems are appropriate for use with the Sunarias product. At present, Shovon's design engineers are working on improvements to the Sunarias controller to allow better access through web based monitoring, maintenance by remote systems management, predictive maintenance items without site visit costs and, a key component of the Sunarias model, measurement of energy consumed for billing purposes.

Shovon has a very large potential market in energy management and automation. This is in addition to its use in the Sunarias' product line and would be useful in commercial buildings for additional services like managing lighting, occupancy responses for air conditioning, security, process controls and event scheduling. In keeping with AEGY's vertical integration model, Sunarias will use the modified Shovon controller to measure the actual performance and consumed offset energy. The monthly billing to the customers will include the energy used, the offset costs which the utility would have charged, and the comparison from the previous period and year.

2. SECURITY AND MONITORING

In order to optimize performance, AEGY, where applicable, will provide security for its energy systems. AEGY may acquire or otherwise contract with security companies to provide security and monitoring services where appropriate. The incorporation of security cameras on installations would protect the systems from damage and theft while providing a monitoring hub for the system's performance. Providing security and monitoring services would also allow for the dispatch of HVAC technicians should a system's performance decline for any reason.

3. GASIFICATION

We have identified two gasification technologies to date and continue to explore opportunities in this area. Gasification includes multiple technologies that convert solids to gas that can be either burned or consumed to generate energy. The gasification technologies AEGY is exploring create byproducts which are useful in the Sunarias energy production systems. Specifically, gasification converts trash to an energy that is consumed to produce electricity generation with a heat byproduct. That heat byproduct is then captured and consumed in absorption chilling, the process used by Sunarias.

4. FUEL CELL ENERGY PRODUCTION

Alternative Energy Partners' fourth sector is fuel cell energy production. Currently, fuel cell energy production is considered a future technology that will be feasible within a five year window. The fuel cell energy market is currently experiencing high market demand that it is unable, through its two major manufacturers, to satisfy. This indicates a limit of manufacturing capacity that Alternative Energy Partners will exploit. Fuel Cells can be placed wherever electricity is consumed, within some limitations. This point of use feature reduces demand on the grid. A major consumer market for fuel cells is hospitals, larger schools and colleges, manufacturing facilities and even small communities.

5. POWER PURCHASE AGREEMENTS

AEGY also plans to engage in the purchase of solar photo voltaic power purchase agreements ("PPAs") through its completed acquisition of SkyNet Energy Systems, Inc. as a wholly-owned subsidiary. We have entered into an acquisition agreement to acquire SkyNet from Healthcare of Today, Inc. for 600,000 (30,000,000 shares pre-split) shares of our common stock. Healthcare of Today, Inc. acquired SkyNet for 250,000 shares of its common stock, valued in the acquisition agreement at \$3,000,000, which we valued at \$2,100,000. We expect to complete the acquisition of SkyNet in August, 2010. Power purchase agreements have a variety of applications. In the current instance, PPAs are agreements whereby an individual organization arranges with a government-sponsored utility to guarantee the purchase of all of the power that will be provided by that organization's energy production. In the current instance, we will be supplying photo voltaic produced electricity. By purchasing PPAs, SkyNet will receive the income stream from that agreement.

Through Skynet Energy Systems, Inc, AEGY will be able to offer modified Power Purchase Agreements ("PPAs") and Line Reservations, which we call Energy Service Agreements ("ESAs"), to corporations, hospitals and other entities. In July 2010, Skynet signed an agreement that will give it access to obtain Line Reservations in Europe, with a guaranteed minimum sale of 19.65MW energy at local prices ranging from approximately \$0.42/kw to \$0.72/kw. Pursuant to the agreement, Skynet will provide energy in Europe, including Bulgaria and the Czech Republic.

Our model of energy provision is different; for example, with regard to solar thermal energy, we have the ability to front the costs of system installation and maintenance. In addition to promoting lower operating costs than those of traditional utilities, Sunarias™ systems may allow businesses to conveniently meet individual corporate missions or

governmental energy reduction mandates such as CA AB32. Regardless of whether they are formally required to do so, many local governments, companies, and individuals are now taking actions to reduce their greenhouse gas emissions or to lock in lower energy costs in a long term agreement with a company like ours while improving their public image through thoughtful use of energy.

While reduction of greenhouse gas emissions is a newer interest for the United States, there is strong market as well as government and societal support for alternative energy production in Europe. The European Union has mandated that 20% of energy come from renewable resources by 2020. Accordingly, AEGY has planned to focus a sales partnership/initiative in Europe, to further engage in this thriving market and grow its presence there.

Plan of Operation

We are in the business of providing commercial buildings with advanced solar thermal energy production, allowing businesses to use alternative energy sources. Initially we market advanced solar thermal energy production, support, monitoring and related services to commercial businesses in the southern United States.

SHOVON, LLC

Whether one is an individual consumer or operating a large facility, using Shovon hardware will allow optimized, controlled energy consumption, resulting in reduced ongoing costs. Shovon products offer the ultimate convenience of being able to access facilities and view relevant events or statuses (down to the appliance level) online. This remote monitoring can be enabled from anywhere in the world by using a PC or cell phone.

Our Product

Shovon's advanced control systems are appropriate for use with the Sunarias product. At present, Shovon's design engineers are working on improvements to the Sunarias controller to allow better access through web based monitoring, maintenance by remote systems management, predictive maintenance items without site visit costs and, a key component of the Sunarias model, measurement of energy consumed for billing purposes.

Shovon has a very large potential market in energy management and automation. This is in addition to its use in the Sunarias' product line and would be useful in commercial buildings for additional services like managing lighting, occupancy responses for air conditioning, security, process controls and event scheduling. In keeping with AEGY's vertical integration model, Sunarias will use the modified Shovon controller to measure the actual performance and consumed offset energy. The monthly billing to the customers will include the energy used, the offset costs which the utility would have charged, and the comparison from the previous period and year.

SKYNET ENERGY SYSTEMS, INC.

Plan of Operation

Through Skynet Energy Systems, Inc, AEGY will be able to offer modified Power Purchase Agreements ("PPAs") and Line Reservations, which we call Energy Service Agreements ("ESAs"), to corporations, hospitals and other entities. In July 2010, Skynet signed an agreement that will give it access to obtain Line Reservations in Europe, with a guaranteed minimum sale of 19.65MW energy at local prices ranging from approximately \$0.42/kw to \$0.72/kw. Pursuant to the agreement, Skynet will provide energy in Europe, including Bulgaria and the Czech Republic.

Our Product

Our model of energy provision is different; for example, with regard to solar thermal energy, we have the ability to front the costs of system installation and maintenance. In addition to promoting lower operating costs than those of traditional utilities, Sunarias™ systems may allow businesses to conveniently meet individual corporate missions or governmental energy reduction mandates such as CA AB32. Regardless of whether they are formally required to do so, many local governments, companies, and individuals are now taking actions to reduce their greenhouse gas emissions or to lock in lower energy costs in a long term agreement with a company like ours while improving their

public image through thoughtful use of energy.

Competitive Advantages

While reduction of greenhouse gas emissions is a newer interest for the United States, there is strong market as well as government and societal support for alternative energy production in Europe. The European Union has mandated that 20% of energy come from renewable resources by 2020. Accordingly, AEGY has planned to focus a sales partnership/initiative in Europe, to further engage in this thriving market and grow its presence there.

Employees

As of January 31, 2011, Gary Reed was our Chairman and Jason Davis was our President and CEO.

Collectively, the Company has a total of 5 employees, full or part-time.

Acquisitions

We hope to complete the conditions for the release of the escrow the closing of Xnergy, Inc. during the quarter ended April 30, 2011 with the payment by Healthcare of Today of the initial \$1,800,000 amount due to the Xnergy shareholders and satisfaction of the other release conditions

We also are pursuing acquisitions of other alternative energy products in the areas of solar and biodiesel, fuel cell technology and renewable water technologies.

Results of Operations for the Three and Six Months Ended January 31, 2011

For the three months ended January 31, 2011 the Company had revenues of \$0. Since inception, the Company has incurred cumulative net losses of \$2,922,134. For the three months ended January 31, 2011 and 2010, the Company had net losses of \$1,159,679 and \$7,300, respectively. Our activities have been attributed primarily to start up, business development, and financing activities. Consulting agreements, described under "Contractual Obligations" section, paid with company stock represents \$1,048,500 of the \$1,159,679 net loss for the three months ended January 31, 2011.

For the six months ended January 31, 2011 the company had revenues of \$0. Since inception, the Company has incurred cumulative net losses of \$2,922,134. For the six months ended January 31, 2011 and 2010, the Company had net losses of \$2,755,213 and \$71,485, respectively. Our activities have been attributed primarily to start up, business development, and financing activities. Consulting agreements, described under "Contractual Obligations" section, paid with company stock represents \$2,573,500 of the \$2,755,213 net loss for the six months ended January 31, 2011.

Liquidity and Capital Resources

To date, we have financed our operations from funds raised from private investment and publicly registered shares. We borrowed a total of \$153,000 from third parties during the six months ended January 31, 2011. As of January 31, 2011, we had cash on hand of \$4,018.

As of January 31, 2011 and July 31, 2010, we had stockholders' deficits of \$2,922,134 and \$166,921. During the six months ended January 31, 2011 and 2010, we used cash from operations of \$137,449 and \$66,568, respectively. These conditions raise substantial doubt about our ability to continue as a going concern.

If we are unable to secure additional financing to cover our operating losses until breakeven operations can be achieved, there is no assurance that we will be able to continue as a going concern.

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We believe that the following critical policies affect our more significant judgments and estimates used in preparation of our financial statements.

The Company has incurred deferred offering costs in connection with raising additional capital through the sale of its common stock. These costs are capitalized and charged against additional paid-in capital when common stock is issued. If there is no issuance of common stock, the costs incurred are charged to operations.

Research and development costs are charged to operations when incurred and are included in operating expenses.

Contractual Obligations

The Company has a contractual obligation with Ambrose & Keith Fund LLC, to provide \$1,000,000 for finance charges related to a securities purchase agreement, if we decide to continue with the agreement. This is in addition to the 222,220 (\$4.50/share) shares that have already been issued to cover the first \$1,000,000 per the agreement.

The Company has consulting agreements with companies for various advisement services. A total of 1,430,000 shares have been issued during the quarter ended January 31, 2011 to cover these consulting agreements, totaling \$2,503,500.

The Company also has entered into a consulting agreement with CFOs to Go, Inc., a wholly-owned subsidiary of Healthcare of Today International, Inc. to provide financial, accounting, legal, administrative, HR, supply chain management, corporate governance, SEC compliance and similar services to the Company for a monthly fee of \$10,000. CFOs to Go also provides contract principal accounting officer and corporate counsel services to the Company under its agreement and also provides telephone, office address, access to software and servers owned by CFOs to Go, and related office support. We maintain our corporate offices at the offices of CFOs to Go in Florida under this arrangement.

Item 3. Quantitative and Qualitative Disclosures About Market

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Disclosure controls also are designed with an objective of ensuring that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our chief executive officer, who is also our acting chief financial officer, included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Quarterly Report. Our management, including our chief executive officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on his review and evaluation as of the end of the period covered by this Form 10-Q, and subject to the inherent limitations all as described above, our chief executive officer, who is also our acting chief financial officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the

Securities Exchange Act of 1934) contain material weaknesses and are not effective.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The material weaknesses we have identified are the direct result of a lack of adequate staffing in our accounting department. Currently, our chief executive officer and a controller have sole responsibility for receipts and disbursements. We do not employ any other parties to prepare the periodic financial statements and public filings. Reliance on these limited resources impairs our ability to provide for a proper segregation of duties and the ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures. As we grow, and as resources permit, we project that we will hire such additional competent financial personnel to assist in the segregation of duties with respect to financial reporting, and Sarbanes-Oxley Section 404 compliance.

Changes in Internal Control Over Financial Reporting

The Company has not made any changes in its internal control over financial reporting during the quarter ended January 31, 2011.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The former CEO of the Company, Jack Stapleton, filed suit against the company in February, 2011 under the name McDowell, LLC to collect on two promissory notes totaling \$12,500 signed by him as then CEO of the Company. The Company is investigating whether there was any disclosure of Mr. Stapleton's conflict of interest and whether any consideration was given for these two promissory notes.

Neither the Company nor any of our officers or directors are involved in any other litigation either as plaintiffs or defendants and we have no knowledge of any other threatened or pending litigation against us or any of our officers or directors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended January 31, 2011, we issued 1,100,000 shares for services and 2,000,000 common shares and 5,000,000 preferred shares for acquisitions. At January 31, 2011, we had 10,940,636 shares outstanding.

Subsequent to the quarter ended January 31, 2011, we have issued 867,020 common shares resulting from conversions of outstanding notes. 17,142 shares in conversion of accounts payable for consulting services, and 56,862 common shares for services, resulting in total shares outstanding at March 15, 2011 of 11,881,661 shares.

Item 3. Defaults Upon Senior Securities

There were no defaults since we have no debt and no senior securities outstanding.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of our shareholders.

Item 5. Other Information.

Item 6. Exhibits

Exhibit No. Description of Exhibit

- | | |
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| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act |
| 32.2 | Certification of principal accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act |

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- 32.1 Certification of Chief Executive Officer pursuant to Section 906
- 32.2 Certification of principal accounting officer pursuant to Section 906

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Alternative Energy Partners, Inc.

Date: March 22, 2011

/s/ Gary Reed
Gary Reed
Chairman

/s/ John Burke
John Burke
Principal Accounting Officer

