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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2019**

Commission file number**: 000-33067**

MIDWEST ENERGY EMISSIONS CORP.

(Exact name of registrant as specified in its charter)

Delaware	**87-0398271**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1810 Jester Drive, Corsicana, Texas 75109
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(614) 505-6115**

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes☐ No ☒

Indicate by check mark whether the registrant (1) has 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Non-accelerated	☒
Accelerated filer	☐	Smaller reporting issuer	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $13,086,000.

The number of shares outstanding of the Common Stock ($.001 par value) of the Registrant as of the close of business on May 14, 2020 was 77,747,750.

DOCUMENTS INCORPORATED BY REFERENCE None

MIDWEST ENERGY EMISSIONS CORP.
TABLE OF CONTENTS

TABLE OF DEFINED TERMS

TERM	DEFINITION
BAC	Brominated Powdered Activated Carbon
EERC	Energy and Environmental Research Center
EGU	Electric Generating Unit
EPA	The U.S. Environmental Protection Agency
ESP	Electrostatic Precipitator
Hg	Mercury
IGCC	Integrated Gasification Combined Cycle
MATS	Mercury and Air Toxics Standards
ME_2C	Midwest Energy Emissions Corp.
MW	Megawatt
OTCQB	OTCQB Venture Market
PAC	Powdered Activated Carbon
SCR	Selective Catalytic Reduction
SEC	U.S. Securities and Exchange Commission

PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements," as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and reflect our current expectations regarding our future growth, results of operations, cash flows, performance and business prospects, and opportunities, as well as assumptions made by, and information currently available to, our management. Forward-looking statements are generally identified by using words such as "anticipate," "believe," "plan," "expect," "intend," "will," and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. Forward-looking statements in this report are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. These statements are based on information currently available to us and are subject to various risks, uncertainties, and other factors, including, but not limited to, those discussed herein under the caption "Risk Factors". In addition, matters that may cause actual results to differ materially from those in the forward-looking statements include, among other factors, the gain or loss of a major customer, change in environmental regulations, disruption in supply of materials, capacity factor fluctuations of power plant operations and power demands, a significant change in general economic conditions in any of the regions where our customer utilities might experience significant changes in electric demand, a significant disruption in the supply of coal to our customer units, the loss of key management personnel, availability of capital and any major litigation regarding the Company.

Except as expressly required by the federal securities laws, we undertake no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances or for any other reason. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including those detailed in ME_2C's filings and with the Securities and Exchange Commission. See "Risk Factors" in Item 1A.

Item 1. Business.

As used in this Annual Report on Form 10-K, the terms "we", "us", "our", "the Company", "ME_2C", and "Midwest Energy Emissions Corp." refer to Midwest Energy Emissions Corp. and our wholly owned subsidiaries.

Background

Midwest Energy Emissions Corp., a Delaware corporation, is an environmental services and technology company specializing in mercury emission control technologies, primarily to utility and industrial coal-fired units. We deliver patented and proprietary solutions to the global coal-power industry to remove mercury from power plant emissions, providing performance guarantees, and leading-edge emissions services. We have developed patented technology and proprietary products that have been shown to achieve mercury removal at a significantly lower cost and with less operational impact than currently used methods, while maintaining and/or increasing unit output and preserving the marketability of fly-ash for beneficial use.

Our principal place of business is located at 1810 Jester Drive, Corsicana, Texas 75109, which location we have maintained for manufacturing and distribution of our products since 2015. As of December 2019, we relocated our corporate headquarters to such address which corporate headquarters prior thereto were maintained at 670 D Enterprise Drive, Lewis Center, Ohio 43035. Our telephone number is (614) 505-6115. Our corporate website address is http://www.midwestemissions.com. Our common stock is quoted on the OTCQB under the symbol "MEEC".

We originally incorporated under the name Digicorp on July 19, 1983 in the State of Utah. We subsequently domesticated as a Delaware corporation in February 2007; changed our name to China Youth Media, Inc. in October 2008; and changed our name to Midwest Energy Emissions Corp. in October 2011.

Our wholly owned subsidiary, MES, Inc., was originally incorporated under the name RLP Energy, Inc. in December 2008 in the State of North Dakota; changed its name to Grunergy Technologies USA Inc. in December 2010; and changed its name to Midwest Energy Emissions Corp. ("Midwest") in January 2011. Midwest was engaged in the business of developing and commercializing state-of-the-art control technologies relating to the capture and control of mercury emissions from coal-fired boilers in the United States and Canada.

On June 21, 2011, we completed a merger transaction (the "Merger") whereby Midwest became our wholly owned subsidiary and changed its name to MES, Inc. For accounting purposes, the Merger was treated as a reverse merger and a recapitalization of the Company.

As a result of the Merger, our business is now focused on the delivery of mercury capture technologies to power plants in North America, Europe and Asia. Our prior business, which focused on youth marketing and media in China, terminated.

Prior to relocating our corporate headquarters to Corsicana, Texas, we maintained our corporate headquarters in Lewis Center, Ohio from March 2015 to December 2019, and in Worthington, Ohio from November 2011 to March 2015.

We currently have 11 full-time employees. Our employees are not represented by labor unions. We believe that relations with our employees are good.

Regulations and Markets

The markets for mercury removal from plant emissions are largely driven by regulations. Changes in regulations have profound effects on these markets and the companies that compete in these markets. This is especially true for smaller companies such as ME_2C.

On December 21, 2011 the EPA issued its Mercury and Air Toxics Standards ("MATS") for power plants in the U.S. The MATS rule is intended to reduce air emissions of heavy metals, including mercury (Hg), from all major U.S. power plants burning coal or oil, which are the leading source of non-natural mercury emissions in the U.S. Existing power plants were granted three years (plus a potential one-year extension in cases of hardship, ruled on by State EPA's where the plant is domiciled) from April 16, 2012, to comply with the new emission limits. The MATS rule applies to Electric Generating Units ("EGUs") that are larger than 25 megawatts ("MW") that burn coal or oil for the purpose of generating electricity for sale and distribution through the national electric grid to the public. They include investor-owned units, as well as units owned by the Federal government, municipalities, and cooperatives that provide electricity for commercial, industrial, and residential uses. At the time of MATS being promulgated, there were approximately 1,250 coal-fired EGU's affected by this new rule. Since this time, many of such EGU's have been shut down as a result of this regulation and due to competitive disadvantage to newer or gas-fired EGUs and renewable energy sources (e.g. wind, solar). We believe that at the end of 2019, there are approximately 350 coal-fired EGU's remaining in the power market which make up the large mercury-emissions control market into which we sell.

The final MATS rule identifies two subcategories of coal-fired EGUs, four subcategories of oil-fired EGUs and a subcategory for units that combust gasified coal or solid oil (integrated gasification combine cycle [IGCC] units) based on the design, utilization, and/or location of the various types of boilers at different power stations. The rule includes emission standards and/or other requirements for each subcategory. The rule set nationwide emission limits estimated to reduce mercury emissions in coal-fired plants by about 90%.

In addition to the U.S. federal MATS rule, more than 20 states currently have regulations which limit mercury emissions which regulations are similar to or more restrictive than the MATS rule.

There are several choices of pollution control technologies available to reduce mercury emissions, but they do not all work consistently or cost-effectively for every plant design or for all of the various types of coal. The most common technology employed to reduce mercury emissions is a sorbent injection system which provides for the injection of powdered activated carbon ("PAC") or brominated PAC ("BAC") into the flue-gas of an EGU after the boiler itself but in front of the Electro-Static Precipitators ("ESP"). Such injections have proven effective with many coals, especially at reduction levels of 70% or less. At required mercury reduction levels above 80%, these injection systems require substantial injection rates which often have severe operational issues including over-loading the ESP and rendering the fly ash unfit for sale to concrete companies, and at times even causing combustion concerns with the fly ash itself.

Mercury is also removed as a co-benefit by special pollution control equipment installed to remove oxides of sulfur ("SO_X") and nitrogen ("NO_X"). To achieve very high levels of SO_X reduction, large, complex and expensive (capital costs in the hundreds of millions of dollars for a medium-sized EGU) systems called Scrubbers can be installed in the plant exhaust system, typically just before the flue-gas goes up the stack for release. As a co-benefit to their primary mission, Scrubbers have been shown to remove significant quantities of oxidized mercury. Mercury is typically found in two basic forms in coal: elemental and oxidized. The amount of each form varies in any given seam of coal and is affected by the other natural elements (such as chlorine) which might also be present in the coal. We believe about 30-40% of the mercury in the post-combustion flue-gas exists in the oxidized state for power plants burning low-rank coal and about 60-70% for power plants burning high-rank coals. Mercury is found in only trace amounts in coal making it difficult to remove from coal, or from the flue gas when combusted with the coal. It is in the burning of millions of tons of coal that these trace amounts become problematic, and why MATS was promulgated.

The other major pollution control system which contributes significantly to the co-benefits of mercury removal is a Selective Catalytic Reduction ("SCR") system which can be installed to achieve high levels of removal of NO_X. SCRs are also very large and expensive systems (costing hundreds of millions of dollars in capital costs to install on a medium-size EGU) that are typically installed just after the flue-gas exits from the unit boiler. As a co-benefit, SCRs have been shown to oxidize a considerable percentage of the elemental mercury in many types of coal. If the EGU then has a combination of an SCR and a Scrubber, we estimate that the EGU might achieve an overall reduction of 80-85% of the mercury in power plants that burn high-rank coals. The exact level of mercury emission reductions depends on the designs of these systems, the types of coal being burned and the operations of the power plant.

We believe that the large majority of the coal-fired EGUs in the U.S. employ some sort of sorbent injection system to achieve the very low mercury emission levels required by the MATS rule. Either the sorbent injection system is the primary removal method or such a system is employed as a supplemental system to SCR/Scrubber combinations to achieve the emission limits.

See "North American Markets for Our Technology" below for information on mercury control standards in Canada and "Other Markets for Our Technology" below for information on mercury control in Europe and Asia.

ME$_2$C's Technology

Background and Acquisition of Patent Rights

We provide customer-focused mercury capture solutions driven by our patented two-part Sorbent Enhancement Additive (SEA®) process using a powerful combination of science and engineering. We design systems and materials tailored and formulated specifically to each customer's coal-fired units. Our mercury removal technology and systems will achieve mercury removal levels which meet or exceed the MATS requirements and to do so with lower cost and plant systems impacts than typical PAC or BAC sorbent injection systems. Our products have been shown to be successful across a myriad of fuel and system types, tunable to any configuration, and environmentally friendly, allowing for the recycling of fly ash for beneficial use. Our SEA technology was originally developed by the University of North Dakota's Energy and Environmental Research Center ("EERC"). It was tested and refined on numerous operating coal-fired EGUs, with the founder of MES, Inc. participating with the EERC on these tests since 2008. The Energy and Environmental Research Center Foundation, a non-profit entity ("EERCF"), obtained patents on this technology.

On January 15, 2009, we entered into an "Exclusive Patent and Know-How License Agreement Including Transfer of Ownership" (the "License Agreement") with the EERCF. Under the terms of the License Agreement, we were granted an exclusive license by EERCF with respect to this patented technology to develop, make, have made, use, sell, offer to sell, lease, and import the technology in any coal-fired combustion systems (power plant) worldwide and to develop and perform the technology in any coal-fired power plant in the world. Amendments No. 4 and No. 5 to the License Agreement were made effective as of December 16, 2013 and August 14, 2014, respectively, expanding the number of patents covered, eliminated certain contract provisions and compliance issues and restructured the fee payments and buyout provisions while granting EERCF equity in the Company. The License Agreement applied to various domestic and foreign patents and patent applications which formed the basis of our mercury control technology.

Under the terms of the License Agreement, we were required to pay EERCF monthly license maintenance fees and annual running royalties on operational systems of the Company, and we had the right to purchase the patent rights for a payment specified therein.

On April 24, 2017, we closed on the acquisition from EERCF of all such patent rights, including all patents and patents pending, domestic and foreign, relating to the foregoing technology. A total of 42 domestic and foreign patents and patent applications were included in the acquisition. In accordance with the terms of the License Agreement, the patent rights were acquired for the purchase price of (i) $2,500,000 in cash, and (ii) 925,000 shares of common stock of which 628,998 shares were issued to EERCF and 296,002 were issued to the inventors who had been designated by EERCF. As a result of the acquisition of the patent rights, no additional monthly license maintenance fees and annual running royalties shall be due and owing to the EERCF following closing which fees and royalties have now been eliminated.

SEA® Technology

Our SEA® technology provides total mercury control, providing solutions that are based on a thorough scientific understanding of actual and probable interactions involved in mercury capture in coal-fired flue gas. A complete understanding of the complexity of mercury–sorbent–flue gas interactions and chemisorption mechanisms allows for optimal control strategy and product formulation, resulting in effective mercury capture. Combined with a thorough proprietary audit of the plant and its configuration and instrumentation, we believe our complete science and engineering approach for mercury–sorbent–flue gas interactions is well-understood, highly predictive, and critical to delivering total mercury control.

The SEA® approach to mercury capture is specifically tailored for each application to match a customer's fuel type and boiler configuration for optimal results. Our two-pronged solution consists of a front end sorbent injected directly into the boiler in minimal amounts combined with a back end sorbent injection solution to insure maximum mercury capture. We believe our two-part process uses fewer raw materials than other mercury capture systems and causes less disruption to plant operations. We believe our sorbent line, which are designed to meet or exceed the mercury mitigation requirements of our customers, offers superior performance and the lowest possible feed rates when compared to other solutions on the market. Our processes also preserve fly ash which can be sold and recycled for beneficial use.

Scrubber Reemissions Additive Technology

We have also added a scrubber reemission additive to our product offering for use in wet flue gas desulfurization systems which reduces mercury reemissions from wet flue gas desulfurization systems by preventing scrubber reemission events. Our scrubber reemissions additive technology provides another mercury control solution in addition to our SEA technology for plants that are equipped with wet scrubbers. Depending on the level of mercury oxidation (discussed above), we can use one of our mercury oxidation additives to increase the amount of mercury oxidation in the flue gas and thereby increase the amount of mercury that is removed in the wet scrubber, often resulting in the plant achieving MATS compliance. Should the power plant encounter mercury reemission or desire a lower mercury emissions, we can provide a scrubber reemissions additive that is introduced into the scrubber to prevent mercury remissions resulting in lower mercury emissions from the plant.

Customized Emissions Services

In order to evaluate each customer's needs, we finely tune the combustion chemistry using our technologies and specially formulated ME$_2$C products. In order to achieve optimal results, we bring mercury emission analytics to the field for our demonstrations as opposed to collecting samples for laboratory analysis, while our team analyzes the entire plant's performance once compliance testing has begun. As a result, we are able to offer customers:

Assessment of existing systems and suggested improvements;

Assessment and guidance of mercury capture and emissions;

Optimal design of the injection strategy and appropriate equipment layout and installation;

Sorbent optimization using flow modeling for a customized, low-cost plan for each unit;

Emission testing for mercury and other trace metals with our mobile laboratory; and

Ongoing research toward improved technology for mercury capture and rapid-response scientific support for emission or combustion issues as operations and regulations change.

Intellectual Property

We have a patent portfolio consisting of 50 patents throughout the U.S., Canada, Europe and China and 18 patents pending. We believe that our patent position is strong in the U.S., Canada, and Europe.

North American Markets for Our Technologies

North America is currently the largest market for our technologies.

In the U.S. market, our success depends, in part, on the success of demonstrations performed with utility customers and the resulting contract awards to meet the MATS requirements in the long-term period and our operational performance with EGUs under contract.

In Canada, there is a Canada-Wide Standard among all the provinces which was initially implemented in 2010, and which provides for increasingly stricter emissions control through 2020, although individual provinces may move faster to more stringent levels. We believe we have the most effective technology for the EGUs in Canada and a strong patent position there.

In 2010, we were awarded our first commercial contract to design, build and install our solution on two large (670MW each) coal units in the western part of the U.S. This was a multi-million dollar, three year renewable contract, which was awarded as a result of a competitive demonstration process. We invested more than $1.4 million in the capital equipment for this project. Our systems out-performed the contract guarantees in all operational areas during startup and testing and went into commercial operation at the start of 2012. The system has successfully kept the plant in compliance since 2012.

At the present time, there are 15 EGUs in the U.S. which currently use our technologies. In Canada, we have 3 EGUs which currently use our technologies, with 2 more expected in the near term. We expect to continue to conduct numerous demonstrations on prospective customer units throughout 2020 and thereafter.

Other Markets for Our Technology

In March 2018, we entered into an agreement for a term of ten years with one of the Company's primary suppliers to commercialize our technology throughout Europe. Under the terms of the agreement, we have granted such supplier an exclusive, non-transferable license to make, use, sell and market the Company's technology during the term throughout Europe (which includes Germany and Poland which currently have the largest coal fleets in Europe). We believe such arrangement will make our technology more saleable throughout Europe and which will benefit the Company from such supplier's knowledge and operations in this region. We have agreed to provide certain technical support throughout the term and shall continue to have the right to market and seek customers for our technology throughout Europe provided any opportunities are turned over to the supplier. Although we do not expect to generate significant revenues from such agreement for several years, we believe it positions us to make inroads in the European market sooner than we could achieve otherwise as Europe appears to be moving ahead with mercury emissions controls. The European market is significant although not as large as the market in the U.S. We believe more coal-fired EGUs operate throughout Europe than in the U.S. but are generally smaller EGUs.

In May 2017, the European Union and seven of its member states ratified the Minamata Convention on Mercury, which triggered its entry into force with implementation starting in 2021. The Minamata Convention on Mercury is a global treaty to protect human health and the environment from the adverse effects of mercury. This Convention was a result of three years of meeting and negotiating, after which the text of the Convention was approved by delegates representing approximately 140 countries in January 2013 in Geneva and adopted and signed later that year in October 2013 by approximately 125 countries at a diplomatic conference held in Japan. It is expected that over the next few decades, this international agreement will enhance the reduction of mercury pollution from the targeted activities responsible for the major release of mercury to the environment.

In addition, in July 2017, the European Union, through the European Commission, adopted certain BREF standards for large coal-fired electric generating units. The BREFs are a series of reference documents covering certain industrial activities and provide descriptions of a range of industrial processes and their respective operating conditions and emission rates. Member states are required to take these documents into account when determining best available techniques. As a result of the EU's adoption of these BREF conclusions, specific emissions limits are currently being developed.

With regard to business opportunities in China and other Asian countries, there currently exists no specific mandate for mercury capture that requires specific control technology, such as we offer. Nevertheless, we are optimistic of the prospects for mercury emissions regulations in China in the coming years, and because we have very broad patent rights in China, this has the potential to become a large business opportunity for us in future years. It is estimated that China represents 47% of the world's coal power usage compared to the United States which represents 14%*. We are hopeful that as a result of the Minamata Convention, China as well as other countries will follow the U.S. in regulating mercury emissions.

*Source: Carbon Brief, "Mapped: The World's Coal Power Plants", Simon Evans and Rosamund Pearce. May 6, 2018.

Additional Business Opportunities

Our acquisition of all the patent rights, including all patents and patents pending, domestic and foreign, which forms the basis of our mercury control technology, which acquisition was completed on April 24, 2017 (see “ME$_2$C’s Technology” above) positions us to license systems using a two-part mercury control process. In this regard, we anticipate being able, and have begun efforts, to license our technologies to utilities and others across North America and elsewhere.

In October 2019, we entered into a license and development agreement with an unaffiliated entity located in Alabama pursuant to which the parties will work together to develop a plan to commercialize and market certain technology owned by such unaffiliated entity related to the removal of mercury from air and water emissions generated by coal burning power plants. Although no assurance can be given, we are optimistic that this arrangement will lead to a new revenue stream for us in the future.

Raw Materials

We buy all the raw materials needed to implement our technologies and provide uniquely formulated products for effective mercury removal. Material components of our proprietary SEA® technology are readily available from numerous sources in the market. Suppliers of our raw materials include large companies that have provided materials for decades and have an international presence. When we use PAC as one component of our sorbent material, we buy it in the market from large activated carbon manufacturers. We believe that we have excellent relationships with our current suppliers. If any of our suppliers should become unavailable to us for any reason, there are a number of other suppliers that we believe can be contracted with expeditiously to supply the raw materials that we need, ensuring a continued supply of our products to our customers.

Competition

Our major competitors in the U.S. and Canada include companies such as Advanced Emissions Solutions, Inc., Albemarle Corporation, Cabot Corporation, Calgon Carbon Corporation, Carbonxt, Inc., Environmental Energy Services Inc. and Nalco Company. These companies employ large sales staff and are well positioned in the market. However, in head-to–head tests with competitor products our SEA® technology has consistently performed better in mercury removal, at lower projected costs. We believe that our SEA® technology is superior to offerings of our competitors and, with our highly experienced staff, we have shown that we can compete effectively in these markets.

Seasonality

The power market has changed over recent years with the introduction of more renewable energy, the low price of natural gas and the declining industrial demand for continuous power resulting in a greater proportional residential load demand. With this shift in demand and load, we have experienced some seasonal declines in the winter months due to our current customer concentration in the Southwestern United States, where many of our customers decrease capacity in such winter months.

Backlog

We do not consider backlog to be a significant indicator of the level of future sales activity. In general, we do not manufacture our products against a backlog of orders. Production and inventory levels are based on the level of incoming orders as well as projections of future demand. Therefore, we believe that backlog information is not material to understanding our overall business and is not a reliable indicator of our ability to achieve any particular level of revenue or financial performance.

Available Information

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SECat www.sec.gov. Our SEC filings are also available on our website atwww.midwestemissions.com. Information on or connected to our website is neither part of, nor incorporated by reference into, this Form 10-K or any other report filed with or furnished to the SEC.

Item 1A. Risk Factors.

In your evaluation of the Company and our business, you should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this report and the other documents we file with the SEC. The following factors describe the risks and uncertainties that we consider significant to the operation of our business, but should not be considered a complete listing of all potential risks and uncertainties that could adversely affect our operating results, financial position or liquidity. Additionally, our business is subject to the same general risks and uncertainties that affect many other companies, such as but not limited to the overall economic conditions, changes in laws or accounting rules, fluctuations in interest and exchange rates or other disruptions of expected economic and business conditions.

Risks Related to our Business

Our business focus is mercury removal from power plant emissions, which is driven primarily by regulation. Any significant changes in mercury emission regulation could have a major impact on the Company.

Our business focus is mercury reduction in flue gas emissions from large coal-fired utility and industrial boilers. This market is primarily based on air pollution control regulations and enforcement of those regulations. Any significant change in these regulations would have a dramatic effect on the Company, especially in North America (and primarily the United States) which is currently the largest market for our technology. Specifically, on December 16, 2011, the EPA published the Mercury and Air Toxics Standards (MATS), which sets forth federal mercury emission levels. Power plants were required to begin complying with MATS on April 16, 2015, unless they were granted a one-year extension to begin to comply.

The MATS regulation has been subject to legal challenge, and in June 2015, the U.S. Supreme Court held that the EPA unreasonably failed to consider costs in determining whether it is "appropriate and necessary" to regulate hazardous air pollutants, including mercury, from power plants. The Court remanded the case back to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings, but left the rule in place. In December 2015, the D.C. Circuit remanded the rule back to the EPA for further consideration while allowing MATS to remain in effect pending the EPA's finding; the Supreme Court later denied a petition challenging the lower court's decision to remand without vacating. On April 14, 2016, EPA issued a final supplemental finding reaffirming the MATS rule on the ground that it is supported by the cost analysis the Supreme Court required. That supplemental finding is under review by the D.C. Circuit, and the Company is unable to predict with certainty the outcome of these proceedings. On April 18, 2017, EPA asked the court to place that litigation in abeyance, stating that the Agency is reviewing the supplemental finding to determine whether it should be reconsidered in whole or in part. The court granted EPA's abeyance request on April 27, 2017, and ordered EPA to file 90-day status reports starting July 26, 2017. In February 2019, the EPA published a proposed revised supplemental cost-benefits finding for MATS in which EPA proposed to conclude that the 2016 supplemental finding was flawed in part due to its reliance on co-benefits to justify MATS. Nevertheless, the EPA proposed to leave the MATS rule in place. At the same time, EPA also requested public comment on whether MATS may or must be rescinded if EPA reversed its earlier conclusion that it is "appropriate and necessary" to regulate power plant emissions of mercury and other hazardous air pollutants under the statutory provision authorizing MATS. Following the close of the public comment period, on April 16, 2020, the EPA issued a final rule which finalized the proposed supplemental cost-benefits finding in substantially the form proposed in 2019. The final rule withdraws EPA's 2016 "appropriate-and-necessary" determination as erroneous, but leaves the 2011 MATS rule in place pursuant to D.C. Circuit case law holding that a source category may only be removed from the list of categories to be regulated through a rigorous delisting process that cannot currently be satisfied by EPA. EPA's final action will almost certainly be challenged in the courts, both by those who favor retention of MATS (such as the electric utility industry) and by those who oppose it (such as certain coal interests and deregulatory groups). This litigation could extend uncertainty over the status of MATS for a number of years. Investors should note that any changes to the MATS rule could have a negative impact on our business.

The risks associated with technological change may make the Company's products and services less marketable.

The market into which we sell our products and services is characterized by periodic technological change as well as evolving industry standards and regulations. The nature of such market will require that we continually improve and/or modify the performance, features, and reliability of our products and services, particularly in response to possible competitive offerings. Unless we are able to enhance, improve and/or modify existing products in a timely manner or to develop and introduce new products that incorporate new technologies or conform with evolving industry standards and regulations, our products and services may be rendered less marketable.

Our industry is highly competitive. If we are unable to compete effectively with competitors having greater resources than we do, our financial results could be adversely affected.

Our major competitors in the U.S. and Canada include companies such as Advanced Emissions Solutions, Inc., Albemarle Corporation, Cabot Corporation, Calgon Carbon Corporation, Carbonxt, Inc., Environmental Energy Services Inc. and Nalco Company. These companies employ large sales staff and are well positioned in the market. Our ability to compete successfully depends in part upon our ability to offer superior technology, including a superior team of sales and technical staff. If we are unable to maintain our competitive position, we could lose market share to our competitors which is likely to adversely impact our financial results.

We may not be able to successfully protect our intellectual property rights.

We own a number of significant patents, and patents pending covering the U.S., Canada, Europe and China for our technology. Certain critical technology related to our systems and products is protected by trade secret laws and confidentiality and licensing agreements. There can be no assurance that outstanding patents will not be challenged or circumvented by competitors, or that such other protection provided by trade secret laws and confidentiality and licensing agreement will prove adequate. We cannot assure you that we will have adequate remedies against contractual counterparties for disclosure of our trade secrets or violation of ME_2C's intellectual property rights. As a result, we may not be able to successfully defend our patents or protect proprietary aspects of our technology.

We may not be successful in our current or any future patent litigation.

In July 2019, we announced that we had initiated patent litigation against defendants in the U.S. District Court for the District of Delaware for infringement of certain patents which relate to our two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. Such litigation is in its early stages. Investors should note that patent litigation, like most types of commercial litigation, can be expensive, time-consuming and unpredictable. There is no assurance that this litigation, or any future patent litigation which the Company may commence, will be successful. In addition, in an infringement proceeding, a court may decide that one or more of our patents are not valid or enforceable, or a court may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly and could put our patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business.

We depend on third-party suppliers for materials needed to implement our technology.

We buy all the raw materials needed to implement our technology and provide uniquely formulated products for effective mercury removal from third-party suppliers. Suppliers of our raw materials include large companies that have provided materials for decades and have an international presence. When we use PAC as one component of our sorbent material, we buy it in the market from large activated carbon manufacturers. We believe that we have excellent relationships with our current suppliers. If any of our suppliers should become unavailable to us for any reason, there are a number of other suppliers that we believe can be contracted with expeditiously to supply the raw materials that we need, ensuring a continued supply of our products to our customers. However, the possibility exists that we may not be able to secure such arrangements on terms acceptable to the Company which could negatively impact our business.

We are dependent on key customers. A significant adverse change in such relationships could adversely impact our results of operations and financial condition.

Our customers are concentrated, so the loss of one or more key customers or a material reduction in business performed for them could cause us to experience a decline in net sales, which could adversely affect our financial results. In addition, there can be no assurance that such customers will not experience financial difficulties or other problems which could delay such customers in paying for product and services on a timely basis or at all. Any problems with such customers can be expected to have an adverse impact on our results of operations and financial condition.

We rely on a small number of key employees. The loss of more than one of these employees could disrupt our operations and future growth.

We have a limited number of employees and we depend on the continued services and performance of our key personnel. The loss of more than one member of this team could disrupt our operations and negatively impact our projected future growth. In addition, as we continue to grow, we cannot guarantee we will continue to attract and retain the personnel we need to maintain our competitive position.

Our lack of diversification increases the risk of an investment in the Company.

Our business lacks significant diversification and is dependent on the success of our mercury emission control technologies. As a result, we are impacted more acutely by factors affecting our industry or the regions in which we operate that we would if our business were more diversified, enhancing our risk profile.

Low gas prices could negatively impact our results of operations; mild weather could also have corresponding effects on the demand for coal.

Our mercury-emissions control technologies are used by coal-fired power plants primarily in the United States. At such times that gas prices remain low for an extended period of time or drop substantially, power suppliers will likely rely more upon gas-fired units rather than coal plants in meeting their power needs. Gas prices can be very volatile and are influenced by numerous factors beyond our control. For example, market prices for natural gas have recently been low which has caused, and will likely continue to cause, a weaker demand for our products until such time that such prices increase. In addition, mild winter months in the U.S. will also result in less of a power demand which will also be expected to negatively impact our operations.

Our insurance coverage may not be adequate to protect us from all business risks.

We may be subject, in the ordinary course of business, to claims resulting from products liability, employment-related actions, class action lawsuits, accidents, acts of God and other actions against us. Additionally, our insurance coverage may be insufficient to cover all existing and future claims against us. We may be compelled to expend significant time and resources defending any such claims, and a loss that is uninsured or which exceeds policy limits may require us to pay substantial amounts, which could adversely affect our financial condition and operating results.

Litigation resulting from disputes with customers may result in substantial costs, liabilities and loss of revenues.

From time to time, we may be faced with disputes with our customers over the provisions of supply contracts relating to, among other things, pricing, quality, quantity and the existence of specified conditions beyond our or our customers' control that impact performance obligations under the particular contract. In the event such disputes occur, we may not be able to resolve those disputes in a satisfactory manner which could have a material adverse effect on our business, financial condition and results of operations.

Revenues are generated under contracts that must be renegotiated periodically.

Substantially all of our revenues are generated under contracts which expire periodically or which must be frequently renegotiated, extended or replaced. Whether these contracts are renegotiated, extended or replaced is often subject to factors that may be beyond our control, including an extremely competitive marketplace for the services we offer. We cannot assure you that the costs and pricing of our services can remain competitive in the marketplace or that we will be successful in renegotiating our contracts.

Business interruptions, including any interruptions resulting from COVID-19, could significantly disrupt our operations and could have a material adverse impact on us.

The ongoing coronavirus outbreak which began in China at the beginning of 2020 has impacted various businesses throughout the world, including travel restrictions and the extended shutdown of certain businesses in impacted geographic regions. If the coronavirus outbreak situation should worsen, we may experience disruptions to our business including, but not limited to, the availability of raw materials, equipment, to our workforce, or to our business relationships with other third parties. Also, it may hamper our efforts to comply with our filing obligations with the Securities and Exchange Commission (the "SEC"). In this regard, on April 14, 2020, we filed a current report on Form 8-K with the SEC in part to avail ourselves of a 45-day grace period to file this Annual Report on Form 10-K provided by an SEC order issued on March 25, 2020 (which extended and superseded a prior order issued on March 4, 2020), which order allows a registrant up to an additional 45 days after the original due date of certain reports required to be filed with the SEC if a registrant's ability to file such report timely is affected due to COVID-19. In such Form 8-K, we acknowledged experiencing disruptions including, but not limited to, the limited availability of key Company personnel and professional advisors who are needed to prepare this Annual Report due in part to suggested and mandated social quarantining and work from home orders. This has, in turn, delayed our ability to complete our audit and prepare this Annual Report. Investors should be aware that such disruptions may impact our ability to file future SEC reports by their original due dates.

The extent to which the coronavirus impacts our operations in other areas or those of our third-party partners will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Any such disruptions or losses we incur could have a material adverse effect on our financial results and our ability to conduct business as expected**.**

Delays in enactment of foreign regulations could restrict our ability to reach our strategic growth targets in Europe and Asia.

Our strategic growth initiatives are reliant upon more restrictive environmental regulations being enacted for the purpose of mercury control from power plant emissions in Europe and in China and other Asian countries. In May 2017, the European Union and seven of its member states ratified the Minamata Convention on Mercury, which triggered its entry into force with implementation starting in 2021. The Minamata Convention on Mercury is a global treaty to protect human health and the environment from the adverse effects of mercury. With regard to business opportunities in China and other Asian countries, there currently exists no specific mandate for mercury capture that requires specific control technology, such as we offer. China is the largest producer and consumer of coal in the world. Nevertheless, we are hopeful that as a result of the Minimata Convention, China as well as other countries will follow the U.S. in regulating mercury emissions. If stricter regulations are delayed or are not enacted, our sales growth targets in Europe and Asia could be adversely affected.

Maintaining and improving our financial controls may divert management's attention and increase costs.

We are subject to the requirements of the Securities Exchange Act of 1934, including the requirements of the Sarbanes-Oxley Act of 2002. The requirements of these rules and regulations have increased in recent years, causing an increase in legal and financial compliance costs, and make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources. Such rules and regulations require, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. This can be difficult to do. In this regard, our management concluded our internal control over financial reporting was not effective as of December 31, 2019. While certain remedial actions have been completed, we continue to actively plan for and implement additional control procedures to improve our overall control environment and expect these efforts to continue throughout 2020 and beyond. As a result of this and similar activities, management's attention may be diverted from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations.

Our board of directors recently concluded that we needed to restate previously issued financial statements as a result of a change in accounting for a certain debt restructuring.

On April 13, 2020, our board of directors of the Company (which currently acts as our audit committee) concluded, after consultation with management and the Company's recently retained financial consulting firm, that our previously issued unaudited financial statements for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019, included in the Company's Quarterly Reports of Form 10-Q for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019, respectively, should no longer be relied upon as a result of the change in accounting for a certain debt restructuring. We concluded that a gain on debt restructuring recognized during the first quarter of 2019 should have been accounted for as a capital transaction. Specifically, on February 25, 2019, we entered into an Unsecured Note Financing Agreement with AC Midwest Energy LLC ("AC Midwest"), pursuant to which AC Midwest exchanged a previously issued subordinated unsecured note in the principal amount of $13,000,000, together with all accrued and unpaid interest thereon, for a new unsecured note in the principal amount of $13,154,931. We recorded a gain of $3,412,402 on this exchange which we recently concluded should have been recorded as an equity transaction capital contribution. The adjustments resulting therefrom, which are non-cash in nature, increase additional paid-in capital and increase our previously reported net loss, but has no impact on previously reported cash, working capital, total assets, total liabilities and revenues. Nevertheless, such restatement could cause investors in our securities to lose confidence in our financial statements and management which could result in a decrease in our stock price and negative sentiment in the investment community.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity, i.e., ready access to funds, is essential to our business. Our access to external sources of financing could be impaired by factors that are specific to us or others that may be outside of our control. As a result, such liquidity risk could impair our ability to funds operations and jeopardize our financial condition.

Possible inability of the Company to continue as a going concern.

The accompanying consolidated financial statements as of December 31, 2019 have been prepared assuming the Company will continue as a going concern. As reflected in the consolidated financial statements, we had an accumulated deficit of $57.7 million, $1.5 million in cash and negative working capital of $302,000 at December 31, 2019. Additionally, we had a net loss in the amount of $6.1 million and cash used by operating activities of $1.6 million for the year ended December 31, 2019. These factors raise substantial doubt about our ability to continue as a going concern for the next twelve months from the filing of this Annual Report on Form 10-K. Although we anticipate continued significant revenues for products to be used in MATS compliance activities, no assurances can be given that we can obtain sufficient working capital through these activities and additional financing may be needed to meet its obligations. In February 2020, we closed on a one-year secured loan with a bank in the principal amount of $200,000 and in April 2020, we received loan proceeds in the amount of $299,300 pursuant to the Paycheck Protection Program under the CARES Act which was enacted on March 27, 2020 as a result of the COVID-19 pandemic. Nevertheless, we may need to raise additional equity or debt financing. While we believe in our ability to raise additional funds, no assurances can be given that we can maintain sufficient working capital through these efforts, or that the continued implementation of our business plan will generate sufficient revenues in the future to sustain ongoing operations.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

Risks Related to our Common Stock

Current stockholders may suffer dilution.

In recent prior years, we have raised funds through the sale of convertible notes and restricted stock to qualified investors, and have under certain circumstances issued warrants to investors and options to employees and others. As of December 31, 2019, we have 76,747,750 shares of common stock outstanding of a total of 150,000,000 shares authorized by the Company. Approximately 104,313,000 shares of common stock are outstanding on a fully diluted basis as of December 31, 2019, taking into account shares issuable upon conversion of outstanding notes, and exercise of outstanding warrants and options. Any such conversion and/or exercise of such securities will have a dilutive effect on existing stockholders. In addition, if we were to raise additional funds through further issuances of equity or convertible debt securities in the future, our stockholders would suffer additional dilution.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. In addition, until such time that the AC Midwest Energy, LLC promissory notes are paid in full, we are not permitted to issue any dividends. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in its value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

If our internal control over financial reporting is found not to be effective or if we make disclosure of existing or potential significant deficiencies or material weaknesses in those controls, investors could lose confidence in our financial reports, and our stock price may be adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to include an internal control report with our Annual Report on Form 10-K. That report must include management's assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year. We evaluate our existing internal control over financial reporting based on the framework issued in 2013 by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. During the course of our ongoing evaluation of the internal controls, we may identify areas requiring improvement, and may have to design enhanced processes and controls to address issues identified through this review. Remedying any deficiencies, significant deficiencies or material weaknesses that we identify may require us to incur significant costs and expend significant time and management resources. Based on such evaluation, our management concluded our internal control over financial reporting was not effective as of December 31, 2019. The ineffectiveness of our internal control over financial reporting was due to the following material weaknesses which are indicative of many small companies: (i) lack of a sufficient complement of personnel commensurate with the Company's reporting requirements; and (ii) insufficient written documentation or training of our internal control policies and procedures which provide staff with guidance or framework for accounting and disclosing financial transactions. While certain remedial actions have been completed, we continue to actively plan for and implement additional control procedures to improve our overall control environment and expect these efforts to continue throughout 2020 and beyond.

Nevertheless, we cannot assure you that any of the measures we implement to remedy any such deficiencies will effectively mitigate or remedy such deficiencies. Due to the nature of the remediation process, the need to have sufficient resources (cash or otherwise) to devote to such efforts, and the need to allow adequate time after implementation to evaluate and test the effectiveness of the controls, no assurance can be given as to the timing of achievement of remediation. Investors could lose confidence in our financial reports, and our stock price may be adversely affected, if our internal controls over financial reporting continue to be found not to be effective by management or if we make disclosure of existing or potential significant deficiencies or material weaknesses in those controls in the future, investors could lose confidence in our financial reports and our stock price may be adversely affected.

The trading price of our common stock may be volatile.

The trading price of our shares has, from time to time, fluctuated widely and in the future may be subject to similar fluctuations. The trading price may be affected by a number of factors including the risk factors set forth in this report as well as our operating results, financial condition, announcements of innovations or new products by us or our competitors, general conditions in the market place, and other events or factors. Although we believe a number of registered broker dealers currently make a market in our common stock, we cannot assure you that any of these firms will continue to serve as market makers or have the financial capability to stabilize or support our common stock. A reduction in the number of market makers or the financial capability of any of these market makers could also result in a decrease in the trading volume of and price of our shares. In recent years, broad stock market indices in general have experienced substantial price fluctuations. Such broad market fluctuations may adversely affect the future trading price of our common stock.

The trading market for securities quoted on the OTCQB is less liquid.

Our common stock currently trades on the OTCQB. The trading market for securities of companies quoted on the OTCQB or other quotation systems is substantially less liquid than the average trading market for companies listed on a national securities exchange. The quotation of our shares on the OTCQB or other quotation system may result in a less liquid market available for existing and potential shareholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

Potential future sales pursuant to Rule 144.

Many of the shares of our common stock presently held by management and others are "restricted securities" as that term is defined in Rule 144, promulgated under the Securities Act of 1933, as amended. Under Rule 144, a person (or persons whose shares are aggregated) who has satisfied a certain holding period, may, under certain circumstances sell such shares or a portion of such shares. Such holding periods have already been satisfied in many instances. Therefore, actual sales or the prospect of sales of such shares under Rule 144 in the future may depress the prices of the Company's securities.

Our common stock may be characterized as a "penny stock" under applicable SEC regulations.

Our common stock may be characterized as "penny stock" under SEC regulations. As such, broker-dealers dealing in our common stock may be subject to the disclosure rules for transactions involving penny stocks, which generally require that, prior to a purchase, the broker-dealer has approved the proposed purchaser's account for transactions in penny stocks and has received from the purchaser an agreement to the transaction setting forth the identity and quantity of the common stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker-dealer must obtain from the person information concerning the person's financial situation, investment experience and investment objectives, and reasonably determine that transactions in penny stocks are suitable for the person. These additional burdens imposed upon broker-dealers may discourage them from effecting transactions in our common stock, which could make it difficult for an investor to sell his, her or its shares at any given time.

Except as required by the Federal Securities Law, the Company does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or for any other reason.

Item 1B. Unresolved Staff Comments.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 2. Properties.

We lease a warehouse in Corsicana, Texas consisting of 20,000 square feet which we use for manufacturing and distribution of our products. As of December 2020, we relocated our corporate headquarters to such location which corporate headquarters prior thereto were maintained in Lewis Center, Ohio. Such lease in Corsicana, Texas expires March 31, 2024. We also lease approximately 500 square feet of office space in Grand Forks, North Dakota which is primarily used for research and development activities. Such lease currently expires August 31, 2020, which shall automatically extend an additional year and on a year to year basis thereafter unless either landlord or tenant otherwise terminates.

Item 3. Legal Proceedings.

On July 17, 2019, we initiated patent litigation against certain defendants in the U.S. District Court for the District of Delaware for infringement of United States Patent Nos. 10,343,114 (the "'114 Patent") and 8,168,147 (the "'147 Patent") owned by the Company. These patents relate to our two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. Named as defendants in the lawsuit are (i) Vistra Energy Corp., AEP Generation Resources Inc., NRG Energy, Inc., Talen Energy Corporation, and certain of their respective affiliated entities, all of which are owners and/or operators of coal-fired power plants in the United States, and (ii) Arthur J. Gallagher & Co., DTE REF Holdings, LLC, CERT Coal Holdings LLC, Chem-Mod LLC, and certain of their respective affiliated entities, and additional named and unnamed defendants, all of which operate or are involved in operations of coal facilities in the United States. In the lawsuit, the Company alleges that each of the defendants has willfully infringed the Company's '114 Patent and '147 Patent and seeks a permanent injunction from further acts of infringement and monetary damages. Such litigation is currently pending and in its early stages.

On April 21, 2020, NRG Energy, Inc., Talen Energy Corporation and Vistra Energy Corp., three of the defendants in the above action, filed two petitions for Inter Partes Review (IPR) with the United States Patent and Trademark Office (USPTO), seeking to invalidate certain claims to the '114 Patent. The Company believes that such claims of invalidity are without merit.

Other than the foregoing, there are no material pending legal proceedings to which we are a party or to which any of our property is subject, nor are there any such proceedings known to be contemplated by governmental authorities. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market

Our shares of common stock are quoted on the OTCQB operated by OTC Markets Group Inc. under the symbol "MEEC". Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Recent Sales of Unregistered Securities

None.

Share Repurchase Program

We purchased no equity securities during year ended December 31, 2019 and have no program in place at the present time to buy any equity securities in the future.

Holders

As of December 31, 2019, there were 420 stockholders of record of our common stock. This does not reflect persons or entities that hold their stock in nominee or "street name". The approximate number of beneficial stockholders is estimated to be 1,125.

Dividends

We have not declared any cash dividends to date and have no current plan to do so in the foreseeable future. In addition, until such time that the AC Midwest Energy, LLC promissory notes are paid in full, we are not permitted to issue any dividends.

Transfer Agent

The Transfer Agent and Registrar for the Company's common stock is Transfer Online, Inc., 512 SE Salmon Street, Portland, Oregon 97214.

Equity Compensation Plan Information

The following table shows information, as of December 31, 2019, with respect to each equity compensation plan under which the Company's common stock is authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders, terminated	5,325,000	$ 0.76	0
Equity compensation plans approved by security holders	7,228,326	$ 0.39	771,674
Total	12,553,326	$ 0.55	771,674

Item 6. Selected Financial Data.

Not applicable as a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with consolidated financial statements and the related notes that appear elsewhere within this report. Certain statements we make under this Item 7 constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" in "Part I" preceding "Item 1 - Business." You should consider our forward-looking statements in light of the risks discussed under the heading "Risk Factors" in Item 1A above, as well as our consolidated financial statements, related notes and other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission.

Background

Midwest Energy Emissions Corp. (the "Company", "we", "us" and "our") is an environmental services and technology company specializing in mercury emission control technologies, primarily to utility and industrial coal-fired units. We deliver patented and proprietary solutions to the global coal-power industry to remove mercury from power plant emissions, providing performance guarantees, and leading-edge emissions services. We have developed patented technology and proprietary products that have been shown to achieve mercury removal at a significantly lower cost and with less operational impact than currently used methods, while maintaining and/or increasing unit output and preserving the marketability of fly-ash for beneficial use.

North America is currently the largest market for our technology. The U.S. EPA MATS (Mercury and Air Toxics Standards) rule requires that all coal and oil-fired power plants in the U.S., larger than 25MWs, must limit mercury in its emissions to below certain specified levels, according to the type of coal burned. Power plants were required to begin complying with MATS on April 16, 2015, unless they were granted a one-year extension to begin to comply. MATS, along with many state and provincial regulations, form the basis for mercury emission capture at coal fired plants across North America. Under the MATS regulation, Electric Generating Units ("EGUs") are required to remove about 90% of the mercury from their emissions. We believe that we continue to meet the requirements of the industry as a whole and our technologies have been shown to achieve mercury removal levels compliant with all state, provincial and federal regulations at a lower cost and with less plant impact than our competition.

As is typical in this market, we are paid by the EGU based on how much of our material is injected to achieve the needed level of mercury removal. Our current clients pay us as material is delivered to their facility. Clients will use our material whenever their EGUs operate, although EGUs are not always in operation. EGUs typically may not be in operation due to maintenance reasons or when the price of power in the market is less than their cost to produce power. Thus, our revenues from EGU clients will not typically be a consistent stream but will fluctuate, especially seasonally as the market demand for power fluctuates.

The MATS regulation has been subject to legal challenge, and in June 2015, the U.S. Supreme Court held that the EPA unreasonably failed to consider costs in determining whether it is "appropriate and necessary" to regulate hazardous air pollutants, including mercury, from power plants. The Court remanded the case back to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings, but left the rule in place. In December 2015, the D.C. Circuit remanded the rule back to the EPA for further consideration while allowing MATS to remain in effect pending the EPA's finding; the Supreme Court later denied a petition challenging the lower court's decision to remand without vacating. On April 14, 2016, EPA issued a final supplemental finding reaffirming the MATS rule on the ground that it is supported by the cost analysis the Supreme Court required. That supplemental finding is under review by the D.C. Circuit, and the Company is unable to predict with certainty the outcome of these proceedings. On April 18, 2017, EPA asked the court to place that litigation in abeyance, stating that the Agency is reviewing the supplemental finding to determine whether it should be reconsidered in whole or in part. The court granted EPA's abeyance request on April 27, 2017, and ordered EPA to file 90-day status reports starting July 26, 2017. In February 2019, the EPA published a proposed revised supplemental cost-benefits finding for MATS in which EPA proposed to conclude that the 2016 supplemental finding was flawed in part due to its reliance on co-benefits to justify MATS. Nevertheless, the EPA proposed to leave the MATS rule in place. At the same time, EPA also requested public comment on whether MATS may or must be rescinded if EPA reversed its earlier conclusion that it is "appropriate and necessary" to regulate power plant emissions of mercury and other hazardous air pollutants under the statutory provision authorizing MATS. Following the close of the public comment period, on April 16, 2020, the EPA issued a final rule which finalized the proposed supplemental cost-benefits finding in substantially the form proposed in 2019. The final rule withdraws EPA's 2016 "appropriate-and-necessary" determination as erroneous, but leaves the 2011 MATS rule in place pursuant to D.C. Circuit case law holding that a source category may only be removed from the list of categories to be regulated through a rigorous delisting process that cannot currently be satisfied by EPA. EPA's final action will almost certainly be challenged in the courts, both by those who favor retention of MATS (such as the electric utility industry) and by those who oppose it (such as certain coal interests and deregulatory groups). This litigation could extend uncertainty over the status of MATS for a number of years. Investors should note that any changes to the MATS rule could have a negative impact on our business.

Executive Overview

We remain focused on positioning the Company for short and long-term growth. During 2018, we focused on execution at our customer sites and on continual operation improvement. We continue to make refinements to all of our key products, as we continue to focus on the customer and its operations. As part of our overall strategy, we have a number of initiatives which we believe will be able to drive our short and long-term growth.

Our acquisition of all the patent rights, including all patents and patents pending, domestic and foreign, which forms the basis of our mercury control technology, which acquisition was completed in April 2017 provides a strong foundation for us to seek new customers for product using a two-part mercury control process or to offer licenses on a case by case basis.

In the United States, we continue to seek new utility customers for our technology in order for them to meet the MATS requirements as well as maintaining our contractual arrangements with our current customers. In this regard, in October 2018, we secured a supply contract extension with our largest customer and also expanded into this customer's fleet by securing two additional coal-fired boilers to which we supply our technology and products. In March 2019, we secured two additional coal-fired boilers within this customer's fleet. In addition, in March 2019, we secured a contract renewal with another long-term customer and entered into an agreement with a new utility customer to supply our technology and products. In May 2019, we announced that we had signed a multi-year contract renewal with a long-term customer located in the U.S. Southwest, and in July 2019 we announced a two-year contract extension with another long-term customer.

In Europe, we are working to penetrate this market through our licensing agreement entered into in March 2018 with one of our primary suppliers. We believe such arrangement will make our technology more marketable throughout Europe and which will benefit the Company from such supplier's knowledge and operations in the region.

On February 25, 2019, we were able to complete the restructuring of our unsecured and secured debt obligations held by AC Midwest Energy LLC extending the maturity dates of these debts until 2022 and eliminating quarterly principal payment requirements. This restructuring reflects the commitment of our financial partner in our efforts to attract new business, manage our present customers and monetize our patent portfolio.

From June through October 2019, we raised $2,600,000 in a private placement offering of 12.0% unsecured convertible promissory notes and warrants sold and issued to certain accredited investors.

In July 2019, we announced that we had initiated patent litigation against defendants in the U.S. District Court for the District of Delaware for infringement of certain patents which relate to our two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants.

In October 2019, we entered into a license and development agreement with an unaffiliated entity located in Alabama pursuant to which the parties will work together to develop a plan to commercialize and market certain technology owned by such unaffiliated entity related to the removal of mercury from air and water emissions generated by coal burning power plants.

Although we face a host of challenges and risks, we are optimistic about our future and expect our business to grow substantially.

It should be noted that our operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on our financial position, operations and cash flow. Such disruptions may include, but are not limited to, the availability of raw materials and equipment, and disruptions to our workforce or to our business relationships with other third parties.

Restatement of Previously Issued Financial Statements (Unaudited)

On April 13, 2020, our board of directors of the Company (which currently acts as our audit committee) concluded, after consultation with management and the Company's recently retained financial consulting firm, that our previously issued unaudited financial statements for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019, included in the Company's Quarterly Reports of Form 10-Q for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019, respectively, should no longer be relied upon as a result of the change in accounting for a certain debt restructuring.

Specifically, on February 25, 2019, the Company entered into an Unsecured Note Financing Agreement with AC Midwest Energy LLC ("AC Midwest"), pursuant to which AC Midwest exchanged a previously issued subordinated unsecured note in the principal amount of $13,000,000, together with all accrued and unpaid interest thereon, for a new unsecured note in the principal amount of $13,154,931 (the "New AC Midwest Unsecured Note"). We recorded a gain of $3,412,402 on this exchange which is primarily related to the difference in fair value of the notes on the date of the exchange, which we recently concluded should have been recorded as an equity transaction capital contribution.

Since the New AC Midwest Unsecured Note was held by a related party, the gain should have been recorded as a capital transaction under ASC 470-50-40. The profit-sharing portion also should have been bifurcated from the loan and shown separately on the Consolidated Balance Sheets of the financial statements. Such changes, including necessary adjustments for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019, have been reflected in the audited consolidated financial statements and notes included in this Annual Report on Form 10-K. The adjustments, which are non-cash in nature, increase additional paid-in capital and increase our previously reported net loss, but has no impact on previously reported cash, working capital, total assets, total liabilities and revenues. For further information including the impact of these adjustments, please see Notes 8 and 14 to the audited consolidated financial statements included in this Annual Report on Form 10-K.

Results of Operations

Sales - We generated revenues of approximately $11,417,000 and $12,296,000 for the years ended December 31, 2019 and 2018, respectively. Such revenues were primarily derived from sorbent product sales which were approximately $11,324,000 and $12,115,000 for the years ended December 31, 2019 and 2018, respectively. The decrease from the prior year is primarily due to decreased generation in the coal fired power sector principally due to renewables and low natural gas prices. Equipment sales and other revenues for the years ended December 31, 2019 and 2018 were approximately $93,000 and $49,000 respectively.

Costs and Expenses

Total costs and expenses were approximately $13,929,000 and $17,090,000 during the years ended December 31, 2019 and 2018, respectively. The decrease in costs and expenses from the prior year to date is primarily attributable to the decrease in cost of sales. This was offset by an increase in selling, general and administrative expenses and interest expense.

Costs of sales were approximately $8,335,000 and $9,148,000 for the year ended December 31, 2019 and 2018, respectively. The year to date decreases in cost is primarily attributable to decreased sales.

Selling, general and administrative expenses were approximately $6,429,000 and $5,895,000 for the years ended December 31, 2019 and 2018, respectively. The increase is primarily attributed to an increase in stock-based compensation of $1,810,000 in 2019 compared to $491,000 in 2018. This increase was offset by decreases in salaries and other compensation which totaled $1,910,000 in 2019 compared to $2,400,000 in 2018.

Loss on change in fair value of profit share liability (relating to the restructured unsecured debt obligation held by AC Midwest Energy LLC) were approximately $374,000 and $0 for the years ended December 31, 2019 and 2018, respectively. The increase is primarily attributed to an increase in the fair value of the profit share liability.

Interest expense related to the financing of capital was approximately $2,391,000 and $2,004,000 for the years ended December 31, 2019 and 2018, respectively. The increase in the year ended 2019 is due to the incentives provided with the notes issued in 2019, offset by the reduced interest on the notes payable. The breakdown of interest expense for the years ended December 2019 and 2018 is as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(In thousands)	
Interest expense on notes payable	$ 537	$ 1,224
Amortization of discount of notes payable	1,752	678
Amortization of debt issuance costs	102	102
	$ 2,391	$ 2,004

Net Income (Loss)

For the years ended December 31, 2019 and 2018 we had a net loss of approximately $6,097,000 and $4,817,000, respectively. The change in net loss for the year ended December 31, 2019 is primarily due to the decrease in revenue and an increase in Selling, general and administrative expenses. This was offset by a decrease in cost of sale.

Liquidity and Capital Resources

We had approximately $1,499,000 in cash on its balance sheet at December 31, 2019. Total current assets were $3,552,000 and total current liabilities were $3,854,000 at December 31, 2019, resulting in a working capital deficit of approximately $302,000. Our accumulated deficit was $57.7 million at December 31, 2019. Additionally, we had a net loss in the amount of approximately $6,097,000 and cash used by operating activities of approximately $1,577,000 for the year ended December 31, 2019.

During 2018, we restructured convertible notes totaling $560,000 into new loans that mature in 2023. In February 2019, we completed the restructuring of our unsecured and secured debt obligations held by a principal shareholder, extending the maturity dates of these debts and the remaining convertible notes until 2022 and eliminating quarterly principal payment requirements. From June through October 2019, we sold $2,600,000 new convertible notes which mature in 2024 to investors. Nevertheless, the accompanying consolidated financial statements as of December 31, 2019 have been prepared assuming we will continue as a going concern. As reflected in the consolidated financial statements, we had an accumulated deficit of $57.7 million and a negative working capital of $302,000 at December 31, 2019. Additionally, we had a net loss in the amount of $6.1 million and cash used by operating activities of $1.6 million for the year ended December 31, 2019. These factors raise substantial doubt about our ability to continue as a going concern for the next twelve months from the issuance of this Annual Report on Form 10-K. Although we anticipate continued significant revenues for products to be used in MATS compliance activities, no assurances can be given that we can obtain sufficient working capital through these activities and additional financing may be needed to meet its obligations. In February 2020, we closed on a one-year secured loan with a bank in the principal amount of $200,000, and in April 2020, we received loan proceeds in the amount of $299,300 (the “PPP Loan”) pursuant to the Paycheck Protection Program under the CARES Act which was enacted on March 27, 2020 as a result of the COVID-19 pandemic. The principal and accrued interest under the PPP Loan is forgivable after eight weeks if we use the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and otherwise complies with the PPP requirements. In order to obtain forgiveness of the PPP Loan, we must submit a request and provide satisfactory documentation regarding our compliance with applicable requirements. Notwithstanding the foregoing loans, we may need to raise additional equity or debt financing. While we believe in our ability to raise additional funds, no assurances can be given that we can maintain sufficient working capital through these efforts, or that the continued implementation of our business plan will generate sufficient revenues in the future to sustain ongoing operations.

Total assets were approximately $9,273,000 at December 31, 2019 versus approximately $8,039,000 at December 31, 2018. The change in total assets is primarily attributable to the increase in right of use assets.

Total liabilities were approximately $18,147,000 at December 31, 2019 versus approximately $16,660,000 at December 31, 2018. The increase in liabilities is primarily due to an increase in convertible notes payable and operating lease liabilities offset by a decrease in unsecured notes payable, net of discount and issuance costs.

Operating activities used approximately $1,577,000 and $1,065,000 of cash during the years ended December 31, 2019 and 2018, respectively. The increase in cash used in operating activities is primarily due to a decrease in accounts payable, accrued liabilities and operating lease liability partially offset by a decrease in accounts receivable.

Investing activities provided $30,000 during the year ended December 31, 2019 and used approximately $132,000 during the years ended December 31, 2018. The increase in cash provided by investing activities is due the increase in cash received from the sale of equipment and the decrease in cash used to purchase equipment.

Financing activities provided approximately $2,461,000 during the year ended December 31, 2019 and used approximately $636,000 during the year ended December 31, 2018, respectively. In 2019, the Company raised $2,600,000 in unsecured convertible debt and repaid $139,000 on notes payable compared to $300,000 in unsecured convertible debt and repaid $936,000 on notes payable during 2018.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial conditions and results of operation are based upon the accompanying consolidated financial statements which have been prepared in accordance with the generally accepted accounting principles in the U.S. The preparation of the consolidated financial statements requires that we make estimates and assumptions that affect the amounts reported in assets, liabilities, revenues and expenses. Management evaluates on an on-going basis our estimates with respect to the valuation allowances for accounts receivable, income taxes, accrued expenses and equity instrument valuation, for example. We base these estimates on various assumptions and experience that we believe to be reasonable. The following critical accounting policies are those that are important to the presentation of our financial condition and results of operations. These policies require management's most difficult, complex, or subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

The following critical accounting policies affect our more significant estimates used in the preparation of our consolidated financial statements. In particular, our most critical accounting policies relate to the recognition of revenue, and the valuation of our stock-based compensation.

Inventory

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value. Inventories are periodically evaluated to identify obsolete or otherwise impaired products and are written off when management determines usage is not probable. The Company estimates the balance of excess and obsolete inventory by analyzing inventory by age using last used and original purchase date and existing sales pipeline for which the inventory could be used. In the past the Company has experienced a minimal valuation allowance on its inventory.

Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For consolidated financial statement purposes, equipment is recorded at cost and depreciated using the straight-line method over their estimated useful lives of 2 to 5 years. Leasehold improvements are recorded at cost and depreciated using the straight-line method over the life of the lease.

Expenditures for repairs and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. Management reviews the carrying value of its property and equipment for impairment on an annual basis.

Intellectual Property

Intellectual is recorded at cost and amortized over its estimated useful life of 15 years. Management reviews intellectual property for impairment when events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. In the event that impairment indicators exist, a further analysis is performed and if the sum of the expected undiscounted future cash flows resulting from the use of the asset or asset group is less than the carrying amount of the asset or asset group, an impairment loss equal to the excess of the asset or asset group's carrying value over its fair value is recorded. Management considers historical experience and all available information at the time the estimates of future cash flows are made, however, the actual cash values that could be realized may differ from those that are estimated.

Recoverability of Long-Lived and Intangible Assets

Long-lived assets and certain identifiable intangibles held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of the long-lived and or intangible assets would be adjusted, based on estimates of future discounted cash flows. The Company evaluated the recoverability of the carrying value of the Company's equipment. No impairment charges were recognized for the years ended December 31, 2019 and 2018, respectively.

Leases

In February 2016, the FASB issued new guidance which requires lessees to recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The accounting standard, effective January 1, 2019, requires virtually all leases to be recognized on the Balance Sheet. Effective January 1, 2019, we adopted the standard using the modified retrospective method, under which we elected the package of practical expedients and transition provisions allowing us to bring our existing operating leases onto the Consolidated Balance Sheet without adjusting comparative periods, but recognizing a cumulative-effect adjustment to the opening balance of accumulated deficit on January 1, 2019. Under the guidance, we have also elected not to separate lease and non-lease components in recognition of the lease-related assets and liabilities, as well as the related lease expense.

We have operating leases for office space in two multitenant facilities, which are not recorded as assets and liabilities as those leases do not have terms greater than 12 months. We have an operating leases for a multi-purpose facility and bulk trailers used in operations which is recorded as an asset and liability as the lease has a terms greater than 12 months. Lease-related assets, or right-of-use assets, are recognized at the lease commencement date at amounts equal to the respective lease liabilities, adjusted for prepaid lease payments, initial direct costs, and lease incentives received. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rate. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

Upon adoption of the new lease accounting standard on January 1, 2019, we recorded $1,339,569 of right of use assets and $1,417,435 of lease-related liabilities, with the difference charged to accumulated deficit at that date.

Stock-Based Compensation

The Company accounts for stock-based compensation awards in accordance with the provisions of ASC 718,*Compensation-Stock Compensation* , which requires equity-based compensation, be reflected in the consolidated financial statements over the period of service which is typically the vesting period based on the estimated fair value of the awards.

Fair Value of Financial Instruments

The fair value hierarchy has three levels based on the inputs used to determine fair value, which are as follows:

☐ *Level 1* — Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.

☐ *Level 2* — Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

☐ *Level 3* — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Revenue Recognition

The Company records revenue in accordance with ASC 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product to its customer that obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product to a customer. Most of the Company's contracts have a single performance obligation, as the promise to transfer products or services is not separately identifiable from other promises in the contract and, therefore, not distinct.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. As such, revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales and other taxes are excluded from revenues. Invoiced shipping and handling costs are included in revenue. The adoption of this standard did not have a material impact on the Company's financial statements.

Disaggregation of Revenue

The Company generated revenue for the years ended December 31, 2019 and 2018 by (i) delivering product to its commercial customers, (ii) completing and commissioning equipment projects at commercial customer sites and (iii) performing demonstrations of its technology at customers with the intent of entering into long term supply agreements based on the performance of the Company's products during the demonstrations.

Revenue for product sales is recognized at the point of time in which the customer obtains control of the product, at the time title passes to the customer upon shipment or delivery of the product based on the applicable shipping terms.

Revenue for equipment sales is recognized upon commissioning and customer acceptance of the installed equipment per the terms of the purchase contract.

Revenue for demonstrations and consulting services is recognized when performance obligations contained in the contract have been completed, typically the completion of necessary field work and the delivery of any required analysis per the terms of the agreement.

Deferred Revenue

Revenue is recognized in the period that delivery is made and performance obligations are met. In accordance with the terms of an agreement with one customer, the Company allocated a fixed amount of payments made against the total deliveries of product made during the contract period. Due to this agreement $517,060 was deferred as of December 31, 2017 and was recognized in 2018 when product was delivered to the customer.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under FASB ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

FASB ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of December 31, 2019. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

The Company may be subject to potential examination by federal, state, and city taxing authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with federal, state, and city tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

The Company is no longer subject to tax examinations by tax authorities for years prior to 2017.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." Under ASU 2016-02, lessees will, among other things, require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, "Revenue from Contracts with Customers." ASU 2016-02 became effective for us on January 1, 2019 and initially required transition using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842) - Targeted Improvements," which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In December 2018, the FASB also issued ASU 2018-20, "Leases (Topic 842) - Narrow-Scope Improvements for Lessors," which provides for certain policy elections and changes lessor accounting for sales and similar taxes and certain lessor costs. As of January 1, 2019, the Company adopted ASU 2016-02 and has recorded a right-of-use asset and lease liability on the balance sheet for its operating leases. We elected to apply certain practical expedients provided under ASU 2016-02 whereby we will not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. The Company did not apply the recognition requirements of ASU 2016-02 to any short-term leases (as defined by related accounting guidance). The Company accounted for lease and non-lease components separately because such amounts are readily determinable under our lease contracts and because we expect this election will result in a lower impact on our balance sheet.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings.

The guidance in ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The Company early adopted ASU 2017-11 and changed its method of accounting for certain warrants that were initially recorded as liabilities during the year ended December 31, 2014 on a full retrospective basis. The adoption of ASU 2017-11 did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Standards

In June 2018, the FASB issued ASU No. 2018-07, "Compensation — Stock Compensation (Topic 718)". ASU 2018-07 is intended to reduce cost and complexity and to improve financial reporting for nonemployee share based payments. Currently, the accounting requirements for nonemployee and employee share-based payment transactions are significantly different. ASU 2018-07 expands the scope of Topic 718, Compensation — Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. This ASU supersedes Subtopic 505-50, Equity — Equity-Based Payments to Nonemployees. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and including interim periods within that fiscal year. Early adoption is permitted, but no earlier than a company's adoption date of Topic 606, Revenue from Contracts with Customers. The Company is currently evaluating ASU 2018-07 and its impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in ASU 2018-13 modify the disclosure requirements associated with fair value measurements based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The amendments are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating ASU 2018-13 and its impact on its consolidated financial statements.

In December 2019, the FASB issued authoritative guidance intended to simplify the accounting for income taxes (ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"). This guidance eliminates certain exceptions to the general approach to the income tax accounting model and adds new guidance to reduce the complexity in accounting for income taxes. This guidance is effective for annual periods after December 15, 2020, including interim periods within those annual periods. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

Management does not believe that any recently issued, but not yet effective accounting pronouncements, when adopted, will have a material effect on the accompanying consolidated financial statements.

Non-GAAP Financial Measures

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we consider and are including herein Adjusted EBITDA, a Non-GAAP financial measure. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is net income (loss). We define Adjusted EBITDA as net income adjusted for interest and financing fees, income taxes, depreciation, amortization, stock based compensation, and other non-cash income and expenses. We believe that Adjusted EBITDA provides us an important measure of operating performance because it allows management, investors, debtholders and others to evaluate and compare ongoing operating results from period to period by removing the impact of our asset base, any asset disposals or impairments, stock based compensation and other non-cash income and expense items associated with our reliance on issuing equity-linked debt securities to fund our working capital.

Our use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating our performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income and other GAAP results. In the future, we may disclose different non-GAAP financial measures in order to help our investors and others more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

The following table shows our reconciliation of Net Income to Adjusted EBITDA for the years ended December 31, 2019 and 2018, respectively:

	Year Ended	
	12/31/2019	**12/31/2018**
	(In thousands)	
Net loss	$ (6,097)	$ (4,817)
Non-GAAP adjustments:		
Depreciation and amortization	929	796
Interest and letter of credit fees	2,391	2,004
Income taxes	14	22
Stock based compensation	1,810	491
Adjusted EBITDA	$ (953)	$ (1,504)

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
Index to Financial Information
Years Ended December 31, 2019 and 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Midwest Energy Emissions Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Midwest Energy Emissions Corp. (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, stockholders' deficit and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 3, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended, effective January 1, 2019, using the modified retrospective approach.

Restatement of Previously Issued Unaudited Financial Statements

As discussed in Note 14 to the financial statements, the Company concluded that a gain on debt restructuring recognized during the first quarter of 2019 should have been accounted for as a capital transaction. The effect of restatement, which resulted in a reduction in net gain and no effect on ending equity, on the specific items presented in the Company's historical unaudited interim condensed consolidated financial statements previously included in the Company's Quarterly Reports on Form 10-Q have been restated within these financial statements for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019; as further described in Note 14.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2018**.**
Houston, Texas
May 14, 2020

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ 1,499,287	$ 584,877
Accounts receivable	1,222,874	1,642,126
Inventory	513,498	509,416
Prepaid expenses and other assets	316,199	136,628
Customer acquisition costs, net	-	34,467
Total current assets	3,551,858	2,907,514
Property and equipment, net	2,082,343	2,397,691
Right of use asset	1,106,575	-
Intellectual property	2,532,462	2,733,662
Total assets	$ 9,273,238	$ 8,038,867
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	$ 1,676,757	$ 1,858,326
Current portion of equipment notes payable	53,304	63,424
Current portion of operating lease liability	383,307	-
Current portion of convertible notes payable, net of discount and issuance costs	990,000	-
Accrued interest	226,065	96,902
Customer credits	167,000	167,000
Deferred compensation	357,095	555,877
Total current liabilities	3,853,528	2,741,529
Equipment notes payable, less current portion	22,386	104,226
Operating lease liability	807,409	-
Convertible notes payable, net of discount and issuance costs	2,951,137	1,760,570
Profit share liability	2,328,845	-
Secured note payable	271,686	271,686
Unsecured note payable, net of discount and issuance costs	7,911,898	11,781,952
Total liabilities	18,146,889	16,659,963
COMMITMENTS AND CONTINGENCIES (Note 11)		
Stockholders' deficit		
Preferred stock, $0.001 par value: 2,000,000 shares authorized, no shares issued	-	-
Common stock; $0.001 par value; 150,000,000 shares authorized; 76,747,750 and 76,246,113 shares issued and outstanding as of December 31, 2019 and 2018, respectively	76,748	76,246
Additional paid-in capital	48,708,085	42,785,990
Accumulated deficit	(57,658,484)	(51,483,332)
Total stockholders' deficit	(8,873,651)	(8,621,096)
Total liabilities and stockholders' deficit	$ 9,273,238	$ 8,038,867

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Revenues	$ 11,417,027	$ 12,295,862
Costs and expenses:		
Cost of sales	8,335,436	9,147,745
Selling, general and administrative expenses	6,428,580	5,894,511
Interest expense & letter of credit fees	2,391,395	2,004,097
Loss on debt restructuring	-	44,036
Loss on change in fair value of profit share liability	374,462	-
Gain on sale of equipment	(29,560)	-
Total costs and expenses	17,500,313	17,090,389
Net loss before provision for income taxes	(6,083,286)	(4,794,527)
Provision for income taxes	(14,000)	(22,153)
Net loss	$ (6,097,286)	$ (4,816,680)
Net loss per common share-basic and diluted:	$ (0.08)	$ (0.06)
Weighted average common shares outstanding	**76,534,957**	**76,137,894**

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Common Stock		Additional	Accumulated	
	Shares	Par Value	Paid-in Capital	(Deficit)	Total
Balance - December 31, 2017	76,246,113	$ 76,246	$ 42,165,620	$ (46,666,652)	$ (4,424,786)
Vesting of stock issued to non-employees in prior year	-	-	138,750	-	138,750
Issuance of warrants	-	-	129,850	-	129,850
Issuance of stock options	-	-	351,770	-	351,770
Net loss	-	-	-	(4,816,680)	(4,816,680)
Balance - December 31, 2018	76,246,113	$ 76,246	$ 42,785,990	$ (51,483,332)	$ (8,621,096)
Cumulative effect of change in accounting principle related to accounting for leases	-	-	-	(77,866)	(77,866)
Issuance of warrants, recorded as discount on convertible notes payable	-	-	485,640	-	485,640
Issuance of stock options	-	-	898,207	-	898,207
Extension of certain stock option expiration	-	-	745,989	-	745,989
Stock issued per resignation agreements	464,517	465	118,075	-	118,540
Stock issued upon cashless warrant exercise	37,120	37	(37)	-	-
Stock warrants issued for prepaid services	-	-	243,294	-	243,294
Stock options issued for prepaid services	-	-	18,723	-	18,723
Capital contribution related to debt restructuring Note 8	-	-	3,412,204	-	3,412,204
Net loss	-	-	-	(6,097,286)	(6,097,286)
Balance - December 31, 2019	76,747,750	$ 76,748	$ 48,708,085	$ (57,658,484)	$ (8,873,651)

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Cash flows from operating activities		
Net loss	$ (6,097,286)	$ (4,816,680)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,810,267	490,520
Amortization of discount of notes payable	1,752,639	678,061
Amortization of debt issuance costs	101,852	102,183
Amortizaton of right to use assets	378,261	-
Amortization of customer acquisition costs	34,467	137,866
Amortization of patent rights	201,200	201,200
Depreciation expense	314,908	456,914
Loss on debt exchange	-	44,036
Loss on change in fair value of profit share	374,462	-
(Gain) Loss on sale of equipment	(29,560)	6,303
Changes in operating assets and liabilities		
Decrease in accounts receivable	419,252	1,289,227
(Increase) Decrease in inventory	(4,082)	150,163
Decrease in prepaid expenses and other assets	34,915	73,907
(Decrease) Increase in accounts payable and accrued liabilities	(426,638)	62,623
Increase in deferred compensation	(198,782)	555,877
Increase in accrued interest	129,163	19,402
(Decrease) in operating lease liability	(371,986)	-
(Decrease) in deferred revenue and customer credits	-	(517,060)
Net cash used in operating activities	(1,576,948)	(1,065,458)
Cash flows used in investing activities		
Cash received from sale of equipment	30,000	-
Purchase of property and equipment	-	(131,915)
Net cash used in investing activities	30,000	(131,915)
Cash flows from financing activities		
Payments on secured promissory note	(46,682)	(875,000)
Payments of equipment notes payable	(91,960)	(61,177)
Proceeds from the issuance of convertible promissory notes and related warrants	2,600,000	300,000
Net cash provided by (used in) financing activities	2,461,358	(636,177)
Net increase (decrease) in cash and cash equivalents	914,410	(1,833,550)
Cash and cash equivalents - beginning of year	584,877	2,418,427
Cash and cash equivalents - end of year	$ 1,499,287	$ 584,877
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ -	$ 1,175,450
Taxes	$ 14,000	$ 22,153
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS		
Cumulative effect on accumulated deficit of lease accounting change	$ 77,866	$ -
Discount on convertible promissory notes payable	$ 485,640	$ -
Net adjustment for extension of lease	$ 145,267	$ -
Stock warrants issued for prepaid services	$ 243,294	$ -
Stock options issued for prepaid services	$ 18,723	$ -
Conversion of secured notes payable into unsecured notes payable	$ -	$ 560,000
Capital contribution	$ (3,412,204)	$ -
Warrants issued upon debt exchange	$ -	$ 89,500

The accompanying notes are an integral part of these consolidated financial statements.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Note 1 - Organization

Midwest Energy Emissions Corp.

Midwest Energy Emissions Corp. (the “Company”) is organized under the laws of the State of Delaware with 150,000,000 authorized shares of common stock, par value $.001 per share and 2,000,000 authorized shares of preferred stock, par value $0.001 per share.

MES, Inc.

MES, Inc. is incorporated in the State of North Dakota. MES, Inc. is a wholly owned subsidiary of Midwest Energy Emissions Corp. and is engaged in the business of developing and commercializing state of the art control technologies relating to the capture and control of mercury emissions from coal fired boilers in the United States and Canada.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the United States of America (“GAAP”).

Principles of Consolidation

The consolidated financial statements include the accounts of Midwest Energy Emissions Corp. and its wholly-owned subsidiary, MES, Inc. Intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain prior year amounts in the consolidated financial statements and the notes thereto have been reclassified where necessary to conform to the current year presentation. These reclassifications did not affect the prior period total assets, total liabilities, stockholders’ deficit, net loss or net cash used in operating activities.

Use of Estimates

The preparation of consolidated 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, valuation of equity issuances and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company uses estimates in accounting for, among other items, revenue recognition, allowance for doubtful accounts, stock-based compensation, income tax provisions, excess and obsolete inventory reserve and impairment of intellectual property. Actual results could differ from those estimates.

Cash

Cash and cash equivalents include all highly liquid monetary instruments with original maturities of three months or less when purchased. These investments are carried at cost, which approximates fair value. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash deposits. The Company maintains its cash in institutions insured by the Federal Deposit Insurance Corporation (“FDIC”). At times, the Company’s cash and cash equivalent balances may be uninsured or in amounts that exceed the FDIC insurance limits. The Company has not experienced any loses on such accounts. At December 31, 2019 and 2018, the Company had no cash equivalents.

As of December 31, 2019, approximately $1,249,000 of cash exceeded the FDIC insurance limits.

Accounts Receivable

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2019 and 2018, the allowance for doubtful accounts was zero.

Inventory

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value. Inventories are periodically evaluated to identify obsolete or otherwise impaired products and are written off when management determines usage is not probable. The Company estimates the balance of excess and obsolete inventory by analyzing inventory by age using last used and original purchase date and existing sales pipeline for which the inventory could be used. As of December 31, 2019 and 2018, the Company has no valuation allowance.

Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For consolidated financial statement purposes, equipment is recorded at cost and depreciated using the straight-line method over their estimated useful lives of 2 to 5 years. Leasehold improvements are recorded at cost and depreciated using the straight-line method over the life of the lease.

Expenditures for repairs and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. Management reviews the carrying value of its property and equipment for impairment on an annual basis.

Intellectual Property

Intellectual is recorded at cost and amortized over its estimated useful life of 15 years. Management reviews intellectual property for impairment when events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. In the event that impairment indicators exist, a further analysis is performed and if the sum of the expected undiscounted future cash flows resulting from the use of the asset or asset group is less than the carrying amount of the asset or asset group, an impairment loss equal to the excess of the asset or asset group's carrying value over its fair value is recorded. Management considers historical experience and all available information at the time the estimates of future cash flows are made, however, the actual cash values that could be realized may differ from those that are estimated.

Recoverability of Long-Lived and Intangible Assets

Long-lived assets and certain identifiable intangibles held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of the long-lived and or intangible assets would be adjusted, based on estimates of future discounted cash flows. The Company evaluated the recoverability of the carrying value of the Company's equipment. No impairment charges were recognized for the years ended December 31, 2019 and 2018, respectively.

Leases

In February 2016, the FASB issued new guidance which requires lessees to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The accounting standard, effective January 1, 2019, requires virtually all leases to be recognized on the Balance Sheet. Effective January 1, 2019, we adopted the standard using the modified retrospective method, under which we elected the package of practical expedients and transition provisions allowing us to bring our existing operating leases onto the Consolidated Balance Sheet without adjusting comparative periods, but recognizing a cumulative-effect adjustment to the opening balance of accumulated deficit on January 1, 2019. Under the guidance, we have also elected not to separate lease and non-lease components in recognition of the lease-related assets and liabilities, as well as the related lease expense.

We have operating leases for office space in two multitenant facilities, which are not recorded as assets and liabilities as those leases do not have terms greater than 12 months. We have an operating leases for a multi-purpose facility and bulk trailers used in operations which is recorded as an asset and liability as the lease has a terms greater than 12 months. Lease-related assets, or right-of-use assets, are recognized at the lease commencement date at amounts equal to the respective lease liabilities, adjusted for prepaid lease payments, initial direct costs, and lease incentives received. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rate. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

Upon adoption of the standard on January 1, 2019, we recorded $1,339,569 of right of use assets and $1,417,435 of lease-related liabilities, with the difference charged to accumulated deficit at that date.

Stock-Based Compensation

The Company accounts for stock-based compensation awards in accordance with the provisions of Accounting Standards Codification (“ASC”) 718, *Compensation-Stock Compensation*, which requires equity-based compensation, be reflected in the consolidated financial statements over the period of service which is typically the vesting period based on the estimated fair value of the awards.

Fair Value of Financial Instruments

The fair value hierarchy has three levels based on the inputs used to determine fair value, which are as follows:

☐ *Level 1* — Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.

☐ *Level 2* — Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

☐ *Level 3* — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management’s estimates of market participant assumptions.

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Cash was the only asset measured at fair value on a recurring basis by the Company at December 31, 2019 and December 31, 2018 and is considered to be Level 1.

Financial instruments include cash, accounts receivable, accounts payable, deferred revenue, customer credits and short-term debt. The carrying amounts of these financial instruments approximated fair value at December 31, 2019 and December 31, 2018 due to their short-term maturities.

The fair value of the promissory notes payable at December 31, 2019 and December 31, 2018 approximated the carrying amount as the notes were issued during the years ended December 31, 2019 and 2018 at interest rates prevailing in the market and interest rates have not significantly changed as of December 31, 2019. The fair value of the promissory notes payable was determined on a Level 2 measurement. Discounts on issued debt, as well as debt issuance costs, are amortized over the term of the individual promissory notes.

The fair value of the profit share liability at December 31, 2019 was calculated using a discounted cash flow model based on estimated future cash payments. The fair value of the profit share liability was determined on a Level 3 measurement. These values are determined using pricing models for which the assumptions utilized management's estimates.

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

		Fair Value Measurement as of December 31, 2019		
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash	1,499,287	1,499,287	-	-
Total Assets	$ 1,499,287	$ 1,499,287	$ -	$ -
Liabilities				
Promissory notes	12,200,411	-	12,200,411	-
Profit share liability	2,328,845	-	-	2,328,845
Total Liabilities	$ 14,529,256	$ -	$ 12,200,411	$ 2,328,845

		Fair Value Measurement as of December 31, 2018		
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash	584,877	584,877	-	-
Total Assets	$ 584,877	$ 584,877	$ -	$ -
Liabilities				
Promissory notes	13,814,208	-	13,814,208	
Total Liabilities	$ 13,814,208	$ -	$ 13,814,208	$ -

Foreign Currency Transactions

The Company's functional currency is the United States Dollar (the "U.S. Dollar"). Transactions denominated in currencies other than the U.S. Dollar are re-measured to the U.S. Dollar at the period-end exchange rates. Any associated transactional currency re-measurement gains and losses are recognized in current operations. At both December 31, 2019 and December 31, 2018, there were no material gains or losses recognized.

Revenue Recognition

The Company records revenue in accordance with ASC 606, *Revenue from Contracts with Customers.* The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product to its customer that obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product to a customer. Most of the Company's contracts have a single performance obligation, as the promise to transfer products or services is not separately identifiable from other promises in the contract and, therefore, not distinct.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. As such, revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales and other taxes are excluded from revenues. Invoiced shipping and handling costs are included in revenue. The adoption of this standard did not have a material impact on the Company's financial statements.

Disaggregation of Revenue

The Company generated revenue for the years ended December 31, 2019 and 2018 by (i) delivering product to its commercial customers, (ii) completing and commissioning equipment projects at commercial customer sites and (iii) performing demonstrations of its technology at customers with the intent of entering into long term supply agreements based on the performance of the Company's products during the demonstrations.

Revenue for product sales is recognized at the point of time in which the customer obtains control of the product, at the time title passes to the customer upon shipment or delivery of the product based on the applicable shipping terms.

Revenue for equipment sales is recognized upon commissioning and customer acceptance of the installed equipment per the terms of the purchase contract.

Revenue for demonstrations and consulting services is recognized when performance obligations contained in the contract have been completed, typically the completion of necessary field work and the delivery of any required analysis per the terms of the agreement.

The following table presents sales by operating segment disaggregated based on the type of product and geographic region for the years ended December 31, 2019, and 2018.

	Year ended December 31, 2019			Year ended December 31, 2018		
	United States	International	Total	United States	International	Total
Product revenue	$10,746,714	$ 297,840	$11,044,554	$11,965,185	$ 149,968	$12,115,153
Demonstrations & Consulting revenue	183,448	95,543	278,991	131,681	-	131,681
Equipment revenue	93,481	-	93,481	49,028	-	49,028
	$11,023,643	$ 393,383	$11,417,026	$12,145,894	$ 149,968	$12,295,862

Customer Acquisition Costs

Customer acquisition costs are amortized on a straight-line bases over the life of the initial customer contract. The capitalized balance of customer acquisition costs was $0 and $34,467 on December 31, 2019 and December 31, 2018, respectively. Amortization expense for the years ended December 31, 2019 and 2018 was $0 and $137,866, respectively and included in cost of sales.

Deferred Revenue

Revenue is recognized in the period that delivery is made and performance obligations are met. In accordance with the terms of an agreement with one customer, the Company allocated a fixed amount of payments made against the total deliveries of product made during the contract period. As of December 31, 2019 and 2018 the Company had no deferred revenue.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under FASB ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

FASB ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of December 31, 2019. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

The Company may be subject to potential examination by federal, state, and city taxing authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with federal, state, and city tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

The Company is no longer subject to tax examinations by tax authorities for years prior to 2017.

Basic and Diluted Loss Per Common Share

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted loss per share reflects the potential dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. For the years ended December 31, 2019 and 2018 basic and diluted earnings per share approximated each other. There were no dilutive potential common shares as of December 31, 2019 and 2018, because the Company incurred net losses and basic and diluted losses per common share are the same. The following common stock equivalents were excluded from the computation of diluted net loss per share of common stock because they were anti-dilutive. The exercise of these common stock equivalents would dilute earnings per share if the Company becomes profitable in the future.

	December 31 2019	December 31 2018
Stock Options	12,553,326	9,161,510
Warrants	5,690,378	4,105,398
Convertible debt	9,351,400	3,700,000
Total common stock equivalents excluded from diluted net loss per share	27,595,104	16,966,908

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash and equivalents on deposit with financial institutions and accounts receivable. The Company's cash as of December 31, 2019 is maintained at high-quality financial institutions and has not incurred any losses to date.

Customer and Supplier Concentration

For each of the years ended December 31, 2019 and 2018, 100% of the Company's revenue related to eleven and eight customers respectively. At December 31, 2019 and 2018, 100% of the Company's accounts receivable related to eight and seven customers respectively.

For each of the years ended December 31, 2019 and 2018, 91% and 52% of the Company's purchases related to two suppliers, respectively. At December 31, 2019 and 2018, 74% and 72% of the Company's accounts payable and accrued expenses related to two vendors. The Company believes there are numerous other suppliers that could be substituted should the supplier become unavailable or non-competitive.

Contingencies

Certain conditions may exist which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they arise from guarantees, in which case the guarantees would be disclosed.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, lessees will, among other things, require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model and ASC Topic 606, "Revenue from Contracts with Customers." ASU 2016-02 became effective for us on January 1, 2019 and initially required transition using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842) - Targeted Improvements," which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In December 2018, the FASB also issued ASU 2018-20, "Leases (Topic 842) - Narrow-Scope Improvements for Lessors," which provides for certain policy elections and changes lessor accounting for sales and similar taxes and certain lessor costs. As of January 1, 2019, the Company adopted ASU 2016-02 and has recorded a right-of-use asset and lease liability on the balance sheet for its operating leases. We elected to apply certain practical expedients provided under ASU 2016-02 whereby we will not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. The Company did not apply the recognition requirements of ASU 2016-02 to any short-term leases (as defined by related accounting guidance). The Company accounted for lease and non-lease components separately because such amounts are readily determinable under our lease contracts and because we expect this election will result in a lower impact on our balance sheet.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815)*: (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings.

The guidance in ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The Company early adopted ASU 2017-11 and changed its method of accounting for certain warrants that were initially recorded as liabilities during the year ended December 31, 2014 on a full retrospective basis. The adoption of ASU 2017-11 did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Standards

In June 2018, the FASB issued ASU No. 2018-07, *Compensation — Stock Compensation (Topic 718)*. ASU 2018-07 is intended to reduce cost and complexity and to improve financial reporting for nonemployee share based payments. Currently, the accounting requirements for nonemployee and employee share-based payment transactions are significantly different. ASU 2018-07 expands the scope of Topic 718, Compensation — Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. This ASU supersedes Subtopic 505-50, Equity — Equity-Based Payments to Nonemployees. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and including interim periods within that fiscal year. Early adoption is permitted, but no earlier than a company's adoption date of Topic 606, Revenue from Contracts with Customers. The Company is currently evaluating ASU 2018-07 and its impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in ASU 2018-13 modify the disclosure requirements associated with fair value measurements based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The amendments are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating ASU 2018-13 and its impact on its consolidated financial statements.

In December 2019, the FASB issued authoritative guidance intended to simplify the accounting for income taxes (ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"). This guidance eliminates certain exceptions to the general approach to the income tax accounting model and adds new guidance to reduce the complexity in accounting for income taxes. This guidance is effective for annual periods after December 15, 2020, including interim periods within those annual periods. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

Management does not believe that any recently issued, but not yet effective accounting pronouncements, when adopted, will have a material effect on the accompanying consolidated financial statements.

Note 3 – Going Concern and Financial Condition

Under ASC 205-40, *Presentation of Financial Statements—Going Concern*, the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Management has assessed the Company's ability to continue as a going concern in accordance with the requirement of ASC 205-40.

The accompanying consolidated financial statements as of December 31, 2019 have been prepared assuming the Company will continue as a going concern. As reflected in the consolidated financial statements, the Company had an accumulated deficit of $57.7 million and a negative working capital of $302,000 at December 31, 2019. Additionally, the Company had a net loss in the amount of $6.1 million and cash used by operating activities of $1.6 million for the year ended December 31, 2019. These factors raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the issuance of these consolidated financial statements within the Company's Annual Report on Form 10-K. Although we anticipate continued significant revenues for products in be used in MATS compliance activities, no assurances can be given that the Company can obtain sufficient working capital through these activities and additional financing may be needed to meet its obligations. In February 2020, the Company closed on a one-year secured loan with a bank in the principal amount of $200,000, and in April 2020, the Company received loan proceeds in the amount of $299,300 pursuant to the Paycheck Protection Program under the Cares Act which was enacted on March 27, 2020 as a result of the COVID-19 pandemic. Nevertheless, the Company may need to raise additional equity or debt financing. While the Company believes in its ability to raise additional funds, no assurances can be given that the Company can maintain sufficient working capital through these efforts, or that the continued implementation of its business plan will generate sufficient revenues in the future to sustain ongoing operations.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

Note 4 - Inventory

Inventory was comprised of the following at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Raw Materials	$ 223,790	$ 87,730
Work in Process	43,814	130,062
Spare Parts	27,632	26,967
Finished goods	218,262	264,657
	$ 513,498	$ 509,416

Note 5 - Property and Equipment, Net

Property and equipment at December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Equipment & Installation	$ 1,965,659	$ 1,965,659
Trucking equipment	922,441	983,948
Computer equipment and software	67,126	117,212
Office equipment	27,155	27,155
Total equipment	2,982,381	3,093,974
Less: accumulated depreciation	(2,707,745)	(2,503,990)
Construction in process	1,807,707	1,807,707
Property and equipment, net	$ 2,082,343	$ 2,397,691

The Company uses the straight-line method of depreciation over 2 to 5 years. During the years ended December 31, 2019 and 2018 depreciation expense was $314,908, and $456,914.

Note 6 – Intellectual Property

On January 15, 2009, the Company entered into an "Exclusive Patent and Know-How License Agreement Including Transfer of Ownership" with the Energy and Environmental Research Center Foundation, a non-profit entity ("EERCF"). Under the terms of the Agreement, the Company has been granted an exclusive license by EERCF for the technology to develop, make, have made, use, sell, offer to sell, lease, and import the technology in any coal-fired combustion systems (power plant) worldwide and to develop and perform the technology in any coal-fired power plant in the world.

On April 24, 2017, the Company closed on the acquisition of all patent rights from EERCF including all patents and patents pending, domestic and foreign, relating to the foregoing technology. A total of 42 domestic and foreign patents and patent applications were included in the acquisition. In accordance with the terms of the License Agreement, the patent rights were acquired for the purchase price of (i) $2,500,000 in cash, and (ii) 925,000 shares of common stock of which 628,998 shares were issued to EERCF and 296,002 were issued to the inventors who had been designated by EERCF. The shares issued were valued at $518,000 ($0.56 per share), representing the value as of the closing date.

License and patent costs capitalized as of December 31, 2019 and 2018 are as follows:

	December 31 2019	December 31 2018
Patents	$ 3,068,995	$ 3,068,995
Less: Accumulated amortization	(536,533)	(335,333)
License, net	$ 2,532,462	$ 2,733,662

Amortization expense for the years ended December 31, 2019 and 2018 was $201,200 and $201,200, respectively. Estimated annual amortization for each of the next five years is $201,200.

Note 7 –Convertible Notes Payable

The Company has the following convertible notes payable outstanding as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Secured convertible promissory notes which mature upon the retirement of the New AC Midwest Secured Debt, bear interest at 10% per annum, and are convertible into one share of common stock, par value $0.001 per share.	$ 990,000	$ 990,000
Unsecured convertible promissory notes which mature beginning on June 15, 2023, bear interest at 12% per annum, and are convertible into one share of common stock, par value $0.001 per share.	860,000	860,000
Unsecured convertible promissory notes which mature beginning on June 18, 2024, bear interest at 12% per annum, and are convertible into one share of common stock, par value $0.001 per share.	2,600,000	-
Total convertible notes payable before discount	4,450,000	1,850,000
Less discounts and debt issuance costs	(508,863)	(89,430)
Total convertible notes payable	3,941,137	1,760,570
Less current portion	(990,000)	-
Convertible notes payable, net of current portion	$ 2,951,137	$ 1,760,570

As of December 31, 2019, remaining scheduled principal payments due on convertible notes payable are as follows:

Twelve months ended December 31,	
2020	$ 990,000
2021	-
2022	-
2023	860,000
2024	2,600,000
thereafter	-
	$ 4,450,000

As of December 31, 2019, the remaining future amortization of discounts are as follows:

Twelve months ended December 31,	Discounts
2020	$ 114,647
2021	114,334
2022	114,334
2023	105,477
2024	60,071
thereafter	-
	$ 508,863

From July 30, 2013 through December 24, 2013, the Company sold convertible notes and warrants to unaffiliated accredited investors totaling $1,902,500. The notes bear interest at 10% per annum, are secured by the Company's assets, and are convertible into one share of common stock, par value $0.001 per share, with the initial conversion ratio equal to $0.50 per share. The notes had an initial term of three years, but the maturity of the notes was extended during 2014 to match the retirement of the New AC Midwest Secured Debt. These securities were sold in reliance upon the exemption provided by Section 4(2) of the Securities Act and the safe harbor of Rule 506 under Regulation D promulgated under the Securities Act. Interest expense for the years ended December 31, 2019 and 2018, was $99,000 and $124,967, respectively. A discount on the notes payable of $841,342 was recorded based on the value of the warrants issued using a Black-Scholes options pricing model and was amortized over the initial five year life of the notes. Amortized interest expense for the years ended December 31, 2019 and 2018 on this discount was $0 and $74,447, respectively. As of December 31, 2019 and 2018, total principal of $990,000 and $990,000, respectively, was outstanding on these notes.

On June 15, 2018, the Company issued 2018 Unsecured Notes totaling $560,000 and warrants to certain holders of the 2013 Notes in exchange for their secured 2013 Notes (see description above of the private placement offering commenced during the second quarter of 2018). The 2018 Unsecured Notes have a term of five years, bear interest at 12% per annum, and are convertible into one share of common stock, par value $0.001 per share, with the initial conversion ratio equal to $0.50 per share. For each dollar exchanged, the investor received a warrant to purchase one share of common stock of the Company at an exercise price of $0.70 per share. The 2018 Unsecured Notes may be converted at any time and from time to time in whole or in part prior to the maturity date thereof. Loss on this debt exchange was $44,036. A discount on the notes payable of $89,500 was recorded based on the value of the fair value of the note and warrants exchanged. The included warrants were valued using a Black-Scholes options pricing model. From August 31, 2018 through October 30, 2018, the Company issued additional 2018 Notes totaling $300,000 and warrants to unaffiliated accredited investors. A discount on the notes payable of $40,350 was recorded based on the fair value of the warrants issued with this note using a Black-Scholes options pricing model. Amortized interest expense for the years ended December 31, 2019 and 2018 on these discounts was $24,323 and $8,700, respectively. Interest expense for the years ended December 31, 2019 and 2018, was $202,200 and $46,587, respectively. As of December 31, 2019 and 2018, total principal of $860,000 and $860,000 was outstanding on the 2018 Unsecured Notes. The significant assumptions utilized for these Black-Scholes calculations consist of an expected life of equal to the expiration term of the option, historical volatility of 100% respectively, and a risk free interest rate of 3%.

From June 18, 2019 through October 23, 2019, the Company sold convertible notes and warrants to unaffiliated accredited investors totaling $2,600,000. The notes bear interest at 12% per annum, are secured by the Company's assets, and are convertible into one share of common stock, par value $0.001 per share, with the initial conversion ratio equal to $0.50 per share. The notes have a term of five years. Interest expense for the year ended December 31, 2019 was $124,600. A discount on the notes payable of $488,245 was recorded based on the relative fair value of the warrants issued using a Black-Scholes options pricing model and was amortized over the initial five year life of the notes. Amortized interest expense for the year ended December 31, 2019 on this discount was $37,737. As of December 31, 2019, total principal of $2,600,000 was outstanding on these notes.

Note 8 - Related Party

Secured Note Payable

On November 29, 2016, pursuant to a new restated financing agreement entered with AC Midwest Energy, LLC ("AC Midwest") on November 1, 2016, the Company closed on a new secured note with AC Midwest (the "New AC Midwest Secured Note") in the original principal amount of $9,646,686, which was to mature on December 15, 2018.The New AC Midwest Secured Note is guaranteed by MES, is non-convertible and bears interest at a rate of 15.0% per annum, payable quarterly in arrears on or before the last day of each fiscal quarter. The New AC Midwest Secured Note is secured by all of the assets of the Companies. Interest expense for the years ended December 31, 2019 and 2018 was $40,753 and $66,694, respectively. On February 25, 2019, per Amendment No. 3 to the Amended and Restate Financing Agreement, AC Midwest agreed to waive compliance with a certain financial covenant of the Restated Financing Agreement and strike this covenant in its entirety as of the effective date of the amendment. Also, pursuant to Amendment No. 3, the parties agreed that the maturity date for the remaining principal balance due under the AC Midwest Secured Note would be extended from December 15, 2018 to August 25, 2022. The amendment was accounted for as an extinguishment in accordance with ASC 470-50 with no gain or loss recorded. As of December 31, 2019 and December 31, 2018, total principal of $271,686 and $271,686 was outstanding on this note.

Unsecured Note Payable

The Company has the following unsecured note payable - related party outstanding as of December 31, 2019 and 2018:

Unsecured Note Payable	$ 13,154,931	$ 13,000,000
Less discounts and debt issuance costs	(5,243,033)	(1,218,048)
Total convertible notes payable	7,911,898	11,781,952
Less current portion	-	-
Convertible notes payable, net of current portion	$ 7,911,898	$ 11,781,952

On November 29, 2016, pursuant to a new restated financing agreement entered with AC Midwest on November 1, 2016, the Company closed on an unsecured note with AC Midwest (the "AC Midwest Subordinated Note") in the principal amount of $13,000,000, which was to mature on December 15, 2020. On February 25, 2019, the Company, entered into an Unsecured Note Financing Agreement (the "Unsecured Note Financing Agreement") with AC Midwest, pursuant to which AC Midwest issued an unsecured note in the principal amount of $13,154,931 (the "New AC Midwest Unsecured Note"), which represented the outstanding principal and accrued and unpaid interest at closing.

In accordance with ASC 470-60-15-5, since the present value of the cash flows under the new debt instrument was at least ten percent different from the present value of the remaining cash flows under the terms of the original debt instrument, the Company accounted for the amendment to note as a debt extinguishment. Accordingly, the Company wrote off the remaining debt discount on the original Debentures of $1,070,819. Since the amendment was with a related party defined in ASC 470-50-40-2 the Company recorded a Capital contribution of $3,412,204 on this exchange which is primarily related to the difference in fair value of the note on the date of the exchange. The Company determined that the rate of interest on the AC Midwest Subordinated Note was a below market rate of interest and determined that a discount of $6,916,687 should be recorded. This discount is based on an applicable market rate for unsecured debt for the Company of 21% and will be amortized as interested expense over the life of the loan. Amortized discount recorded as interest expense for the year ended December 31, 2019 was $1,763,024. As of December 31, 2019, the unamortized balance of the discount was $5,243,033.

The New AC Midwest Unsecured Note, which has been issued in exchange for the AC Midwest Subordinated Note which has now been cancelled, will mature on August 25, 2022 (the "Maturity Date"). It bears a zero cash interest rate.

If the original principal amount is paid in full on or before August 25, 2020 (18 months from issuance), AC Midwest shall be entitled to a profit participation preference equal to 0.5 times the original principal amount, and if the original principal amount is paid in full after August 25, 2020, AC Midwest shall be entitled to a profit participation preference equal to 1.0 times the original principal amount (the "Profit Share"). The Profit Share is "non-recourse" and shall only be derived from and computed on the basis of, and paid from, Net Litigation Proceeds from claims relating to the Company's intellectual property, Net Revenue Share and Adjusted Free Cash Flow (as such terms are defined in the Unsecured Note Financing Agreement).

The Profit Share

In connection with the New AC Midwest Unsecured Note the Company shall pay the principal outstanding, as well as the Profit Share, in an amount equal to 60.0% of Net Litigation Proceeds until such time as any litigation funder has been paid in full and, thereafter, in an amount equal to 75.0% of such Net Litigation Proceeds until the Unsecured Note and Profit Share have been paid in full. In addition, and within 30 days following the end of each fiscal quarter, the Company shall pay the principal outstanding and Profit Share in an aggregate amount equal to the Net Revenue Share (which means 60.0% of Net Licensing Revenue (as defined) from licensing the Company's intellectual property) plus Adjusted Free Cash Flow until the Unsecured Note and Profit Share have been paid in full, provided, however, that such payments shall exclude the first $3,500,000 of Net Licensing Revenue and Adjusted Free Cash Flow achieved commencing with the fiscal quarter ending March 31, 2019. Any remaining principal balance due on the Unsecured Note shall be due and payable in full on the Maturity Date. The Profit Share, however, if not paid in full on or before the Maturity Date, shall remain subject to Unsecured Note Financing Agreement until full and final payment.

The company is utilizing the methodology behind the ASC 815 and ASC 480 to determine how to account for the profit-sharing portion of the note payable. Although the transaction is not indexed to MEEC's stock the profit sharing seems like a freestanding financial instrument because the profit sharing is not callable by the lender, it will be paid out past the maturity of the note payable and, the fair value will fluctuate over time based on payment predictions. The Profit Share was determined to have a fair value of $1,954,383 upon grant. This was calculated with discounted cash flow model, with the following key valuation assumptions: estimated term of seventeen years with $250,000 paid quarterly after the first three years, and an annual market interest rate of 21%. The profit share liability will be marked to market every quarter utilizing managements estimates.

The following are the changes in the profit share liabilities during the year ended December 31, 2019.

Profit Share as of January 1, 2019	$ -
Addition	1,954,383
Loss on change in fair value of profit share	374,462
Profit Share as of December 31, 2019	$ 2,328,845

Related Party Transactions

Kaye Cooper Kay & Rosenberg, LLP provides certain legal services to the Company and was paid $329,729 in 2019 for legal services rendered and disbursement incurred. David M. Kaye, a Director and Secretary of the Company, is a partner of the law firm.

Note 9 - Operating Leases

In 2016, the Company entered into a six-year agreement to lease trailers used in the delivery of its products. Monthly payments currently total $32,820.

On January 27, 2015, the Company entered into a lease for office space in Lewis Center, Ohio, commencing February 1, 2015 which lease as amended expired in February 2020. The lease provides for the option to extend the lease for up to five additional years. Monthly rent is $1,575 through February 2020. The Company did not renew this lease.

On July 1, 2015, the Company entered into a five-year lease for warehouse space in Corsicana, Texas. Rent is $3,750 monthly throughout the term of the lease. The Company is also responsible for the pro rata share of the projected monthly expenses for the property taxes. The current pro rata share is $882. The lease was extended on June 1, 2019 for five years. The company recorded a right of use asset and an operating lease liability of $145,267. This amount represents the difference between the value from the remaining lease and the extended lease.

On September 1, 2019, the Company entered into a one-year lease for office space in Grand Forks, North Dakota. Monthly rent is $590 a month through August 2020.

Future remaining minimum lease payments under these non-cancelable leases are as follows:

For the twelve months ended December 31	
2020	$ 438,840
2021	438,840
2022	351,027
2023	45,000
2014	11,250
Total	1,284,957
Less discount	(94,241)
Total lease liabilities	1,190,716
Less current portion	(383,307)
Operating lease obligation, net of current portion	$ 807,409

The weighted average remaining lease term for operating leases is 2.0 years and the weighted average discount rate used in calculating the operating lease asset and liability is 5.0%. For the year ended December 31, 2019, payments on lease obligations were $457,740 and amortization on the right of use assets was $378,261.

For the year ended December 31, 2019, the Company's lease cost consists of the following components, each of which is included in costs and expenses within the Company's consolidated statements of operations:

	Year Ended December 31, 2019
Operating lease cost	$ 1,284,957
Short-term lease cost (1)	3,150
Total lease cost	$ 1,288,107

(1) Short-term lease costs includes any lease with a term of less than 12 months

Note 10 – Commitments and Contingencies

Fixed Price Contract

The Company's multi-year contracts with its commercial customers contain fixed prices for product. These contracts expire through 2019 and expose the Company to the potential risks associated with rising material costs during that same period. Revenue reported during interim periods were recorded based on the facts and circumstances at the time and any differences noted when the final revenue is determined is considered to be a change in estimate for the period.

Legal proceedings

On July 17, 2019, the Company initiated patent litigation against certain defendants in the U.S. District Court for the District of Delaware for infringement of United States Patent Nos. 10,343,114 (the "'114 Patent") and 8,168,147 (the "'147 Patent") owned by the Company. These patents relate to the Company's two-part Sorbent Enhancement Additive (SEA ®) process for mercury removal from coal-fired power plants. Named as defendants in the lawsuit are (i) Vistra Energy Corp., AEP Generation Resources Inc., NRG Energy, Inc., Talen Energy Corporation, and certain of their respective affiliated entities, all of which are owners and/or operators of coal-fired power plants in the United States, and (ii) Arthur J. Gallagher & Co., DTE REF Holdings, LLC, CERT Coal Holdings LLC, Chem-Mod LLC, and certain of their respective affiliated entities, and additional named and unnamed defendants, all of which operate or are involved in operations of coal facilities in the United States. In the lawsuit, the Company alleges that each of the defendants has willfully infringed the Company's '114 Patent and '147 Patent and seeks a permanent injunction from further acts of infringement and monetary damages. Such litigation is currently pending and in its early stages.

On April 21, 2020, NRG Energy, Inc., Talen Energy Corporation and Vistra Energy Corp., three of the defendants in the above action, filed two petitions for Inter Partes Review (IPR) with the United States Patent and Trademark Office (USPTO), seeking to invalidate certain claims to the '114 Patent. The Company believes that such claims of invalidity are without merit.

Except for the foregoing disclosures, the Company is not presently aware of any other material pending legal proceedings to which the Company is a party or of which any of its property is the subject.

Litigation, including patent litigation, is inherently subject to uncertainties. As such, there can be no assurance that the Company will be successful in litigating and/or settling any of these claims.

Note 11 - Stock Based Compensation

The Company accounts for stock-based compensation awards in accordance with the provisions of ASC 718, which addresses the accounting for employee stock options which requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the consolidated financial statements over the vesting period based on the estimated fair value of the awards.

A summary of stock option activity for the years ended December 31, 2019 and 2018 is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2017	8,463,184	1.26	3.00	
Grants	1,423,326	0.26	4.40	
Expirations	(725,000)	0.69	-	
December 31, 2018	9,161,510	1.15	2.00	-
Grants	4,700,000	0.27	5.00	
Expirations	(1,308,184)	0.27	-	
December 31, 2019	12,553,326	0.55	4.02	927
Options exercisable at:				
December 31, 2018	9,161,510	1.15	2.00	-
December 31, 2019	12,563,326	0.55	4.02	927

The Company utilized the Black-Scholes options pricing model to value its options granted. The assumptions used for options granted during the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Exercise price	$0.25-$0.27	$0.17-$0.33
Expected dividends	0%	0%
Expected volatility	100% - 109%	100%
Risk free interest rate	1.73% - 3%	3%
Expected life	5 years	5 years

During 2018, the Company issued nonqualified stock options to acquire 1,423,236 shares under the Company's 2017 Equity Plan. The options granted are exercisable at prices ranging from $0.17 to $0.33 per share, representing the fair market value of the common stock as of the date of the grant as determined under the 2017 Equity Plan. The options are fully vested and exercisable as of the date of grant and will expire five year thereafter. Based on a Black-Scholes valuation model, these options were valued at $272,620 in accordance with FASB ASC Topic 718.

On February 5, 2018, the Company released the restriction on stock options to acquire 750,000 shares of the Company's common stock issued to Rick MacPherson on August 31, 2016 making them now fully vested and exercisable. Based on a Black-Scholes valuation model, these options were valued at $76,543 in accordance with FASB ASC Topic 718.

On May 14, 2019, Frederick Van Zijl resigned as a director of the Company. In connection with such resignation, the Company has agreed to issue, and Mr. Van Zijl has agreed to accept, an aggregate of 235,184 shares of common stock of the Company in full and complete payment for service on the Board since his appointment in October 2018. Compensation of $63,500 based on the market price of the shares on the date of issuance was included in selling, general and administrative expenses within the Company's consolidated statements of operations.

On June 4, 2019, Allan T. Grantham resigned as a director of the Company. In connection with such resignation, the Company has agreed to issue, and Mr. Grantham has agreed to accept, an aggregate of 229,333 shares of common stock of the Company in full and complete payment for service on the Board for 2018 and 2019. Compensation of $55,040 based on the market price of the shares on the date of issuance was included in selling, general and administrative expenses within the Company's consolidated statements of operations.

On June 28, 2019, the Company granted nonqualified stock options to acquire an aggregate of 4,600,000 shares of the Company's common stock under the Company's 2017 Equity Plan to certain executive officers, employees and others. The options granted are exercisable at $0.27 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Equity Plan. The options are fully vested and exercisable as of the date of grant and will expire five years thereafter. Based on a Black-Scholes valuation model, these options were valued at $898,207 in accordance with FASB ASC Topic 718 which was included in selling, general and administrative expenses within the Company's consolidated statements of operations.

Also on June 28, 2019, the Company extended the expiration dates of previously granted nonqualified stock options to acquire an aggregate of 4,675,000 shares of the Company's common stock under the Company's 2014 Equity Plan to certain executive officers, employees and others. The extended options are exercisable from $0.42 to $1.36 per share, representing the original fair market value of the common stock on the date of grant as determined under the 2014 Equity Plan. The options are fully vested and exercisable and will now expire five years from the date of the extension. Based on a Black-Scholes valuation model, these options were valued at $745,989 in accordance with FASB ASC Topic 718 which was included in selling, general and administrative expenses within the Company's consolidated statements of operations.

On December 20, 2019, the Company granted nonqualified stock options to acquire an aggregate of 100,000 shares of the Company's common stock under the Company's 2017 Equity Plan. The options were granted as compensation for a one year consulting agreement. The options granted are exercisable at $0.25 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Equity Plan. The options are fully vested and exercisable as of the date of grant and will expire five years thereafter. Based on a Black-Scholes valuation model, these options were valued at $18,723 in accordance with FASB ASC Topic 718. The fair value of the option will be amortized to selling, general and administrative expenses within the Company's consolidated statements of operations over one year.

Note 12 - Warrants

Sold and issued warrants are subject to the provisions of FASB ASC 815-10, the Company utilized a Black-Scholes options pricing model to value the warrants sold and issued. This model requires the input of highly subjective assumptions such as the expected stock price volatility and the expected period until the warrants are exercised. When calculating the value of warrants issued, the Company uses a volatility factor of 100%, a risk free interest rate and the life of the warrant for the exercise period.

The following is a summary of the Company's warrant activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2017	7,237,763	$ 0.51	1.35	
Grants	860,000	0.70	5.00	
Expirations	(3,992,365)	0.46	-	
December 31, 2018	4,105,398	0.59	1.79	-
Grants	3,600,000	0.70	5.00	
Expirations	(2,015,020)	0.69	-	
December 31, 2019	5,690,378	0.63	3.72	-
Warrants exercisable at:				
December 31, 2018	4,105,398	0.59	1.79	-
December 31, 2019	5,690,378	0.63	3.72	-

The following table summarizes information about common stock warrants outstanding at December 31, 2019:

Outstanding				Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.70	4,460,000	4.45	$ 0.70	4,460,000	$ 0.70
0.45	150,000	0.92	0.45	150,000	0.45
0.35	1,080,378*	1.13	0.35	1,080,378	0.35
$ 0.35 - $0.70	5,690,378	3.72	$ 0.63	5,690,378	$ 0.63

* 205,000 warrants exercisable at $0.35 contain dilution protections that increase the number of shares purchasable at exercise upon the issuance of securities at a price below the current exercise price.

The Company utilized the Black-Scholes options pricing model. The assumptions used for warrants granted during the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Exercise price	$0.70	$0.70
Expected dividends	0%	0%
Expected volatility	100% - 112%	100%
Risk free interest rate	1.58% - 3%	3%
Expected life	5 years	5 years

On June 15, 2018, the Company issued unsecured convertible notes and warrants to unaffiliated accredited investors totaling $560,000 in exchange for outstanding secured convertible notes payable. The notes are convertible into one share of common stock, with the initial conversion ratio equal to $0.50 per share. The investors received a total of 560,000 warrants to purchase one shares of common stock with an exercise price of $0.70 per share. These securities were sold in reliance upon the exemption provided by Section 4(a)(2) of the Securities Act and the safe harbor of Rule 506 under Regulation D promulgated under the Securities Act, as well as under Section 3(a)(9) under the Securities Act. Using a Black-Scholes Valuation model these warrants had a value of $89,450 which was recorded as a discount on the notes payable and will be amortized over the life of the associated notes payable.

On August 31, 2018, the Company issued unsecured convertible notes and warrants to unaffiliated accredited investors totaling $200,000. The notes are convertible into one share of common stock, with the initial conversion ratio equal to $0.50 per share. The investors received a total of 200,000 warrants to purchase one shares of common stock with an exercise price of $0.70 per share. These securities were sold in reliance upon the exemption provided by Section 4(a)(2) of the Securities Act and the safe harbor of Rule 506 under Regulation D promulgated under the Securities Act. Using a Black-Scholes Valuation model these warrants had a value of $28,900 which was recorded as a discount on the notes payable and will be amortized over the life of the associated notes payable.

On October 31, 2018, the Company issued unsecured convertible notes and warrants to unaffiliated accredited investors totaling $100,000. The notes are convertible into one share of common stock, with the initial conversion ratio equal to $0.50 per share. The investors received a total of 100,000 warrants to purchase one shares of common stock with an exercise price of $0.70 per share. These securities were sold in reliance upon the exemption provided by Section 4(a)(2) of the Securities Act and the safe harbor of Rule 506 under Regulation D promulgated under the Securities Act. Using a Black-Scholes Valuation model these warrants had a value of $11,450 which was recorded as a discount on the notes payable and will be amortized over the life of the associated notes payable.

On August 12, 2019, the Company issued 37,210 shares of common stock upon the cashless exercise of warrants to purchase 167,039 shares of common stock for $0.35 per share based on a market value of $0.45 per share as determined under the terms of the warrant.

From June through October 2019, the Company issued unsecured convertible notes and five-year warrants to unaffiliated accredited investors totaling $2,600,000. The notes are convertible into shares of common stock, with the initial conversion ratio equal to $0.50 per share. The investors received warrants to purchase a total of 2,600,000 shares of common stock with an exercise price of $0.70 per share. These securities were sold in reliance upon the exemption provided by Section 4(a)(2) of the Securities Act and the safe harbor of Rule 506 under Regulation D promulgated under the Securities Act. Using a Black-Scholes Valuation model these warrants had a value of $525,142 which was recorded as a discount on the notes payable and will be amortized over the life of the associated notes payable.

On October 23, 2019, and pursuant to an advisory agreement executed on that date for a term of one year with an unaffiliated third party, the Company granted such unaffiliated third party a vested three-year warrant to purchase 1,000,000 shares of common stock with an exercise price of $0.70 per share, exercisable on a cash basis only. Such warrants were issued as and for the entire compensation to paid to the advisor for all services to be rendered during the term. Based on a Black-Scholes valuation model, these options were valued at $243,294 in accordance with FASB ASC Topic 718. The fair value of the option will be amortized to selling, general and administrative expenses within the Company's consolidated statements of operations over one year.

Note 13 - Income Taxes

Below is breakdown of the income tax provisions for the years ended December 31:

	2019	2018
Federal		
Current	$ -	$ -
Deferred	(1,278,000)	(536,000)
State and local		
Current	14,000	22,000
Deferred	(196,000)	(116,000)
Change in valuation allowance	1,474,000	652,000
Income tax provision (benefit)	$ 14,000	$ 22,000

The expected tax expense (benefit) based on the statutory rate is reconciled with actual tax expense benefit as follows:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
U.S. federal statutory rate	21.0%	21.0%
State taxes	4.3%	(0.5)%
Other permanent and prior period adjustments	(1.4)%	(7.4)%
Valuation allowance	(24.2)%	(13.6)%
Income tax provision	(0.3)%	(0.5)%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows at December 31:

	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 5,456,000	$ 4,328,000
Stock based compensation	1,285,000	888,000
Other	81,000	115,000
Total deferred tax assets	6,822,000	5,331,000
Deferred tax liabilities:		
Property and equipment	(57,000)	(51,000)
Other	(44,000)	(33,000)
Total deferred tax liabilities	(101,000)	(84,000)
Valuation Allowance	(6,721,000)	(5,247,000)
Net deferred tax asset	$ -	$ -

The Company has U.S. federal net operating loss carryovers ("NOLs") of approximately $22,640,000 and $20,608,000 at December 31, 2019 and 2018, respectively, available to offset 80% of taxable net income in a given year. The Company has state net operating loss carryovers ("NOLs") of approximately $3,531,815 and $2,873,351 at December 31, 2019 and 2018, respectively. If not used, these NOLs may be subject to limitation under Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under the regulations. The Company plans on undertaking a detailed analysis of any historical and/or current Section 382 ownership changes that may limit the utilization of the net operating loss carryovers.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon future generation for taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the years ended December 31, 2019 and 2018, the change in the valuation allowance was $1,474,000 and $652,000, respectively.

The Company evaluated the provisions of ASC 740-10 related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740-10 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the Company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740-10.

If applicable, interest costs related to the unrecognized tax benefits are required to be calculated and would be classified as "Other expenses – Interest" in the statement of operations. Penalties would be recognized as a component of "General and administrative."

No interest or penalties on unpaid tax were recorded during the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, no liability for unrecognized tax benefits was required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

Note 14 - Restatement of previously issued financial statements (unaudited)

On April 13, 2020, the Company concluded that a gain on debt restructuring recognized during the first quarter of 2019 (relating to the New AC Midwest Unsecured Note) should have been accounted for as a capital transaction. Since the New AC Midwest Unsecured Note was held by a related party, the gain should have been recorded as a capital transaction under ASC 470-50-40. The profit-sharing portion also should have been bifurcated from the loan and shown separately on the Consolidated Balance Sheets of the financial statements. See Note 8.

The following tables summarize the effects of the restatements on the specific items presented in the Company's historical unaudited interim consolidated financial statements previously included in the Company's Quarterly Reports on Form 10-Q as of and for the three month period ended March 31, 2019:

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2019		
	As previously reported	**Adjustment**	**As restated**
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Profit Share liability	$ -	$ 1,991,940	$ 1,991,940
Unsecured note payable, net of discount and issuance costs	8,403,968	(1,981,568)	6,422,400
Total liabilities	14,801,425	10,372	14,811,797
Stockholders' deficit			
Additional paid-in capital	42,785,990	3,412,204	46,198,194
Accumulated deficit	(49,197,401)	(3,422,576)	(52,619,977)
Total stockholders' deficit	(6,335,165)	(10,372)	(6,345,537)
Total liabilities and stockholders' deficit	$ 8,466,260	$ -	$ 8,466,260

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES

	FOR THE THREE MONTHS ENDED MARCH 31, 2019		
	As previously reported	Adjustment	As restated
Interest expense & letter of credit fees	$ 529,193	$ (27,185)	$ 502,008
Loss on change in fair value of profit share	-	37,557	37,557
Gain on debt restructuring	(3,412,204)	3,412,204	-
Total costs and expenses	423,524	3,422,576	3,846,100
Net income (loss)	$ 2,363,797	$ (3,422,576)	$ (1,058,779)
Net loss per common share - basic and diluted:	$ 0.03	$ (0.04)	$ (0.01)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE THREE MONTHS ENDED MARCH 31, 2019		
	As previously reported	Adjustment	As restated
Cash flows from operating activities			
Net income (loss)	$ 2,363,797	$ (3,422,576)	$ (1,058,779)
Adjustments to reconcile net loss to net cash			
Amortization of discount of notes payable	303,697	(27,185)	276,512
Loss on change in fair value of profit share	-	37,557	37,557
Gain on debt restructuring	(3,412,204)	3,412,204	-
Net cash provided by (used in) operating activities	$ 68,245	$ -	$ 68,245

The following tables summarize the effects of the restatements on the specific items presented in the Company's historical unaudited interim consolidated financial statements previously included in the Company's Quarterly Reports on Form 10-Q as of and for the three and six month periods ended June 30, 2019:

CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2019		
	As previously reported	Adjustment	As restated
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Profit Share liability	$ -	$ 2,097,655	$ 2,097,655
Secured note payable	271,686	-	271,686
Unsecured note payable, net of discount and issuance costs	9,095,119	(2,179,831)	6,915,288
Total liabilities	16,654,136	(82,176)	16,571,960
Stockholders' deficit			
Additional paid-in capital	44,745,926	3,412,204	48,158,130
Accumulated deficit	(52,036,522)	(3,330,028)	(55,366,550)
Total stockholders' deficit	(7,213,886)	82,176	(7,131,710)
Total liabilities and stockholders' deficit	$ 9,440,250	$ -	$ 9,440,250

CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED JUNE 30, 2019			FOR THE SIX MONTHS ENDED JUNE 30, 2019		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
Interest expense & letter of credit fees	$ 763,873	$ (198,263)	$ 565,610	$ 1,293,067	$ (225,448)	$ 1,067,619
Loss on change in fair value of profit share	-	105,715	105,715	-	143,272	143,272
(Gain)/Loss on debt restructuring	-	-	-	(3,412,204)	3,412,204	-
Total costs and expenses	5,348,871	(92,548)	5,256,323	5,772,394	3,330,028	9,102,422
Net loss	$ (2,839,121)	$ 92,548	$ (2,746,573)	$ (475,324)	$ (3,330,028)	$ (3,805,352)
Net loss per common share - basic and diluted:	$ (0.04)	$ (0.00)	$ (0.04)	$ (0.01)	$ (0.04)	$ (0.05)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE SIX MONTHS ENDED JUNE 30, 2019		
	As previously reported	**Adjustment**	**As restated**
Cash flows from operating activities			
Net loss	$ (475,324)	$ (3,330,028)	$ (3,805,352)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of discount of notes payable	938,532	(225,448)	713,084
Loss on change in fair value of profit share	-	143,272	143,272
Gain on debt restructuring	(3,412,204)	3,412,204	-
Net cash used in operating activities	$ (506,674)	$ -	$ (506,674)

The following tables summarize the effects of the restatements on the specific items presented in the Company's historical unaudited interim consolidated financial statements previously included in the Company's Quarterly Reports on Form 10-Q as of and for the three and nine month periods ended September 30, 2019:

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2019		
	As previously reported	**Adjustment**	**As restated**
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities			
Profit Share liability	$ -	$ 2,210,230	$ 2,210,230
Unsecured note payable, net of discount and issuance costs	9,752,882	(2,339,289)	7,413,593
Total liabilities	17,177,693	(129,059)	17,048,634
Stockholders' deficit			
Additional paid-in capital	44,882,209	3,412,204	48,294,413
Accumulated deficit	(52,887,063)	(3,283,145)	(56,170,208)
Total stockholders' deficit	(7,928,107)	129,059	(7,799,048)
Total liabilities and stockholders' deficit	$ 9,249,586	$ -	$ 9,249,586

CONSOLIDATED STATEMENT OF OPERATIONS

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019			FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
Interest expense & letter of credit fees	$ 782,695	$ (159,458)	$ 623,237	$ 2,075,761	$ (529,918)	$ 1,690,855
Loss on change in fair value of profit share	-	112,575	112,575	-	255,847	255,847
(Gain)/Loss on debt restructuring	-	-	-	(3,412,204.00)	3,412,204.00	-
Total costs and expenses	4,446,648	(46,883)	4,399,765	10,219,042	3,138,133	13,502,187
Net loss	$ (850,541)	$ 46,883	$ (803,658)	$ (1,325,865)	$ (3,138,133)	$ (4,609,010)
Net loss per common share-basic and diluted:	$ (0.01)	$ -	$ (0.01)	$ (0.02)	$ (0.04)	$ (0.06)

CONSOLIDATED STATEMENT OF CASH FLOWS

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019		
	As previously reported	Adjustment	As restated
Cash flows from operating activities			
Net loss	$ (1,325,865)	$ (3,283,145)	$ (4,609,010)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of discount of notes payable	1,585,686	(384,906)	1,200,780
Loss on change in fair value of profit share		255,847	255,847
Gain on debt restructuring	(3,412,204)	3,412,204	-
Net cash used in operating activities	$ (1,304,626)	$ -	$ (1,304,626)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE MONTHS ENDED MARCH 31, 2019, THE SIX MONTHS ENDED JUNE 30, 2019 AND
THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(Restated)

	Common Stock		Additional	Accumulated	
	Shares	Par Value	Paid-in Capital	(Deficit)	Total
Balance - January 1, 2019	76,246,113	$ 76,246	$ 42,785,990	$ (51,483,332)	$ (8,621,096)
Cumulative effect of change in accounting principle related to accounting for leases	-	-	-	(77,866)	(77,866)
Capital contribution	-	-	3,412,204	-	3,412,204
Net income	-	-	-	(1,058,779)	(1,058,779)
Balance - March 31, 2019	76,246,113	$ 76,246	$ 46,198,194	$ (52,619,977)	$ (6,345,537)
Stock issued per resignation agreements	464,517	464	118,076	-	118,540
Issuance of stock options	-	-	898,207	-	898,207
Extension of certain stock option expiration	-	-	745,989	-	745,989
Issuance of warrants, recorded as discount on convertible notes payable	-	-	197,664	-	197,664
Net loss	-	-	-	(2,746,573)	(2,746,573)
Balance - June 30, 2019	76,710,630	$ 76,710	$ 48,158,130	$ (55,366,550)	$ (7,131,710)
Stock issued upon cashless warrant exercise	37,120	37	(37)	-	-
Issuance of warrants, recorded as discount on convertible notes payable	-	-	136,320	-	136,320
Net loss	-	-	-	(803,658)	(803,658)
Balance - September 30, 2019	76,747,750	$ 76,747	$ 48,294,413	$ (56,170,208)	$ (7,799,048)

Note 15 – Subsequent Events

As of January 1, 2020, and pursuant to an advisory agreement dated as of November 20, 2019 and effective as of January 1, 2020 for a term of one year with a nonaffiliated third party, the Company issued 1,000,000 shares of common stock of the Company to such third party as and for the entire compensation to be paid for all services to be rendered during the term.

On February 25, 2020, and pursuant to a Business Loan Agreement entered into with First International Bank & Trust in Grand Forks, ND, the Company's wholly owned subsidiary, MES, Inc. closed on a one-year secured loan in the principal amount of $200,000 bearing interest at 8.75% per annum. Principal and interest is to be paid in equal monthly installments until the loan is paid in full on February 26, 2021.

On April 14, 2020, the Company received loan proceeds in the amount of $299,300 from First International Bank & Trust pursuant to the Paycheck Protection Program (the "PPP Loan") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted on March 27, 2020. The loan, which is in the form of a Note dated April 14, 2020, matures on April 14, 2022 and bears interest at a rate of 1.0% per annum, with one interest payment on April 14, 2021 and one principal and interest payment on maturity. The principal and accrued interest under the PPP Loan is forgivable after eight weeks if the Company uses the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and otherwise complies with the PPP requirements. In order to obtain forgiveness of the PPP Loan, the Company must submit a request and provide satisfactory documentation regarding its compliance with applicable requirements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Report of Disclosure Controls and Procedures

Regulations under the Exchange Act require public companies to maintain "disclosure controls and procedures," which are defined as controls and other procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including the principal executive officer and principal financial officer, we have evaluated the effectiveness, the design and operations of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the principal executive officer and principal financial officer determined that as of December 31, 2019, the Company's disclosure controls and procedures were ineffective as a result of material weaknesses in our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (COSO).

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Despite these controls, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Furthermore, smaller reporting companies, like us, face additional limitations. Smaller reporting companies employ fewer individuals and can find it difficult to employ resources for complicated transactions and effective risk management. Additionally, smaller reporting companies tend to utilize general accounting software packages that lack a rigorous set of software controls.

Our management, including our Chief Executive Officer and Principal Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 based on the criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, our management concluded our internal control over financial reporting was not effective as of December 31, 2019. The ineffectiveness of our internal control over financial reporting was due to the following material weaknesses which are indicative of many small companies: (i) lack of a sufficient complement of personnel commensurate with the Company's reporting requirements; and (ii) insufficient written documentation or training of our internal control policies and procedures which provide staff with guidance or framework for accounting and disclosing financial transactions.

This annual report does not include an attestation report of our registered public accounting firm regarding our internal controls over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act that permit us to provide only management's report in this annual report.

Despite the existence of the material weaknesses above, we believe that our consolidated financial statements contained in this Form 10-K fairly present our financial position, results of operations and cash flows as of and for the periods presented in all material respects.

Changes in Internal Control over Financial Reporting

Except as discussed below, there have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the fourth quarter of 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Material Weaknesses

In connection with our annual audit for the year ended December 31, 2019, management determined that controls as described above constitute material weaknesses in disclosure controls and procedures and internal control over financial reporting. As a result, it was determined that control deficiencies that constitutes material weaknesses in the design and operation of our internal control over financial reporting was present. Management believes that these material weaknesses did not have an effect on our financial results. However, management believes that the lack of these items results in ineffective internal controls, which could result in a material misstatement in our financial statements in future periods.

Due to our size and nature, segregation of duties within our internal control system may not always be possible or economically feasible. Likewise, we may not be able to engage sufficient resources to enable us to have adequate staff and supervision within our accounting function, including technical accounting.

Remediation

Certain actions have been taken to address certain aspects of the material weaknesses disclosed above. Although we no longer have a full-time CFO, we hired a new full-time Controller at our Corsicana, Texas location, closed our Lewis Center, Ohio office and moved our corporate headquarters to our Corsicana, Texas address which has allowed us to consolidate our manufacturing and distribution activities, bookkeeping and accounting at one location. We have also recently hired a financial consulting firm to assist us in bookkeeping and preparing financial statements for our SEC filings, assist us in evaluating our internal controls over financial reporting and assist us in other related matters. As of January 1, 2020, we have replaced our previous accounting software with a more efficient software package to manage our business activities and accounting needs. All of this should help us achieve a more effective internal control environment with the necessary segregation of duties, continued to document necessary internal control policies and continued with the appropriate training of our personnel on our internal controls and procedures.

Although we believe that these efforts effectively strengthen our disclosure controls and procedures as well as our internal control over financial reporting, our management team intends to continue to actively plan for and implement additional control procedures to improve our overall control environment and expect these efforts to continue throughout 2020 and beyond. Due to the nature of the remediation process, the need to have sufficient resources (cash or otherwise) to devote to such efforts, and the need to allow adequate time after implementation to evaluate and test the effectiveness of the controls, no assurance can be given as to the timing of achievement of remediation.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

Set forth below are our present directors and executive officers. Note that there are no other persons who have been nominated or chosen to become directors nor are there any other persons who have been chosen to become executive officers. There are no arrangements or understandings between any of the directors, officers and other persons pursuant to which such person was selected as a director or an officer. Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier removal or resignation. Officers are elected annually by the Board of Directors to hold such office until an officer's successor has been duly appointed and qualified, unless an officer sooner dies, resigns or is removed by the Board.

Name	Age	Present Position and Offices	Director of the Company Since
Richard MacPherson	65	President and Chief Executive Officer, Director	2011
Christopher Greenberg	54	Chairman of the Board, Director	2013
John Pavlish	61	Senior Vice President and Chief Technology Officer	-
James Trettel	51	Vice President of Operations	-
David M. Kaye	65	Secretary and Director	2019

Richard MacPherson has been a Director of the Company since June 2011 and has served as President and Chief Executive Officer of the Company since March 2015. Mr. MacPherson is the founder of MES, Inc. (current subsidiary and operating company of the Company) and had been its Chief Executive Officer from 2008 until 2011. From 2011 to March 2015, Mr. MacPherson served as Vice President of Business Development of the Company. Over the past 10 years, Mr. MacPherson has worked with industry leading scientists and engineers to bring the Company's technology from the R&D phase, through multiple product development stages, to the final commercialization phase, acting as the lead on all required initiatives and activities. He has been a senior-level executive in the services industry for over 25 years. Mr. MacPherson brings extensive start-up and business development knowledge, applied and proven through his corporate experience throughout the United States and Canada. He has worked in multiple industries, such as electric utilities, communications, marketing, as well as several entrepreneurial ventures in the communications, hospitality, geological and real estate development industries.

Christopher Greenberg has been a Director of the Company since June 2013 and Chairman of the Board since December 2014. Mr. Greenberg is a founder of, and since 2003, has been the Chief Executive Officer of Global Safety Network, Inc., a company which provides employment screening and safety compliance services. He is also the owner of multiple Express Employment Professionals franchises located in North Dakota and South Dakota. Express Employment Professionals is a staffing agency that provides full time and temporary job placement, human resources services and consulting. Mr. Greenberg is a highly experienced Operations Executive who has demonstrated the ability to lead diverse teams of professionals to new levels of success in a variety of highly competitive industries, cutting-edge markets, and fast-paced environments. Mr. Greenberg has strong technical and business qualifications with an impressive track record of more than 24 years of hands-on experience in strategic planning, business unit development, project and product management, and proprietary software development. He also has the proven ability to successfully analyze an organization's critical business requirements, identify deficiencies and potential opportunities, and develop innovative and cost-effective solutions for enhancing competitiveness, increasing revenues, and improving customer service offerings.

John Pavlish has been Senior Vice President and Chief Technical Officer of the Company since November 2014. Prior to joining the Company, Mr. Pavlish was a Senior Research Advisor and the Director of the Center for Air Toxic Metals at the Energy & Environmental Research Center in Grand Forks, North Dakota. He has over 25 years of mercury-related experience and is regarded as an international expert on the topic of mercury. His primary areas of interest and expertise include research, technical consultation, and development of mercury control technologies, in particular, for coal combustion and gasification systems. He is an inventor of a number of patented mercury control technologies and has years of experience in development and testing of these technologies for commercial application. Over the last 20 years, he has spent much of his time evaluating the efficacy of a number of different mercury control technologies/approaches and their cost-competitiveness in the commercial market. Mr. Pavlish also has years of power plant experience and has worked for engineering/consulting company Black & Veatch, where he served as Unit Leader/System Engineer. Mr. Pavlish is a professional engineer, a member of the American Society of Mechanical Engineers, and a member of the Air & Waste Management Association. He serves on numerous professional and technical committees and is a U.S. Representative on the Mercury Emissions from Coal International Experts Working Group on Reducing Emissions from Coal and a member of the United Nations Environment Programme Global Mercury Partnership, Reduction of Mercury Releases from Coal Combustion. Mr. Pavlish has published over 200 papers, articles, and reports on various mercury-related topics and issues.

James Trettel has been Vice President of Operations since January 2014. Mr. Trettel possesses 28 years of experience in the dry bulk material handling industry. During 2012 and 2013, he was the owner and operator of Solid Foundation Services, LLC, a firm specializing in deep foundation installations for the gas and oilfield industry, while providing technical consulting services to MEEC. Prior to 2012, he provided project management and engineering duties for numerous multi-million dollar turn-key contracts while employed at Advanced Bulk and Conveying Inc. starting in 2004. Additionally, Mr. Trettel has overseen day to day operations for 14 years as the VP of J&B Industrial Sales Company Inc., a sales, systems, and engineering organization specializing in bulk material handling. Mr. Trettel has extensive field experience with systems operating in a large variety of industry sectors including coal fired utilities. Mr. Trettel graduated Cum Laude with a B.S. degree in Mechanical Engineering.

David M. Kaye has been a Director of the Company since June 2019 and Secretary since December 2019. Mr. Kaye is an attorney and has been a partner in the law firm of Kaye Cooper Kay & Rosenberg, LLP, located in Roseland, New Jersey, since the firm's inception in February 1996. Since 1980, Mr. Kaye has been a practicing attorney in the New York City metropolitan area specializing in business, corporate and securities matters. From March 2006 to June 2011, Mr. Kaye was a director of China Youth Media, Inc., resigning from such position effective with the merger between the Company with MES, Inc which was completed in June 2011. From December 2000 to October 2009, Mr. Kaye also served on the Board of Directors of Dionics, Inc. Mr. Kaye received his B.A. from George Washington University (1976) and his J.D. from the Benjamin N. Cardozo School of Law, Yeshiva University (1979).

There are no family relationships between any of the directors and executive officers of the Company.

Committees

Effective as of June 2016, the Board of Directors established (i) an Audit Committee, (ii) a Compensation Committee, and (iii) a Nominating and Corporate Governance Committee. Upon being established, each of these Committees had only independent directors appointed as members. In addition, effective as of June 2016, the Board established a Finance Committee for which it has not imposed any membership rules regarding director independence. Each of the Committees operates under a written charter that is available on the Company's website: http://www.midwestemissions.com. Due to the resignation of certain independent directors since then, and due to the current small size of the Board, the current Board of Directors as a whole now acts as such Committees. Each of the Committees shall meet as often as its members deem necessary to perform such Committee's responsibilities.

Audit Committee

The Audit Committee's charter requires that such Committee shall consist of no fewer than three directors, each of whom shall be an independent director of the Company satisfying the independence requirements of the NASDAQ Stock Market ("NASDAQ") or any exchange on which the Company's securities may be listed and any other applicable regulatory requirements. The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibility by reviewing the accounting and financial reporting processes of the Company and its subsidiaries, the Company's internal control and disclosure control system, and the audits of the Company's financial statements. In this regard, the Audit Committee shall approve the Company's retention of independent auditors and pre-approve any audit or non-audit services performed by them. It shall review with such accountants the arrangements for, and the scope of, the audit to be conducted by them. It also shall review with the independent accountants and with management the results of audits and various other financial and accounting matters affecting the Company. From June 2016 to April 2017, the Audit Committee consisted of three directors, Christopher Greenberg and two other directors of the Company each of whom resigned in April 2017. As a result of such resignations, and since April 2017, the Board of Directors as a whole has acted and shall continue to act as an Audit Committee until such time, if any, that the number of authorized and elected directors is increased or the Audit Committee is otherwise reconfigured.

Compensation Committee

The Compensation Committee's charter requires that such Committee shall consist of no fewer than two directors, each of whom shall (i) be an independent director of the Company satisfying the independence requirements of NASDAQ or any exchange on which the Company's securities may be listed and any other applicable regulatory requirements, (ii) qualify as an "outside director" under Section 162(m) of the Internal Revenue Code, as amended; and (iii) meet the requirements of a "non-employee director" for purposes of Section 16 of the Securities Exchange Act of 1934, as amended. The Compensation Committee is appointed by the Board to review and approve the Company's compensation and benefits programs, including annual base salary; annual incentive opportunity; stock option or other equity participation plans; profit-sharing plans; long-term incentive opportunity; the terms of employment agreements, severance agreements, and change in control agreements, in each case as, when and if appropriate; any special or supplemental benefits; and any other payments that are deemed compensation under applicable rules of the SEC. In this regard, the Compensation Committee shall evaluate the performance of the CEO in light of the Company's goals and objectives and determine and approve the CEO's compensation based on this evaluation and such other factors as the Committee shall deem appropriate. The Committee shall also determine and approve the compensation of all other executive officers of the Company, which determination may be based upon recommendations of the CEO. The Board of Directors can exercise its discretion in modifying any amount presented by our CEO. From June 2016 to April 2017, the Compensation Committee consisted of Christopher Greenberg (chairperson), Allan T. Grantham and one other director of the Company who resigned in April 2017. As of April 2017, the Compensation Committee consisted of two members, Messrs. Greenberg and Grantham, which remained in place until Mr. Grantham's resignation in June 2019. Since then, the Board of Directors as a whole has acted and shall continue to act as the Compensation Committee until such time, if any, that the number of authorized and elected directors is increased or the Compensation Committee is otherwise reconfigured.

Our policies and overall compensation practices for all employees do not create risks that are reasonably likely to have a material adverse effect on the Company. In addition, incentive compensation (in the past generally in the form of stock options) is not designed to create, and does not create, risks that are reasonably likely to have a material adverse effect on the Company. During 2019, the Board of Directors did not retain the services of a compensation consultant.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's charter requires that such Committee shall consist of no fewer than two directors, each of whom shall be an independent director of the Company satisfying the independence requirements of NASDAQ or any exchange on which the Company's securities may be listed and any other applicable regulatory requirements. The Nominating and Corporate Governance Committee is appointed by the Board to determine the identity of director nominees for election to the Board and to assist the Board in discharging the Board's responsibilities in the area of corporate governance.

The Committee shall review, at least annually, the composition and size of the Board and make recommendations to the Board regarding the criteria for Board membership including issues of character, judgment, diversity, expertise, corporate experience and the like. At a minimum, directors should share the values of the Company and should possess the following characteristics: high personal and professional integrity; the ability to exercise sound business judgment; an inquiring mind; and the time available to devote to Board of Directors' activities and the willingness to do so. The Board or the Committee does not have a formal policy specifically focusing on the consideration of diversity; however, diversity is one of the many factors that the Committee shall consider when identifying candidates. In addition to the foregoing considerations, generally with respect to nominees recommended by stockholders, the Committee will evaluate such recommended nominees considering the additional information regarding the nominees provided to the Committee. When seeking candidates for the Board of Directors, the Committee may solicit suggestions from incumbent directors, management and third-party search firms. Ultimately, the Committee will recommend prospective nominees who the Committee believes will be effective, in conjunction with the other members of the Board of Directors, in collectively serving the long-term interests of the Company's stockholders. The Committee will review any candidate recommended by stockholders of the Company in light of its criteria for selection of new directors. From June 2016 to April 2017, the Nominating and Corporate Governance Committee consisted of four directors: Christopher Greenberg (chairperson), Allan T. Grantham and two other directors of the Company each of whom resigned in April 2017. As of April 2017, the Nominating and Corporate Governance Committee consisted of two members, Messrs. Greenberg and Grantham, which remained in place until Mr. Grantham's resignation in June 2019. Since then, the Board of Directors as a whole has acted and shall continue to act as the Nominating and Corporate Governance Committee until such time, if any, that the number of authorized and elected directors is increased or the Nominating and Corporate Governance Committee is otherwise reconfigured.

Finance Committee

The Finance Committee is appointed by the Board to oversee all areas of corporate performance and finance, and advise and assist the Board with respect to the financial and investment policies, risks, and objectives of the Company, including specific actions required to achieve those objectives. From June 2016 to April 2017, the Finance Committee consisted of three directors, Christopher Greenberg (chairperson) and two other directors of the Company each of whom resigned in April 2017. As a result of such resignations, and since April 2017, the Board of Directors as a whole has acted and shall continue to act as the Finance Committee until such time, if any, that the number of authorized and elected directors is increased or the Finance Committee is otherwise reconfigured.

Financial Experts

The Board of Directors has not appointed any directors as "audit committee financial experts" as defined under Item 407 of Regulation S-K promulgated pursuant to the Securities Exchange Act of 1934, as amended, insofar that it is not a listed security.

Code of Ethics

The Company has adopted a Code of Ethics and Business Conduct that applies to all employees, officers and directors, including the Chief Executive Officer and Principal Financial Officer. A copy of the Code of Ethics and Business Conduct is available free of charge to any person on written or telephone request to Midwest Energy Emissions Corp., 1810 Jester Drive, Corsicana, Texas 75109 or (614) 505-6115.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and owners of more than ten percent of the Company's Common Shares ("10% stockholders"), to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of Common Shares of the Company. Executive officers, directors and 10% stockholders are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a).

To the Company's knowledge, based on review of the copies of such reports furnished to the Company, and with respect to the officers and directors, representations that no other reports were required, during the year ended December 31, 2019, all Section 16(a) filing requirements applicable to its executive officers, directors and 10% stockholders were complied with.

Item 11. Executive Compensation.

Summary Compensation Table

The following table sets forth for each of the Company's last two fiscal years the compensation for the Company's Principal Executive Officer and each of the Company's other two most highly compensated officers (collectively, our "named executive officers"):

Name, Position	Year	Salary ($)	Bonus ($)	Stock Options ($) (4)	All Other Compensation ($) (5)	Total ($)
Richard MacPherson, CEO & President (1)	2019	$ 395,000	-	292,894	17,468	$ 705,362
	2018	$ 395,000	142,750	63,722	202	$ 601,674
John Pavlish, Senior Vice President (2)	2019	$ 330,000	-	117,157	14,268	$ 461,425
	2018	$ 330,000	6,750	28,633	11,675	$ 377,058
James, Trettel, Vice President (3)	2019	$ 300,000	-	195,262	12,730	$ 507,992
	2018	$ 300,000	6,750	26,978	9,800	$ 343,528

(1) Mr. MacPherson was appointed Chief Executive Officer and President in March 2015. Since January 1, 2017, Mr. MacPherson's annual base salary has been $395,000. Mr. MacPherson is currently employed pursuant to a three-year employment letter agreement which was entered into on January 29, 2019, and effective January 1, 2019, which after such three-year term will automatically renew for successive one-year periods unless otherwise terminated by either party prior to the next applicable renewal period. As of December 31, 2019, $38,508 of Mr. MacPherson's 2018 salary and $49,375 of Mr. MacPherson's 2019 salary remained unpaid. Mr. MacPherson shall also be entitled to participate in all corporate 401(k) programs and health benefit plans instituted by the Company and be eligible to receive bonus compensation, if any, as the Company shall from time to time determine. Mr. MacPherson shall also be entitled to participate in any stock option and incentive plans adopted by the Company. During 2018, Mr. MacPherson was granted five year, nonqualified stock options to acquire a total of 340,519 shares of common stock exercisable at prices ranging from $0.17 to $0.33 per share. During 2019, Mr. MacPherson was granted a five-year nonqualified stock option to acquire 1,500,000 shares of common stock exercisable at $0.27 per share. In addition, during 2019, the expiration dates of (i) an option held by Mr. MacPherson and granted in 2016 to acquire 250,000 shares of common stock exercisable at $0.81 per share, and (ii) option held by Mr. MacPherson and granted in 2016 to acquire 750,000 shares of common stock exercisable at $1.20 per share, were extended to June 28, 2024.

(2) Mr. Pavlish was appointed Senior Vice President in November 2014. The Company and Mr. Pavlish entered into an employment agreement effective as of November 16, 2014. Pursuant to his employment agreement, Mr. Pavlish agreed to be employed by the Company as Senior Vice President. Effective as of January 1, 2017, Mr. Pavlish's annual base salary was increased to $330,000. As of December 31, 2019, $30,938 of Mr. Pavlish's 2018 salary and $41,250 of Mr. Pavlish's 2019 salary remained unpaid. Mr. Pavlish shall also be entitled to participate in all corporate 401(k) programs and health benefit plans instituted by the Company and be eligible to receive bonus compensation, if any, as the Company shall from time to time determine. Mr. Pavlish shall also be entitled to participate in any stock option and incentive plans adopted by the Company. During 2018, Mr. Pavlish was granted five year, nonqualified stock options to acquire a total of 153,125 shares of common stock exercisable at prices ranging from $0.17 to $0.33 per share. During 2019, Mr. Pavlish was granted a five-year nonqualified stock option to acquire 600,000 shares of common stock exercisable at $0.27 per share. In addition, during 2019, the expiration dates of (i) an option held by Mr. Pavlish and granted in 2014 to acquire 2,000,000 shares of common stock exercisable at $0.74 per share, and (ii) option held by Mr. Pavlish and granted in 2015 to acquire 1,000,000 shares of common stock exercisable at $0.45 per share, were extended to June 28, 2024.

(3) Mr. Trettel was appointed Vice President of Operations in January 2014. As of January 1, 2014, the Company and James Trettel entered into a two-year employment agreement, pursuant to which Mr. Trettel agreed to be employed by the Company as Vice President of Operations. Mr. Trettel is also entitled to participate in all corporate 401(k) programs and health benefit plans instituted by the Company and is eligible to receive bonus compensation, if any, as the Company shall from time to time determine. Mr. Trettel is also entitled to participate in any stock option and incentive plans adopted by the Company. Following the end of the two year term, Mr. Trettel continues in such capacity. Effective as of January 1, 2017, Mr. Trettel's annual base salary was increased to $300,000. As of December 31, 2019, $28,125 of Mr. Trettel's 2018 salary and $37,500 of Mr. Trettel's 2019 salary remained unpaid. During 2018, Mr. Trettel was granted five-year nonqualified stock options to acquire a total of 143,750 shares of common stock exercisable at prices ranging from $0.17 to $0.33 per share. During 2019, Mr. Trettel was granted a five-year nonqualified stock option to acquire 1,000,000 shares of common stock exercisable at $0.27 per share. In addition, during 2019, the expiration date of an option held by Mr. Trettel and granted in 2015 to acquire 250,000 shares of common stock exercisable at $0.42 per share was extended to June 28, 2024.

(4) Represents the dollar amount recognized for consolidated financial statement reporting purposes of shares to be issued to the executive officers computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. There can be no assurance the amounts determined in accordance with FASB ASC Topic 718 will ever be realized. The following table provides information concerning the stock options issued to the executive officers:

Name	Year	Stock Options (#)	FASB ASC Topic 718 Value
Richard MacPherson	2019	1,500,000	$ 292,894
	2018	340,519	$ 63,722
John Pavlish	2019	600,000	$ 117,157
	2018	153,125	$ 28,633
James Trettel	2019	1,000,000	$ 195,262
	2018	143,750	$ 26,978

(5) The amounts shown for 2019 and 2018 in the "All Other Compensation" column are comprised of the following:

Name	Year	401k Match	Group Term Life Insurance	Auto Allowance and Other Benefits
Richard MacPherson	2019	$ -	184	17,284
	2018	$ -	202	-
John Pavlish	2019	$ 11,388	2,880	-
	2018	$ 8,795	2,880	-
James Trettel	2019	$ 11,200	1,530	-
	2018	$ 8,270	1,530	-

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth certain information about the number of unexercised nonqualified stock options and unearned stock awards held as of December 31, 2019 by each executive named in the Summary Compensation Table. There were no stock options exercised during fiscal 2019 by such executives.

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option Exercise Price	Option Expiration Date
Richard MacPherson	250,000	-	$ 0.81	June 28, 2024
Richard MacPherson	750,000	-	$ 1.20	June 28, 2024
Richard MacPherson	250,000	-	$ 0.28	February 5, 2023
Richard MacPherson	8,229	-	$ 0.29	July 6, 2023
Richard MacPherson	16,458	-	$ 0.21	July 6, 2023
Richard MacPherson	16,458	-	$ 0.17	July 31, 2023
Richard MacPherson	16,458	-	$ 0.25	August 31, 2023
Richard MacPherson	16,458	-	$ 0.26	September 30, 2023
Richard MacPherson	16,458	-	$ 0.20	October 31, 2023
Richard MacPherson	1,500,000	-	$ 0.27	June 28, 2024
John Pavlish	2,000,000	-	$ 0.74	June 28, 2024
John Pavlish	1,000,000	-	$ 0.45	June 28, 2024
John Pavlish	50,000	-	$ 1.15	February 10, 2022
John Pavlish	50,000	-	$ 0.27	February 23, 2023
John Pavlish	6,875	-	$ 0.29	June 8, 2023
John Pavlish	13,750	-	$ 0.21	June 30, 2023
John Pavlish	13,750	-	$ 0.17	July 31, 2023
John Pavlish	13,750	-	$ 0.25	August 31, 2023
John Pavlish	13,750	-	$ 0.26	September 30, 2023
John Pavlish	13,750	-	$ 0.20	October 31, 2023
John Pavlish	13,750	-	$ 0.33	November 30, 2023
John Pavlish	13,750	-	$ 0.25	December 31, 2023
John Pavlish	600,000	-	$ 0.27	June 28, 2024
James Trettel	250,000	-	$ 0.42	June 28, 2024
James Trettel	500,000	-	$ 1.15	February 10, 2022
James Trettel	50,000	-	$ 0.27	February 23, 2023
James Trettel	6,250	-	$ 0.29	June 8, 2023
James Trettel	12,500	-	$ 0.21	June 30, 2023
James Trettel	12,500	-	$ 0.17	July 31, 2023
James Trettel	12,500	-	$ 0.25	August 31, 2023
James Trettel	12,500	-	$ 0.26	September 30, 2023
James Trettel	12,500	-	$ 0.20	October 31, 2023
James Trettel	12,500	-	$ 0.33	November 30, 2023
James Trettel	12,500	-	$ 0.25	December 31, 2023
James Trettel	1,000,000	-	$ 0.27	June 28, 2024

Retirement and Savings Plan - 401(k)

Since November 1, 2011, the Company has maintained a Retirement and Savings Plan under IRS Code Section 401(k) (“the 401(k) Plan”). The 401(k) Plan allows eligible employees to defer a portion of their compensation before federal income tax to a qualified trust. All employees who are at least 21 years of age are eligible to participate in the 401(k) Plan. The participants may choose from nineteen investment options for the investment of their deferred compensation. In addition, the Company matches 100% of each participant’s salary deferral, for the first 4% of their salary, with a cash contribution. For the years ended December 31, 2019 and 2018, the Company contributed $47,898 and $62,729, respectively, to the 401(k) Plan.

Director Compensation

The following table sets forth information regarding the compensation for 2019 of each non-executive member of the Board of Directors:

Name	Fees earned or paid in cash	Stock Awards (1)	Option Awards (1)	All Other Compensation	Total
Christopher Greenberg	$ 100,000	$ -	$ 117,157	$ -	$ 217,157
Allan Grantham	$ -	$ 55,040	$ -	$ -	$ 55,040
Frederick Van Zijl	$ -	$ 63,500	$ -	$ -	$ 63,500
David M. Kaye	$ -	$ -	$ -	$ -	$ -

(1) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. There can be no assurance the amounts determined in accordance with FASB ASC Topic 718 will ever be realized. The following table provides information concerning the stock awards and stock options granted to the Directors for 2019:

Name	Stock Awards (#)	FASB ASC Topic 718 Value	Stock Options (#)	FASB ASC Topic 718 Value
Christopher Greenberg	-	$ -	600,000	$ 117,157
Allan Grantham	229,333	$ 55,040	-	$ -
Frederick Van Zijl	235,184	$ 63,500	-	$ -
David M. Kaye	-	$ -	-	$ -

Effective as of January 1, 2017, the Chairman began to be paid $100,000 per year. As of December 31, 2019, $41,667 of Mr. Greenberg's 2019 cash fee remained unpaid.

Mr. Van Zijl resigned as a director effective as of May 14, 2019, and Mr. Grantham resigned as a director effective as of June 4, 2019. Mr. Kaye was appointed director effective as June 5, 2019.

In connection with Mr. Van Zijl's resignation, the Company issued an aggregate of 235,184 shares of common stock in full and complete payment for service on the Board since his appointment in October 2018. Mr. Van Zijl had not been paid any cash director fees since his appointment to the Board.

In connection with Mr. Grantham's resignation, the Company issued an aggregate of 229,333 shares of common stock in full and complete payment for director fees due to him for 2018 and 2019. Mr. Grantham had been paid a monthly cash director fee of $6,000 per month for the months of January through April 2018, but had not since been paid any additional cash director fees.

Mr. Kaye was not paid any compensation for service on the Board in 2019.

All directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with their duties to the Company.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth certain information regarding the beneficial ownership of our shares of common stock as of May 14, 2020, by: (a) our directors; (b) each other person who is known by us to own beneficially more than 5% of our outstanding shares of common stock; (c) the named executive officers identified in the Summary Compensation Table; and (d) all of our executive officers and directors as a group. The percentages in the table are calculated on the basis of the amount of outstanding securities plus securities deemed outstanding pursuant to Rule 13d-3(d)(1) under the Exchange Act.

Name of Beneficial Owner	Number of Shares	Percent of Class (7)
Richard MacPherson (1)	14,078,345	17.5%
Christopher Greenberg (2)	3,235,664	4.0%
John Pavlish (3)	4,839,070	5.9%
James Trettel (4)	2,230,685	2.8%
David M. Kaye (5)	50,000	*
Alterna Core Capital Assets Fund II, L.P., et al (6)	11,700,000	15.1%
All Executive Officers and Directors as a Group (5 persons)	24,433,764	27.9%

* Less than one percent of the outstanding shares of common stock of the Company.

(1) Includes 11,237,826 shares owned by Mr. MacPherson and 2,840,519 shares which Mr. MacPherson has the right to acquire upon exercise of options. Mr. MacPherson's address is 1810 Jester Drive, Corsicana, Texas 75109.

(2) Includes 2,064,000 shares owned by Mr. Greenberg, 5,000 shares owned by Mr. Greenberg with his wife, and 1,666,664 shares which Mr. Greenberg has the right to acquire upon exercise of options.

(3) Includes 1,035,945 shares owned by Mr. Pavlish and 3,803,125 shares which Mr. Pavlish has the right to acquire upon exercise of options. Mr. Pavlish's address is 1810 Jester Drive, Corsicana, Texas 75109.

(4) Includes 136,935 shares owned by Mr. Trettel, 200,000 owned by Mr. Trettel's wife and 1,893,750 shares which Mr. Trettel has the right to acquire upon exercise of options.

(5) Includes 50,000 shares which Mr. Kaye has the right to acquire upon exercise of options.

(6) Represents 11,700,000 shares owned and based solely upon and according to information reported in filings made to the SEC, jointly filed by and on behalf of certain reporting persons identified below (the "Reporting Persons"). The Reporting Persons are Alterna Core Capital Assets Fund II, L.P., Alterna Capital Partners LLC, Alterna General Partner II LLC, AC Midwest Energy LLC, Harry V. Toll, Eric M. Press, Roger P. Miller and Earle Goldin. The address for the Reporting Persons is 15 River Road, Suite 230, Wilton CT 06897.

(7) Applicable percentage ownership for each stockholder is based on 77,747,750 shares of common stock outstanding as of May 14, 2020 plus any securities that stockholder has the right to acquire within 60 days of May 14, 2020 pursuant to options, warrants, conversion privileges or other rights. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that a person has the right to acquire beneficial ownership of upon the exercise or conversion of options, convertible stock, warrants or other securities that are currently exercisable or convertible or that will become exercisable or convertible within 60 days of May 14, 2020 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Except as set forth below, since January 1, 2019, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party required to be disclosed under Item 404 of Regulation S-K promulgated pursuant to the Securities Exchange Act of 1934, as amended: (i) in which the amount involved exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years; and (ii) in which any director, executive officer, shareholder who beneficially owns 5% or more of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Kaye Cooper Kay & Rosenberg, LLP provides certain legal services to the Company and was paid $329,729 in 2019 for legal services rendered and disbursement incurred. David M. Kaye, a Director and Secretary of the Company, is a partner of the law firm.

On February 25, 2019, the Company entered into an Unsecured Note Financing Agreement (the "Unsecured Note Financing Agreement") with AC Midwest Energy LLC ("AC Midwest"), pursuant to which AC Midwest exchanged a previously issued subordinated unsecured note in the principal amount of $13,000,000 (the "AC Midwest Subordinated Note"), together with all accrued and unpaid interest thereon, for a new unsecured note in the principal amount of $13,154,931 (the "New AC Midwest Unsecured Note"). The New AC Midwest Unsecured Note, which has been issued in exchange for the AC Midwest Subordinated Note which has now been cancelled, will mature on August 25, 2022 (the "Maturity Date"). It bears a zero cash interest rate. If the original principal amount is paid in full on or before August 25, 2020 (18 months from issuance), AC Midwest shall be entitled to a profit participation preference equal to 0.5 times the original principal amount, and if the original principal amount is paid in full after August 25, 2020, AC Midwest shall be entitled to a profit participation preference equal to 1.0 times the original principal amount (the "Profit Share"). The Profit Share is "non-recourse" and shall only be derived from and computed on the basis of, and paid from, Net Litigation Proceeds from claims relating to the Company's intellectual property, Net Revenue Share and Adjusted Free Cash Flow (as such terms are defined in the Unsecured Note Financing Agreement). If the Profit Share is not paid in full on or before the Maturity Date, it shall remain subject to Unsecured Note Financing Agreement until full and final payment. As of December 31, 2019, total principal of $13,154,931 was outstanding on the New AC Midwest Unsecured Note.

In addition, on February 25, 2019, and effective as of December 15, 2018, the Company entered into Amendment No. 3 ("Amendment No. 3") to the Amended and Restated Financing Agreement with AC Midwest which was entered into on November 1, 2016 (the "Restated Financing Agreement") in connection with the issuance of a secured note in the original principal amount of $9,646,686 (the "AC Midwest Secured Note"). Pursuant to Amendment No. 3, the parties agreed that the maturity date for the remaining principal balance of $271,686 due under the AC Midwest Secured Note (which prior to Amendment No. 3 was due on December 15, 2018) shall be extended to August 25, 2022. In addition, AC Midwest agreed to waive the minimum EBITDA covenant contained in the Restated Financing Agreement and further to strike such covenant from the Restated Financing Agreement in its entirety as of the effective date of Amendment No. 3. As of December 31, 2019, total principal of $271,686 was outstanding on the AC Midwest Secured Note.

AC Midwest beneficially owns 5% or more of the common stock of the Company.

Director Independence

The Board of Directors consists of three members. They are Richard MacPherson, Christopher Greenberg and David M. Kaye. Christopher Greenberg is an "independent director" as defined by the listing standards of The NASDAQ Stock Market.

Item 14. Principal Accounting Fees and Services.

Audit Fees

The aggregate fees billed for professional services rendered by Marcum LLP, our principal accountants effective as of December 17, 2018, for the audit of our consolidated financial statements included in our annual report on Form 10-K and review of our interim consolidated financial statements included in quarterly reports, and other services normally provided in connection with statutory and regulatory filings were $138,697 and $90,000 for the years ended December 31, 2019 and 2018, respectively.

The aggregate fees billed for professional services rendered by Schneider Downs & Co., Inc. (“Schneider Downs”), our former principal accountants, for the audit of our consolidated financial statements included in our annual report on Form 10-K and review of our interim consolidated financial statements included in quarterly reports, and other services normally provided in connection with statutory filings and fees in connection with our Annual Meeting of Stockholders was $75,579 for the year ended December 31, 2018.

Audit-Related Fees

For the year ended December 31, 2018, we received professional services in the amount rendered by Schneider Downs totaling $2,500 for professional services rendered by our former principal accountants that are reasonably related to the performance of the audit or review of our consolidated financial statements and not included in “Audit Fees.”

Tax Fees

For the year ended December 31, 2019, we received professional services rendered by Marcum LLP in the amount of $17,860 in connection with the preparation of our tax returns and other tax compliance services.

For the year ended December 31, 2018, we received professional services rendered by Schneider Downs in the amount of $16,105 in connection with the preparation of our tax returns and other tax compliance services.

All Other Fees

For the years ended December 31, 2019 and 2018, all other fees incurred for professional services rendered by our principal accountants were $0 and $0, respectively.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has not set any pre-approval policies and procedures as of December 31, 2019.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The financial statements identified below and required by Part II, Item 8 of this Form 10-K are set forth above.

(1) Financial Statements

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheet as of December 31, 2019 and 2018
Consolidated Statements of Operations for Years Ended December 31, 2019 and 2018
Consolidated Statements of Stockholders' Deficit for Years Ended December 31, 2019 and 2018
Consolidated Statements of Cash Flows for Years Ended December 31, 2019 and 2018
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

All other schedules have been omitted because of the absence of the conditions under which they are required or because the required information, where material, is shown in the financial statements or the notes thereto.

(3) Exhibits

Exhibit	Description	Filed Herewith	Form	Incorporated by Reference Filing Date
3.1	Certificate of Incorporation and amendments thereto through November 25, 2014		10-K	03/20/2015
3.2	Amended and Restated By-laws		8-K	10/16/2014
4.1	Description of Securities	☒		
10.1	Closing Agreement by and among Midwest Energy Emissions Corp., MES, Inc. and Energy & Environmental Research Center Foundation effective as of April 21, 2017		10-Q	08/21/2017
10.2	Assignment of Patents by and between Energy & Environmental Research Center Foundation and Midwest Energy Emissions Corp. dated April 24, 2017		10-Q	08/21/2017
10.3	Amended and Restated Employment Letter Agreement between Richard MacPherson and Midwest Energy Emissions Corp. dated January 29, 2019		10-K	04/11/2019
10.4	Employment Agreement between John Pavlish and Midwest Energy Emissions Corp. dated November 16, 2014		8-K	11/20/2014
10.5	Midwest Energy Emissions Corp. 2014 Equity Incentive Plan as amended		10-K	03/30/2016
10.6	Form of Option Award Agreement (2014 Equity Incentive Plan)		8-K	02/05/2014
10.7	Security Agreement by and between Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy, LLC dated as of August 14, 2014		8-K	08/15/2014
10.8	Intercreditor Agreement by and between Midwest Energy Emissions Corp., the Holders of 2013 Secured Notes and AC Midwest Energy, LLC dated as of August 14, 2014		8-K	08/15/2014
10.9	Form of Allonge to each of the 2013 Secured Notes dated as of August 14, 2014		8-K	08/15/2014
10.10	2013 Noteholder Modification Agreement between Midwest Energy Emissions Corp. and each of the investors listed therein dated as of February 16, 2016		8-K	02/22/2016
10.11	Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of November 1, 2016		8-K	11/03/2016
10.12	Amendment No. 1 to Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of June 14, 2018		8-K	06/20/2018
10.13	Amendment No. 2 to Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of September 12, 2018		10-Q	11/13/2018
10.14	Amendment No. 3 to Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of February 25, 2019		8-K	03/01/2019
10.15	Senior Secured Note dated November 29, 2016		8-K	12/02/2016
10.16	Form of 2018-Unsecured Convertible Promissory Notes	☒		
10.17	Unsecured Note Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of February 25, 2019		8-K	03/01/2019
10.18	Unsecured Note dated February 25, 2019		8-K	03/01/2019
10.19	Form of 2019-Unsecured Convertible Promissory Notes		10-Q	08/14/2019
10.20	Midwest Energy Emissions Corp. 2017 Equity Incentive Plan		8-K	02/14/2017
10.21	Form of Option Award Agreement (2017 Equity Incentive Plan)		10-K	04/17/2018
14.1	Code of Ethics		10-K	03/20/2015
21.1	Subsidiaries of the registrant		10-K	04/11/2019
31.1	Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act	☒		
31.2	Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act	☒		
32.1	Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code	☒		

32.2	Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code	☒
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MIDWEST ENERGY EMISSIONS CORP.

Date: May 14, 2020

By: */s/ Richard MacPherson*
Richard MacPherson
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

Signature	Title	Date
/s/ Richard MacPherson Richard MacPherson	President, Chief Executive Officer and Director (Principal Executive Officer and Principal Financial and Accounting Officer)	May 14, 2020
/s/ Christopher Greenberg Christopher Greenberg	Chairman of the Board and Director	May 14, 2020
/s/ David M. Kaye David M. Kaye	Director	May 14, 2020

EXHIBIT 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Midwest Energy Emissions Corp. ("we," "our" or the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock, par value $0.001 per share (the "Common Stock").

The following summary description of our Common Stock is based on the provisions of our Certificate of Incorporation, as amended (the "Certificate of Incorporation"), our Bylaws and the applicable provisions of the Delaware General Corporation Law ("DGCL"). This information is qualified entirely by reference to the applicable provisions of our Certificate of Incorporation, our Bylaws and the DGCL. Copies of our Certificate of Incorporation and our Bylaws are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read our Certificate of Incorporation, our Bylaws and the applicable provisions of the DGCL for additional information.

General

We are authorized to issue 150,000,000 shares of Common Stock and 2,000,000 shares of preferred stock, par value $0.001 per share (the "Preferred Stock"). The outstanding shares of our Common Stock are fully paid and nonassessable. We have no outstanding shares of Preferred Stock.

Common Stock

Each share of our Common Stock is entitled to one vote on all matters submitted to a vote of the stockholders, including the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by all shares of Common Stock that are present in person or represented by proxy. Holders of Common Stock representing a majority of our capital stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. Our Certificate of Incorporation does not provide for cumulative voting in the election of directors. Accordingly, the holders of Common Stock entitled to cast more than 50% of the votes cast at an election of directors can elect all of the directors. Holders of Common Stock have equal ratable rights to dividends from funds legally available therefor when, as and if declared by our board of directors; have no pre-emptive rights; no conversion rights; and, there are no redemption provisions applicable to the Common Stock.

Preferred Stock

Our board of directors has the authority to issue Preferred Stock in one or more classes or series and to fix the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, including dividend rights, conversion right, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any class or series, without further vote or action by the stockholders.

Transfer Agent

The Transfer Agent and Registrar for the Company's Common Stock is Transfer Online, Inc., 512 SE Salmon Street, Portland, Oregon 97214.

Market

The Company's Common Stock is quoted on the OTCQB under the symbol "MEEC".

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws and Certain Provisions of the DGCL

Our Certificate of Incorporation and Bylaws contain provisions that could have an anti-takeover effect, including provisions that provide the following:

- the ability of our board of directors to determine the rights, preferences and privileges of our Preferred Stock and to issue the Preferred Stock without stockholder approval;
- advance notice requirements for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings;
- vacancies on the board of directors may be filled by a majority of directors then in office, although less than a quorum;
- grant our board of directors the authority to increase or decrease the size of the board of directors;
- authorize our board of directors, by a majority vote, to amend the Bylaws;
- The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our Certificate of Incorporation and Bylaws do not provide for cumulative voting.

EXHIBIT 10.16

INTERESTS REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE INTERESTS ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED HEREUNDER AND PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

MIDWEST ENERGY EMISSIONS CORP.

12.0% UNSECURED CONVERTIBLE PROMISSORY NOTE

Lewis Center, Ohio
Date: __________

No. MEEC-CN-2018-__

THIS UNSECURED CONVERTIBLE PROMISSORY NOTE (the "***Note***") is one of a duly authorized issue of promissory notes of Midwest Energy Emissions Corp., a corporation duly organized and existing under the laws of the State of Delaware having its principal address at 670 D Enterprise Drive, Lewis Center, Ohio 43035 (the "***Company***"), designated as its 12.0% Unsecured Convertible Promissory Notes in the aggregate principal amount not exceeding Three Million Five Hundred Thousand Dollars ($3,500,000) (the "***Notes***"). The Notes will be issued under and pursuant to the terms and provisions of a Subscription Agreement or Debt Exchange Agreement entered into by the Company with the original purchaser therein who is referred to in this Note as the original holder (the "***Original Holder***"). This Note is subject to all of the terms and provisions thereunder, to which reference is hereby made for the terms and provisions thereof.

FOR VALUE RECEIVED, the Company promises to pay to ________________________, with an address at ______________________________, email: ________________, or permitted assigns (the "***Holder***"), the principal sum of U.S. $______________ on _______________, 2023 (the "***Maturity Date***"), and to pay interest on the principal sum outstanding under this Note (the "***Outstanding Principal Amount***"), at the rate of 12.0% per annum due and payable semi-annually in arrears on the 1st day of January and July of each year (each an "***Interest Payment Date***"), with the first such payment due on January 1, 2019, subject to Section 1 hereof. Accrual of interest shall commence on the first day to occur after the date hereof and shall continue until payment in full of the Outstanding Principal Amount and all interest hereunder has been made. The principal of and interest on this Note are payable in such coin or currency of the United States of America as of the time of payment is legal tender for payment of public and private debts.

This Note is subject to the following additional provisions:

1. **Payment.**

(a) **Interest**. Payment of interest on this Note, including any default interest, shall be made to the Holder on or before the close of business on the Interest Payment Date (or if the Interest Payment Date is not a Business Day, then the first Business Day after the Interest Payment Date) in the year of the relevant payment dates, and shall be deemed made when mailed to his address as last reported to the Company. Where required, calculations and respective interest on this Note will be made on the basis of a 360 day year consisting of 12 months, 30 days each and, in the case of an uncompleted month, the actual number of days elapsed. In the event that this Note is converted into Common Stock as provided in Section 3 hereof, interest will be paid up to but not including (i) the date of the Company's receipt of the Conversion Notice with respect to a voluntary conversion by the Holder provided in Section 3(b) hereof, or (ii) the Forced Conversion Date with respect to a Forced Conversion provided in Section 3(c) hereof.

(b) **Principal**. Payment of the full Outstanding Principal Amount of this Note shall be made on the Maturity Date (or if the Maturity Date is not a Business Day, then the first Business Day after the Maturity Date) to the Holder at his address as last reported to the Company and shall be deemed made when received.

2. **Prepayment**. Except as otherwise set forth below, the Company may, without premium or penalty, at any time commencing one (1) year from the date hereof, prepay all or a portion of the Outstanding Principal Amount of this Note provided that such prepayment is accompanied by accrued and unpaid interest, including any default interest, on the Outstanding Principal Amount, calculated as of the date of prepayment (the "***Prepayment Interest***"). Notice of prepayment (the "***Prepayment Notice***") shall be provided no less than thirty (30) days before the prepayment date to each Holder of Notes to be prepaid at such Holder's address as last reported to the Company. The Company may issue a subsequent Prepayment Notice only after the expiration of a period of ninety (90) days from the end of the thirty (30) day notice period of the last Prepayment Notice. On and after the prepayment, interest ceases to accrue on the portion of the Notes called for prepayment.

3. **Conversion**.

(a) **Defined Terms**. For purposes of this Section 3, the terms listed below shall have the respective meanings set forth below:

(i) "***Closing Price***" means, on any particular date, the closing price of the Common Stock as recorded by the principal Trading Market on which the Common Stock is then listed or quoted.

(ii) "***Trading Day***" means a day on which the principal Trading Market is open for trading.

(iii) "***Trading Market***" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTCQX Market, the OTCQB Market, or the OTC Pink Market, or any successors to any of the foregoing or such other principal stock market or exchange on which the Common Stock is then traded for the date in question.

(b) **Voluntary Conversion by Holder**. At any time after six (6) months from the date hereof, the Outstanding Principal Amount of this Note may be converted at any time and from time to time in whole or in part, at the option of the Holder, into shares of Common Stock. If this Note is called for prepayment, the Holder may convert the Outstanding Principal Amount in whole or in part at any time before the close of business on the fifth (5^{th}) day prior to the prepayment date. The initial conversion price shall be equal to $0.50 per share, subject to adjustment as provided elsewhere herein (the "***Conversion Price***"). To determine the number of shares of Common Stock issuable upon conversion of this Note, divide the Outstanding Principal Amount to be converted by the Conversion Price in effect on the conversion date. To convert this Note, the Holder must (1) complete and sign the conversion notice in the form of Exhibit 1 hereto (the "***Conversion Notice***"), (2) surrender this Note to the Company, (3) furnish appropriate endorsements and transfer documents if required by the Company, and (4) pay any transfer or similar tax if required. The Holder may convert a portion of this Note if the portion is $1,000 or an integral multiple of $1,000.

(c) **Forced Conversion of this Note at the Option of the Company**. If at any time after six (6) months from the date hereof, the Closing Price of the Common Stock exceeds $1.00 per share (as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction) for ten (10) consecutive Trading Days (the "***Forced Conversion Measuring Period***"), the Company shall have the right to convert (the "***Forced Conversion***") all of the Outstanding Principal Amount of this Note into shares of Common Stock at the Conversion Price then in effect. The Company may exercise its right to require conversion under this Section 3(c) by delivering within five (5) Trading Days following the end of such Forced Conversion Measuring Period a written notice thereof to all, but not less than all, of the holders of the then outstanding Notes (the "***Forced Conversion Notice***" and the date on which the Holders are given such notice is referred to as the "***Forced Conversion Notice Date***"). The Forced Conversion Notice shall be irrevocable. The Forced Conversion Notice shall state (i) the date on which the Forced Conversion shall occur which shall be no less than twenty (20) Trading Days and no more than thirty (30) Trading Days following the Forced Conversion Notice Date (the "***Forced Conversion Date***"), and (ii) the number of shares of Common Stock to be issued to such Holder on the Forced Conversion Date. Upon the Forced Conversion Date, the Holder shall automatically and without any act by the Company or the Holder be deemed to be the holder of the shares of Common Stock as set forth therein and, whether or not the Holder has surrendered this Note, the Holder shall cease to have any rights pursuant to this Note (except with respect to any accrued and unpaid interest to be paid in cash by the Company), but shall have all of the rights granted to it as a holder of shares of Common Stock. To receive a certificate representing the shares of Common Stock, the Holder shall (1) surrender this Note to the Company, and (2) complete and sign the forced conversion statement in the form of **Exhibit 2** hereto.

(d) **Adjustment for Interest**. No adjustment or allowance should be made for interest on the principal amount of this Note surrendered for conversion, except that upon conversion interest accrued but unpaid on the amount surrendered for conversion shall be paid in cash.

(e) **Fractional Shares**. No fractional shares shall be issued upon conversion of this Note. In place of a fractional share, the Company shall pay the holder of this Note an amount in cash equal to the product of such fraction and the Conversion Price.

(f) **Adjustment for Stock Dividends and Stock Splits**. If the Company:

(i) pays a stock dividend or makes a distribution on its outstanding shares of Common Stock in shares of its Common Stock;

(ii) subdivides its outstanding shares of Common Stock into a greater number of shares; or

(iii) combines its outstanding shares of Common Stock into a smaller number of shares;

then the conversion privilege and the Conversion Price in effect immediately prior to such action shall be adjusted so that upon conversion the Holder may receive the number of shares of capital stock of the Company which the Holder would have owned immediately prior to such action. The adjustment shall become effective immediately after the record date in the case of a stock dividend or distribution and immediately after the effective date in the case of a subdivision or combination. If after an adjustment a Holder upon conversion may receive shares of two or more classes of capital stock of the Company, the Company shall determine the allocation of the adjusted Conversion Price between the classes of capital stock. After such allocation, the conversion privilege and the Conversion Price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this subsection.

(g) **Reorganization, Reclassification, Consolidation, Merger or Sale**. In the case of any reclassification, capital reorganization, consolidation, merger, sale of all or substantially all of the assets of the Company to another person or any other change in the Common Stock of the Company, other than as a result of a subdivision, combination, or stock dividend provided for in sub-clause (f) hereof (any of which, a "***Change Event***"), then lawful provision shall be made, and duly executed documents evidencing the same from the Company or its successor shall be delivered to the Holder, such that the Holder shall have the right at any time prior to the expiration of this Note to purchase, at a total price equal to that payable upon the exercise of this Note (subject to the adjustment of the Conversion Price as provided in this Section), the kind and amount of shares of stock or other securities and property receivable in connection with such Change Event by a holder of the same number of shares of Common Stock as were purchasable by the Holder immediately prior to such Change Event. Appropriate adjustments shall also be made to the Conversion Price, but the aggregate Conversion Price shall remain the same. Notwithstanding anything to the contrary contained herein, with respect to any Change Event, the Holder shall have the right to elect prior to the consummation of such event or transaction to give effect to the exercise its right to convert into Common Stock and receive the securities and other consideration issued to holder of Common Stock in the Change Event in lieu of giving effect to the provisions of this Section.

(h) **When Adjustment May be Deferred**. No adjustment in the Conversion Price need be made unless the adjustment would require an increase or decrease of at least 1% in the Conversion Price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(i) **Voluntary Reduction**. The Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days and if the reduction is irrevocable during the period, provided, that in no event may the Conversion Price be less than the par value of a share of Common Stock.

(j) **Notice of Adjustment**. Whenever the Conversion Price is adjusted, the Company shall promptly mail to the Holder a notice of the adjustment.

(k) **Weighted Average Adjustment** . If (i) the Company completes an equity or equity-linked financing in the future whereby the Company issues shares of Common Stock or shares of Common Stock issuable upon conversion of such equity-linked securities (the "***Additional Shares***") at a price per share less than the Conversion Price then in effect (a "***Diluting Issuance***") and (ii) this Note is then still outstanding, the Conversion Price in effect immediately before such Diluting Issuance shall be reduced, concurrently with such Diluting Issuance, to a price (calculated to the nearest hundredth of a cent) determined by multiplying the Conversion Price by a fraction:

(i) the numerator of which is the number of shares of Common Stock outstanding immediately before such Diluting Issuance plus the number of shares of Common Stock that the aggregate consideration received by Company for the Additional Shares would purchase at the Conversion Price in effect immediately before such Diluting Issuance, and

(ii) the denominator of which is the number of shares of Common Stock outstanding immediately before such Diluting Issuance plus the number of Additional Shares.

For purposes of clarity, the exercise shall be determined in accordance with the following formula:

$$EP2 = EP1 \times (A + B) / (A + C)$$

For purposes of the foregoing formula, the following definitions shall apply:

(i) "EP2" shall mean the Conversion Price in effect immediately after such Diluting Issuance of Additional Shares;

(ii) "EP1" shall mean the Conversion Price in effect immediately prior to such Diluting Issuance of Additional Shares;

(iii) "A" shall mean the number of shares of Common Stock outstanding and deemed outstanding immediately prior to such Diluting Issuance of Additional Shares;

(iv) "B" shall mean the number of shares of Common Stock that would have been issued if such Additional Shares had been issued at a price per share equal to EP1 (determined by dividing the aggregate consideration received or receivable by the Company in respect of such issue by EP1); and

(v) "C" shall mean the number of such Additional Shares issued in such transaction.

4. Events of Default. If one or more of the following events shall occur (each an "***Event of Default***"):

(a) the nonpayment of any Outstanding Principal Amount, interest or other payment under this Note when the same shall become due and payable;

(b) a final judgment or final judgments for the payment of money are entered by a court of competent jurisdiction against the Company or any Subsidiary which remains unpaid or unstayed and undischarged for a period (during which execution shall not be effectively stayed) or 30 days after the date on which the right to appeal has expired, provided, that, the aggregate of all such judgments exceeds $2,000,000. For purposes of this Note, "***Subsidiary***" means any entity of which at least a majority of capital stock (or equivalent) having ordinary voting power in the election of directors or other governing body of such entity is owned by the Company directly or indirectly through one or more subsidiaries;

(c) (i) the Company or any significant Subsidiary shall file a petition under any bankruptcy, insolvency or similar law, or make an assignment for the benefit of its creditors, or shall consent to or acquiesce in the appointment of a receiver for all or a substantial part of its property; or (ii) a petition under any bankruptcy, insolvency or similar law, or for the appointment of a receiver with respect to all or a substantial part of the Company's or any significant Subsidiary's property, shall be filed against the Company or any significant Subsidiary and remain undismissed for at least 60 days; or

(d) a dissolution of the Company;

then, and so long as such Event of Default is continuing for a period of five (5) calendar days in the case of non-payment under Section 4(a) and for a period of ten (10) calendar days in the case of events under other subsections of Section 4 (and the event which would constitute such Event of Default, if curable, has not been cured), by written notice to the Company: (i) all amounts then unpaid under this Note, including accrued but unpaid interest, shall thereafter accrue and bear interest at the default rate of fifteen percent (15%) per annum; and (ii) all obligations of the Company under this Note shall be immediately due and payable (except with respect to any Event of Default set forth in Section 4(c) hereof, in which case all obligations of the Company under this Note shall automatically become immediately due and payable without the necessity of any notice or other demand to the Company) without presentment, demand, protest or any other action nor obligation of the Holder of any kind, all of which are hereby expressly waived, and the Holder may exercise any other remedies the Holder may have at law or in equity.

5. **Status of Holder**. The Company may treat the Original Holder of this Note as the absolute owner of this Note for the purpose of making payments of principal or interest and for all other purposes and shall not be affected by any notice to the contrary unless this Note is transferred in accordance with the terms hereof.

6. **Securities Act Restrictions**. This Note and the Common Stock issuable by the Company upon conversion hereof have not been registered for sale under the Securities Act of 1933, as amended (the "***Act***"), are deemed to be unregistered or restricted securities, and neither this Note, the Common Stock nor any interest in this Note or Common Stock may be sold, offered for sale, pledged or otherwise disposed of without compliance with applicable securities laws.

7. **Expenses**. The Company shall pay upon demand any and all reasonable expenses, incurred or paid by the Holder following the occurrence of an Event of Default in connection with collecting upon, or enforcing this Note, including, without limitation, the expenses and reasonable fees of legal counsel, court costs and the cost of appellate proceedings.

8. **No Waiver of Rights**. The Holder may, without notice, extend the time of payment of this Note, postpone the enforcement hereof or grant any other indulgence without affecting or diminishing the Holder's right of recourse against the Company, which right is hereby expressly reserved. The failure or delay by the Holder in exercising any of its rights hereunder in any instance shall not constitute a waiver thereof in that or any other instance. The Holder may not waive any of its rights except by an instrument in writing signed by the Holder.

9. **Transfer of Note**. Subject to the provisions of Section 6 hereof, this Note is intended to be a negotiable instrument and may be transferred to any person or entity by the (then) Holder hereof without the prior written consent of the Company or any other person or entity. In the event of any such transfer, upon due presentment for exchange of this Note, the Company will execute and deliver in exchange a new Note or Notes, mutatis mutandis, equal in aggregate principal amount to the then Outstanding Principal Amount. However, no such exchange shall be required to entitle a transferee to enjoy all of the rights and benefits of the Holder hereof. Each Note presented for exchange shall (if so required by the Company) be duly endorsed by, or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and duly executed by the Holder or its attorney duly authorized in writing.

10. **Notices**. All notices or other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made if and when (i) personally delivered, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable overnight courier service with charges prepaid, or (iv) transmitted by confirmed facsimile or other electronic delivery. Notices shall be sent to the Company at its principal place of business and to the Holder at the address set forth at the outset of this Note, or at such other address as the Holder may designate in a notice for that purpose.

11. **Payments Unconditional**. All payments under this Note shall be made without defense, set-off or counterclaim, free and clear of and without deduction for any taxes of any nature now or hereafter imposed.

12. **Waiver of Demand, Presentment, etc.** The Company hereby expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, bringing of suit and diligence in taking any action to collect amounts called for hereunder and shall be directly and primarily liable for the payment of all sums owing and to be owing hereunder, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amount called for hereunder. The Company agrees that, in the event of an Event of Default, to reimburse the Holder for all reasonable costs and expenses (including reasonable legal fees of one counsel) incurred in connection with the enforcement and collection of this Note.

13. **Usury Laws**. Notwithstanding any other provisions of this Note, interest under this Note shall not exceed the maximum rate permitted by law; and if any amount is paid under this Note as interest in excess of such maximum rate, then the amount so paid will not constitute interest but will constitute a prepayment on account of the Outstanding Principal Amount. The Company will not assert, plead (as a defense or otherwise) or in any manner whatsoever claim (and will actively resist any attempt to compel it to assert, plead or claim) in any action, suit or proceeding that any interest rate under this Note violates present or future usury or other laws relating to the interest payable on any indebtedness hereunder and will not otherwise avail itself (and will actively resist any attempt to compel it to avail itself) of the benefits of any such laws.

14. **Unsecured Obligation**. This Note shall be an unsecured obligation of the Company, ranking *pari passu* with all other unsecured obligations of the Company.

15. **Headings**. The headings in this Note are solely for convenience of reference and shall not affect its interpretation.

16. **Assignment**. This Note is binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns. The Company shall not be permitted to assign its obligations hereunder without the prior written consent of the Holder.

17. **Entire Agreement**. Each of the parties hereby covenants that this Note is intended to and does contain and embody herein all of the understandings and agreements, both written and oral, of the parties hereby with respect to the subject matter of this Note, and that there exists no oral agreement or understanding, express or implied liability, whereby the absolute, final and unconditional character and nature of this Note shall be in any way invalidated, empowered or affected.

18. **No Impairment**. The Company will not, by amendment of its certificate of incorporation or through reorganization, consolidation, merger, dissolution, sale of assets or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Note against impairment.

19. **Laws of the State of Delaware**.

(a) This Note shall be deemed to be made in, governed by and interpreted under and construed in all respects in accordance with the laws of the State of Delaware, regardless of the place of domicile or residence of either party.

(b) For purposes of any proceeding involving this Note or any of the obligations of the Company, the Company hereby submits to the non-exclusive jurisdiction of the courts of the State of Delaware and of the United States having jurisdiction in the State of Delaware, and agrees not to raise and waives any objection to or defense based upon the venue of any such court or based upon forum non conveniens. The Company agrees not to bring any action or other proceeding with respect to this Note or with respect to any of its obligations hereunder in any other court unless such courts of the State of Delaware and of the United States determine that they do not have jurisdiction in the matter.

[signature page follows]

[COMPANY SIGNATURE PAGE TO
12.0% UNSECURED CONVERTIBLE PROMISSORY NOTE]

IN WITNESS WHEREOF, the Company has caused this Note to be executed as of the date set forth above.

MIDWEST ENERGY EMISSIONS CORP.

By: ____________________________________
Name:
Title:

EXHIBIT 1

CONVERSION NOTICE

The undersigned irrevocably exercises the option to convert U.S $_________________ principal amount of the 12.0% Unsecured Convertible Promissory Note (the "***Note***") of Midwest Energy Emissions Corp. (the "***Company***") registered in the name of the undersigned into common stock, par value $0.001 per share, of the Company in accordance with the terms of the Note and directs that the securities issuable upon conversion be issued and delivered to the undersigned.

Dated: ______________________

____
Print Name of Holder

____
Signature and title (if applicable)

____
Address

____

____
Soc. Sec. or Tax ID No.

EXHIBIT 2

FORCED CONVERSION STATEMENT

As a result of the forced conversion of the 12.0% Unsecured Convertible Promissory Note (the "***Note***") of Midwest Energy Emissions Corp. (the "***Company***") registered in the name of the undersigned into common stock, par value $0.001 per share, of the Company in accordance with the terms of the Note, the undersigned hereby directs that the securities issuable upon conversion be issued and delivered to the undersigned.

Dated: ______________________

____
Print Name of Holder

____
Signature and title (if applicable)

____
Address

____

____
Soc. Sec. or Tax ID No.

EXHIBIT 31.1

I, Richard MacPherson, certify that:

1. I have reviewed this annual report on Form 10-K of Midwest Energy Emissions Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2020

By: */s/ Richard MacPherson*
Richard MacPherson
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

I, Richard MacPherson certify that:

1. I have reviewed this annual report on Form 10-K of Midwest Energy Emissions Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2020

By: */s/ Richard MacPherson*
Richard MacPherson
Principal Financial and Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of Midwest Energy Emissions Corp. (the "Corporation") on Form 10-K for period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard MacPherson, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 and the Sarbanes-Oxley Act of 2002:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: May 14, 2020

By: */s/ Richard MacPherson*
Richard MacPherson
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of Midwest Energy Emissions Corp. (the “Corporation”) on Form 10-K for period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard MacPherson, Principal Financial and Accounting Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 and the Sarbanes-Oxley Act of 2002:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: May 14, 2020

By: */s/ Richard MacPherson*
Richard MacPherson
Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon