UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2020

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)

(614) 505-6115
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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 an 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		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 ☒

State the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date: Common, $.001 par value per share 77,747,750 outstanding as of August 19, 2020.

MIDWEST ENERGY EMISSIONS CORP.

TABLE OF CONTENTS

PART I – FINANCIAL INFOMATION

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 under the caption "Risk Factors" in the Company's 2019 Form 10-K. 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 the Company's filings and with the Securities and Exchange Commission.

Item 1. Financial Information.

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY

Index to Condensed Consolidated Financial Information

As of and for the three and six months ended June 30, 2020

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020 AND DECEMBER 31, 2019
(UNAUDITED)

	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets		
Cash	$ 595,338	$ 1,499,287
Accounts receivable	934,048	1,222,874
Inventory	461,398	513,498
Prepaid expenses and other assets	272,509	316,199
Total current assets	2,263,293	3,551,858
Property and equipment, net	1,956,159	2,082,343
Right of use asset	913,889	1,106,575
Intellectual property	2,421,096	2,532,462
Total assets	$ 7,554,437	$ 9,273,238
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses (related party of $93,750 and $43,750)	$ 1,199,045	$ 1,676,757
Current portion of equipment notes payable	39,287	53,304
Current portion of operating lease liability	399,581	383,307
Note payable	135,309	-
Current portion of convertible notes payable	-	990,000
Accrued interest	268,034	226,065
Customer credits	167,000	167,000
Accrued salaries	525,019	357,095
Total current liabilities	2,733,275	3,853,528
Equipment notes payable, less current portion	13,844	22,386
Operating lease liability	596,386	807,409
Note payable	299,300	-
Convertible notes payable, net of discount and issuance costs	3,997,634	2,951,137
Profit share liability – related party	2,076,455	2,328,845
Secured note payable – related party	271,686	271,686
Unsecured note payable, net of discount and issuance costs – related party	8,897,675	7,911,898
Total liabilities	18,886,255	18,146,889
COMMITMENTS AND CONTINGENCIES (Note 11)		
Stockholders' deficit		
Preferred stock, $0.001 par value: 2,000,000 shares authorized	-	-
Common stock; $0.001 par value; 150,000,000 shares authorized; 77,747,750 and 76,747,750 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	77,748	76,748
Additional paid-in capital	48,927,006	48,708,085
Accumulated deficit	(60,336,572)	(57,658,484)
Total stockholders' deficit	(11,331,818)	(8,873,651)
Total liabilities and stockholders' deficit	$ 7,554,437	$ 9,273,238

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

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Revenues	$ 1,883,502	$ 2,509,749	$ 3,000,178	$ 5,297,070
Costs and expenses:				
Cost of sales	1,385,849	1,794,985	2,316,383	3,961,325
Selling, general and administrative expenses (related party of $62,500, $69,289, $125,000, and $144,289)	1,133,470	2,790,011	2,305,445	3,930,206
Interest expense & letter of credit fees (related party of $503,190, $503,077, $1,006,015, and $941,722)	650,359	565,611	1,314,747	1,067,619
(Gain) loss on change in fair value of profit share	(376,040)	105,715	(252,390)	143,272
Gain on sale of equipment	(5,919)	-	(5,919)	-
Total costs and expenses	2,787,719	5,256,322	5,678,266	9,102,422
Loss before provision for income taxes	(904,217)	(2,746,573)	(2,678,088)	(3,805,352)
Provision for income taxes	-	-	-	-
Net loss	$ (904,217)	$ (2,746,573)	$ (2,678,088)	$ (3,805,352)
Net loss per common share-basic and diluted:	$ (0.01)	$ (0.04)	$ (0.03)	$ (0.05)
Weighted average common shares outstanding - basic and diluted	**77,747,750**	**76,278,400**	**77,742,225**	**76,327,455**

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

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)

Six Months Ended June 30, 2020

	Common Stock		Additional Paid-in Capital	Accumulated (Deficit)	Total
	Shares	Par Value			
Balance - January 1, 2020	76,747,750	$ 76,748	$ 48,708,085	$ (57,658,484)	$ (8,873,651)
Stock issued for prepaid services	1,000,000	1,000	199,000	-	200,000
Net loss	-	-	-	(1,773,871)	(1,773,871)
Balance - March 31, 2020	77,747,750	77,748	48,907,085	(59,432,355)	(10,447,522)
Issuance of stock options	-	-	19,921	-	19,921
Net loss	-	-	-	(904,217)	(904,217)
Balance - June 30, 2020	77,747,750	$ 77,748	$ 48,927,006	$ (60,336,572)	$ (11,331,818)

Six Months Ended June 30, 2019

	Common Stock		Additional Paid-in Capital	Accumulated (Deficit)	Total
	Shares	Par Value			
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 related to debt restructuring	-	-	3,412,204	-	3,412,204
Net loss	-	-	-	(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 dates	-	-	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)

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

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Cash flows from operating activities		
Net loss	$ (2,678,088)	$ (3,805,352)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation – amortization of prepaid services	249,749	1,762,736
Amortization of discount of notes payable	981,462	713,084
Amortization of debt issuance costs	60,812	70,036
Amortization of right to use assets	192,686	188,841
Amortization of customer acquisition costs	-	34,467
Amortization of patent rights	111,366	100,602
Depreciation expense	122,604	163,035
Gain on sale of equipment	(5,919)	-
(Gain) Loss on change in fair value of profit share	(252,390)	143,272
Changes in operating assets and liabilities		
Decrease in accounts receivable	288,826	401,972
(Increase) Decrease in inventory	52,100	(62,136)
(Increase) Decrease in prepaid expenses and other assets	13,862	(7,329)
Decrease in accounts payable and accrued liabilities	(267,820)	(21,097)
Decrease in operating lease liability	(194,749)	(188,805)
Net cash used in operating activities	(1,325,499)	(506,674)
Cash flows from investing activities		
Cash received from sale of equipment	9,500	-
Net cash provided by investing activities	9,500	-
Cash flows from financing activities		
Payment of debt issuance costs	-	(26,683)
Payments of notes payable	(64,691)	(30,646)
Payments of equipment notes payable	(22,559)	-
Proceeds from the issuance of convertible promissory notes and related warrants	-	1,300,000
Proceeds from the issuance of notes payable	499,300	-
Net cash provided by financing activities	412,050	1,242,671
Net increase (decrease) in cash and cash equivalents	(903,949)	735,997
Cash and cash equivalents - beginning of period	1,499,287	584,877
Cash and cash equivalents - end of period	$ 595,338	$ 1,320,874
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 228,458	$ 121,084
Taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS		
Cumulative effect on accumulated deficit of lease accounting change	$ -	$ 77,866
Stock issued for prepaid services	$ 200,000	$ -
Discount on convertible promissory notes payable	$ -	$ 197,664
Net adjustment for extension of lease	$ -	$ 145,267
Capital contribution related to debt restructuring	$ -	$ 3,412,204

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

MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 $0.001 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 unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of Rule 8-03 of Regulation S-X promulgated by the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required for complete financial statements and should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on May 14, 2020, from which the accompanying condensed consolidated balance sheet dated December 31, 2019 was derived.

In management's opinion, the unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly the financial position as of June 30, 2020, and results of operations, changes in stockholders' deficit and cash flows for all periods presented. The interim results presented are not necessarily indicative of results that can be expected for a full year.

Principles of Consolidation

The condensed 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.

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. For more information please review Note 14 in the Form 10-K filed on May 14, 2020 which includes the restated financial statements. Accordingly, the restated amounts are reflected in the results of operations in this Form 10-Q for the three and six months ended June 30, 2019.

Use of Estimates

The preparation of condensed 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 condensed 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, profit share liability, 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.

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 property and equipment, right of use asset and intellectual property. No impairment charges were recognized for both of the three and six months ended June 30, 2020 and 2019.

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 June 30, 2020 and December 31, 2019 and is considered to be Level 1.

Financial instruments include cash, accounts receivable, accounts payable, customer credits and short-term debt. The carrying amounts of these financial instruments approximated fair value at June 30, 2020 and December 31, 2019 due to their short-term maturities.

The fair value of the promissory notes payable at June 30, 2020 and December 31, 2019 approximated the carrying amount as the notes were issued during the six months ended June 30, 2020 and 2019 at interest rates prevailing in the market and interest rates have not significantly changed as of June 30, 2020. 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 June 30, 2020 and 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 June 30, 2020		
	Total	Level 1	Level 2	Level 3
Assets:				
Cash	595,338	595,338	-	-
Total Assets	$ 595,338	$ 595,338	$ -	$ -
Liabilities				
Promissory notes	13,654,735	-	13,654,735	-
Profit share liability – related party	2,076,455	-	-	2,076,455
Total Liabilities	$ 15,731,190	$ -	$ 13,654,735	$ 2,076,455

		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

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 June 30, 2020 and 2019, 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 three and six months ended June 30, 2020, and 2019 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 three months ended June 30, 2020, and 2019.

	Three months ended June 30, 2020			Three months ended June 30, 2019		
	United States	International	Total	United States	International	Total
Product revenue	$1,809,115	$ 28,400	$1,837,515	$2,149,468	$ 170,040	$2,319,508
Demonstrations & Consulting revenue	39,335	-	39,335	81,832	95,543	177,375
Equipment revenue	2,895	3,757	6,652	12,866	-	12,866
	$1,851,345	$ 32,157	$1,883,502	$2,244,166	$ 265,583	$2,509,749

The following table presents sales by operating segment disaggregated based on the type of product and geographic region for the six months ended June 30, 2020, and 2019.

	Six months ended June 30, 2020			Six months ended June 30, 2019		
	United States	International	Total	United States	International	Total
Product revenue	$2,793,485	$ 113,600	$2,907,085	$4,864,749	$ 212,640	$5,077,389
Demonstrations & Consulting revenue	81,892	-	81,892	105,832	95,543	201,375
Equipment revenue	7,444	3,757	11,201	18,306	-	18,306
	$2,882,821	$ 117,357	$3,000,178	$4,988,887	$ 308,183	$5,297,070

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 June 30, 2020 and 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.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("*CARES Act*") was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the Tax Cuts and Jobs Act of 2017 (" *2017 Tax Act*"). Corporate taxpayers may carryback net operating losses ("*NOLs*") originating between 2018 and 2020 for up to five years, which was not previously allowed under the 2017 Tax Act. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020. Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the 2017 Tax Act) for 2019 and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the 2017 Tax Act.

In addition, the CARES Act raises the corporate charitable deduction limit to 25% of taxable income and makes qualified improvement property generally eligible for 15-year cost-recovery and 100% bonus depreciation. The enactment of the CARES Act did not result in any material adjustments to our income tax provision.

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. There were no dilutive potential common shares as of June 30, 2020 and 2019, 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.

	June 30, 2020	**June 30, 2019**
Stock Options	12,447,326	12,563,326
Warrants	5,690,378	4,102,098
Convertible debt	9,414,200	6,300,000
Total common stock equivalents excluded from diluted net loss per share	27,551,904	22,965,424

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 June 30, 2020 and 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 six months ended June 30, 2020 and 2019, 100% of the Company's revenue related to nine and eight customers respectively. At June 30, 2020 and 2019, 100% of the Company's accounts receivable related to seven customers, respectively.

For each of the six months ended June 30, 2020 and 2019, 83% and 91% of the Company's purchases related to two suppliers, respectively. At June 30, 2020 and 2019, 59% and 71% of the Company's accounts payable and accrued expenses related to two vendors, respectively. 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

Effective January 1, 2020, the Company adopted 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. Prior to the issuance of this guidance, the accounting requirements for nonemployee and employee share-based payment transactions were significantly different. ASU 2018-07 expands the scope of Topic 718, Compensation — Stock Compensation (which only included 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 is substantially aligned. This ASU supersedes Subtopic 505-50, Equity — Equity-Based Payments to Nonemployees. The adoption of ASU 2018-07 did not have a material impact on its condensed consolidated financial statements.

Effective January 1, 2020, the Company adopted 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 adoption of ASU 2018-13 did not have a material impact on its condensed consolidated financial statements.

Recently Issued Accounting Standards

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 (beginning with the quarter ended March 31, 2021 for the Company). The Company is currently evaluating the potential impact of this guidance on its condensed 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 condensed 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 condensed consolidated financial statements as of June 30, 2020 have been prepared assuming the Company will continue as a going concern. As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of $60.3 million and a negative working capital of $469,982 at June 30, 2020. Additionally, the Company had a net loss in the amount of $2.7 million and cash used by operating activities of $1.3 million for the six months ended June 30, 2020. 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 condensed consolidated financial statements within the Company's Quarterly Report on Form 10-Q. 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 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 condensed 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 June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Raw Materials	$ 216,758	$ 223,790
Work in Process	16,397	43,814
Spare Parts	27,632	27,632
Finished goods	200,611	218,262
	$ 461,398	$ 513,498

Note 5 - Property and Equipment, Net

Property and equipment at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Equipment & installation	$ 1,965,659	$ 1,965,659
Trucking equipment	895,587	922,441
Computer equipment and software	67,126	67,126
Office equipment	27,155	27,155
Total equipment	2,955,527	2,982,381
Less: accumulated depreciation	(2,807,075)	(2,707,745)
Construction in process	1,807,707	1,807,707
Property and equipment, net	$ 1,956,159	$ 2,082,343

The Company uses the straight-line method of depreciation over 2 to 5 years. During the three months ended June 30, 2020 and 2019 depreciation expense was $56,015, and $80,438, respectively. During the six months ended June 30, 2020 and 2019 depreciation expense was $122,604, and $163,035, respectively.

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 June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Patents	$ 3,068,995	$ 3,068,995
Less: Accumulated amortization	(647,899)	(536,533)
License, net	$ 2,421,096	$ 2,532,462

Amortization expense for the three months ended June 30, 2020 and 2019 was $61,066 and $50,301, respectively. Amortization expense for the six months ended June 30, 2020 and 2019 was $111,366 and $100,602, respectively. Estimated annual amortization for each of the next five years is $204,600.

Note 7 –Notes Payable

On February 25, 2020, and pursuant to a Business Loan Agreement entered into with a banking institution, 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. The note is secured by substantially all of the assets of MES, Inc. During the six months ended June 30, 2020 the Company repaid $64,691 of principal and $5,216 of interest.

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 or twenty-four 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.

Note 8 –Convertible Notes Payable

The Company has the following convertible notes payable outstanding as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Secured convertible promissory notes which mature upon the retirement of the New AC Midwest Secured Debt (see Note 9), bear interest at 10% per annum, are convertible into shares of common stock at $0.50 per share, and are secured by the assets of the Company.	$ 990,000	$ 990,000
Unsecured convertible promissory notes which mature beginning on June 15, 2023 through October 31, 2023, bear interest at 12% per annum, and are convertible into shares of common stock at $0.50 per share.	860,000	860,000
Unsecured convertible promissory notes which mature beginning on June 18, 2024 through October 23, 2024, bear interest at 12% per annum, and are convertible into shares of common stock at $0.50 per share.	2,600,000	2,600,000
Total convertible notes payable before discount	4,450,000	4,450,000
Less discounts and debt issuance costs	(452,366)	(508,863)
Total convertible notes payable	3,997,634	3,941,137
Less current portion	-	(990,000)
Convertible notes payable, net of current portion	$ 3,997,634	$ 2,951,137

As of June 30, 2020, remaining scheduled principal payments due on convertible notes payable are as follows:

Twelve months ended June 30,	
2021	$ -
2022	-
2023	1,550,000
2024	1,600,000
2025	1,300,000
	$ 4,450,000

As of June 30, 2020, the remaining future amortization of discounts are as follows:

Twelve months ended June 30,	Discounts
2021	$ 114,040
2022	114,040
2023	113,742
2024	98,149
2025	12,395
	$ 452,366

Note 9 - 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. AC Midwest is wholly-owned by a stockholder of the Company. 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. Interest expense for the three months ended June 30, 2020 and 2019 was $10,301. Interest expense for the six months ended June 30, 2020 and 2019 was $20,238 and $20,490 respectively. On February 25, 2019, per Amendment No. 3 to the Amended and Restated 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 both June 30, 2020 and December 31, 2019, total principal of $271,686 was outstanding on this note.

Unsecured Note Payable

The Company has the following unsecured note payable - related party outstanding as of June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Unsecured note payable	$ 13,154,931	$ 13,154,931
Less discounts and debt issuance costs	(4,257,256)	(5,243,033)
Total unsecured note payable	8,897,675	7,911,898
Less current portion	-	-
Unsecured note payable, net of current portion	$ 8,897,675	$ 7,911,898

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 six months ended June 30, 2020 and 2019 was $985,777 and $766,415, respectively. As of June 30, 2020, the unamortized balance of the discount was $4,257,256.

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 (see Note 11), 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, *Derivatives and Hedging* and ASC 480, *Distinguishing Liabilities from Equity* to determine how to account for the profit-sharing portion of the note payable. Although the transaction is not indexed to MEEC's common stock the profit sharing has the characteristics of a freestanding financial instrument because the profit sharing is not callable by the lender, it will be paid out past the maturity of the Unsecured 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 eighteen years with $1 million paid yearly after the first five 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 six months ended June 30, 2020 and 2019.

Profit Share as of January 1, 2020	$ 2,328,845
Addition	-
Gain on change in fair value of profit share	(252,390)
Profit Share as of June 30, 2020	$ 2,076,455

Profit Share as of January 1, 2019	$ -
Addition	1,954,383
Loss on change in fair value of profit share	143,272
Profit Share as of June 30, 2019	$ 2,097,655

Related Party Transactions

Kaye Cooper Kay & Rosenberg, LLP provides certain legal services to the Company and was paid $100,000 in 2020 for legal services rendered and disbursement incurred. David M. Kaye, a Director and Secretary of the Company, is a partner of the law firm. At June 30, 2020 and December 31, 2019, $93,750 and $43,750, respectively, was owed to the firm for services rendered.

Note 10 - 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 June 30,	
2021	$ 438,840
2022	429,760
2023	163,187
2024	30,000
Total	1,061,787
Less discount	(65,820)
Total lease liabilities	995,967
Less current portion	(399,581)
Operating lease obligation, net of current portion	$ 596,386

The weighted average remaining lease term for operating leases is 2.69 years and the weighted average discount rate used in calculating the operating lease asset and liability is 5.0%. For the six months ended June 30, 2020, payments on lease obligations were $219,420 and amortization on the right of use assets was $192,686.

For the three and six months ended June 30, 2020, 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:

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Operating lease cost	$ 101,908	$ 197,130
Short-term lease cost (1)	1,770	3,540
Total lease cost	$ 103,678	$ 200,670

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

Note 11 – Commitments and Contingencies

Fixed Price Contract

The Company's multi-year contracts with its commercial customers contain fixed prices for product. These contracts expire between 2020 and 2025 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 on May 27, 2020, such defendants filed two additional petitions for IPR with the USPTO, seeking to invalidate certain claims to the '147 Patent. On or about July 15, 2020, AEP Generation Resources, Inc., another defendant in the above action, filed four petitions for IPR with the USPTO, seeking to invalidate certain claims to the '114 Patent and '147 Patent. The Company believes that all of the foregoing claims of invalidity are without merit. (See Note 14 for information on the fleetwide license and supply agreement executed on July 30, 2020 with Vistra Corp.)

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 12 - Stock Based Compensation

Stock Based Compensation

Stock based compensation consists of the amortization of common stock, stock options and warrants issued for prepaid services. For the three months ended June 30, 2020 and 2019, stock based compensation amounted to $135,109 and $1,762,736, respectively. For the six months ended June 30, 2020 and 2019, stock based compensation amounted to $249,749 and $1,762,736, respectively. Such expense is classified in selling, general and administrative expenses.

Common Stock

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. These shares of common stock were valued at $200,000 in accordance with FASB ASC Topic 718. The fair value of the shares is being amortized to selling, general and administrative expenses within the Company's condensed consolidated statements of operations over one year.

Stock Options

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 condensed consolidated financial statements over the vesting period based on the estimated fair value of the awards.

A summary of stock option activity for the six months ended June 30, 2020 is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
January 1, 2020	12,553,326	$ 0.55	4.02	$ 927
Grants	250,000	0.19	5.00	
Expirations	(356,000)	0.59	-	
June 30, 2020	12,447,326	$ 0.54	3.60	$ 1,734
Options exercisable at:				
June 30, 2020	12,322,326	$ 0.54	3.59	$ 1,734

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's closing stock price of $0.19 as of June 30, 2020, which would have been received by the option holders had all option holders exercised their options as of that date.

The Company utilized the Black-Scholes options pricing model to value its options granted. The assumptions used for options granted during the six months ended June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Exercise price	$ 0.19	$ 0.27
Expected dividends	0%	0%
Expected volatility	103%	100%
Risk free interest rate	0.33%	3%
Expected life	5 years	5 years

On June 15, 2020, the Company granted nonqualified stock options to acquire an aggregate of 250,000 shares of the Company's common stock under the Company's 2017 Equity Plan to an employee. The options granted are exercisable at $0.19 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Equity Plan. Fifty percent of the options are fully vested and exercisable as of the date of grant and fifty percent of the options vest on April 1, 2021. The options will expire five years from the date of grant. Based on a Black-Scholes valuation model, these options were valued at $37,882 in accordance with FASB ASC Topic 718 which will be expensed over the vesting period in selling, general and administrative expenses within the Company's consolidated statements of operations.

Note 13 - 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
January 1, 2020	5,690,378	$ 0.63	3.72	$ -
Grants	-	-	-	
Expirations	-	-	-	
June 30, 2020	5,690,378	$ 0.63	3.23	$ -
Warrants exercisable at:				
June 30, 2020	5,690,378	$ 0.63	3.23	$ -

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's closing stock price of $0.19 as of June 30, 2020, which would have been received by the option holders had all option holders exercised their options as of that date.

The following table summarizes information about common stock warrants outstanding at June 30, 2020:

Outstanding and Exercisable				
Exercise Price		Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$	0.70	4,460,000	3.95	$ 0.70
	0.45	150,000	0.42	0.45
	0.35	1,080,378*	0.63	0.35
$	0.35-$0.70	5,690,378	3.23	$ 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.

Note 14 – Subsequent Events

On July 8, 2020, the Board of Directors of the Company approved an amendment to the 2017 Equity Incentive Plan (the “2017 Plan”) to increase the maximum number of shares of common stock that may be issued under the 2017 Plan from 8,000,0000 to 12,000,000 shares. On the same date, the Company granted nonqualified stock options to the following executive officers to each acquire 500,000 shares of the Company’s common stock: Richard MacPherson (President and Chief Executive Officer), John Pavlish (Senior Vice President and Chief Technology Officer) and James Trettel (Vice President of Operations); and, also granted nonqualified stock options to the following persons to each acquire 250,000 shares of the Company’s common stock: Christopher Greenberg (Chairman of the Board) and David M. Kaye (director). All of such options were granted under the 2017 Plan and are exercisable at $0.19 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Plan. The options are fully vested and exercisable as of the date of grant and will expire five years thereafter.

On July 30, 2020, the Company and Vistra Corp. executed a multi-year fleetwide license and supply agreement to provide Vistra a non-exclusive license to certain Company patents for use in connection with Vistra’s coal-fired power plants, and to facilitate the parties’ ongoing business relationship. Such patents licensed to Vistra relate to the Company’s two-part Sorbent Enhancement Additive (SEA ®) process for mercury removal from coal-fired power plants. The Company has dismissed all claims brought against Vistra in the patent litigation initiated by the Company and Vistra has agreed to withdraw from petitions for IPR filed with the USPTO. See Note 11. These proceedings will continue with respect to the other parties involved.

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes that appear elsewhere within this report. Certain statements we make under this Item 2 constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" in "Part I" preceding "Item 1 – Financial Information." You should consider our forward-looking statements in light of the risks discussed under the heading "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2019, as well as our unaudited condensed 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, some of which has already begun, 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.

On July 30, 2020, we executed a multi-year fleetwide license and supply agreement with Vistra Corp. ("Vistra") to provide Vistra a non-exclusive license to certain of our patents for use in connection with Vistra's coal-fired power plants, and to facilitate the parties' ongoing business relationship. Such patents licensed to Vistra relate to our two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. Pursuant thereto, Vistra has agreed to purchase from the Company a certain amount of product or services or pay us a certain amount quarterly over a four year period.

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.

Results of Operations

Revenues

We generated revenues of approximately $1,884,000 and $2,510,000 for the three months ended June 30, 2020 and 2019, respectively and approximately $3,000,000 and $5,297,000 for the six months ended June 30, 2020 and 2019, respectively. Such revenues were primarily derived from sorbent product sales which were approximately $1,838,000 and $2,320,000 for the three months ended June 30, 2020 and 2019, respectively and approximately $2,907,000 and $5,077,000 for the six months ended June 30, 2020 and 2019, respectively. The decrease from the prior year period 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 three months ended June 30, 2020 and 2019 were approximately $46,000 and $190,000, respectively and approximately $93,000 and $220,000 for the six months ended June 30, 2020 and 2019, respectively. This decrease was primarily due to decreased demonstration revenues in the first and second quarters of 2020 compared to the same periods last year.

Costs and Expenses

Total costs and expenses were approximately $2,788,000 and $5,256,000 during the three months ended June 30, 2020 and 2019, respectively and approximately $5,678,000 and $9,102,000 during the six months ended June 30, 2020 and 2019, respectively. The decrease in costs and expenses from the prior year is primarily attributable to the decrease in cost of sales principally due to the decrease in sales, as well as a decrease in selling, general and administrative expenses and a gain on change in fair value of profit share. This was partially offset by increases in interest expense.

Cost of sales were approximately $1,386,000 and $1,795,000 for the three months ended June 30, 2020 and 2019, respectively and approximately $2,316,000 and $3,961,000 for the six months ended June 30, 2020 and 2019, respectively. This year to date decrease in cost of sales is primarily attributable to decreased sales.

Selling, general and administrative expenses were approximately $1,133,000 and $2,790,000 for the three months ended June 30, 2020 and 2019, respectively and approximately $2,305,000 and $3,930,000 for the six months ended June 30, 2020 and 2019, respectively. The decrease in selling, general and administrative expenses is primarily attributed to a decrease in stock-based compensation compared to the comparable period of 2019.

Interest expense related to the financing of capital was approximately $650,000 and $566,000 for the three months ended June 30, 2020 and 2019, respectively and approximately $1,315,000 and $1,068,000 for the six months ended June 30, 2020 and 2019, respectively. The increase in 2020 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 three and six months ended March 2020 and 2019 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
Interest expense on notes payable	$ 129	$ 67	$ 273	$ 285
Amortization of discount of notes payable	490	436	981	713
Amortization of debt issuance costs	31	63	61	70
	$ 650	$ 566	$ 1,315	$ 1,068

(Gain) 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 $(376,000) and $106,000 for the three months ended June 30, 2020 and 2019, respectively and approximately $(252,000) and $143,000 for the six months ended June 30, 2020 and 2019, respectively. The change is primarily attributed to a decrease in the fair value of the profit share liability.

Net Income (Loss)

For the three months ended June 30, 2020 and 2019, we had a net loss of approximately $904,000 and $2,747,000, respectively. Although revenues decreased for the three months ended June 30, 2020 compared to the three months ended June 30, 2019, the net loss for the three months ended June 30, 2020 compared to the prior year period decreased by approximately $1,842,000 primarily due to the substantial decrease in total costs and expenses principally due to the decrease in stock based compensation allocated in selling, general and administrative expenses and the gain recognized during the three months ended June 30, 2020 from the on change in fair value of profit share.

For the six months ended June 30, 2020 and 2019, we had a net loss of approximately $2,678,000 and $3,805,000, respectively. Although revenues decreased for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, the net loss for the six months ended June 30, 2020 compared to the prior year period decreased by approximately $1,127,000 primarily due to the substantial decrease in total costs and expenses principally due to the decrease in stock based compensation allocated in selling, general and administrative expenses and the gain recognized during the six months ended June 30, 2020 from the on change in fair value of profit share.

Liquidity and Capital Resources

We had approximately $595,000 in cash on our balance sheet at June 30, 2020 compared to approximately $1,499,000 at December 31, 2019. Total current assets were approximately $2,263,000 and total current liabilities were approximately $2,733,000 at June 30, 2020, resulting in a working capital deficit of approximately $470,000. This compares to total current assets of approximately $3,552,000 and total current liabilities of approximately $3,854,000 at December 31, 2019, resulting in a working capital deficit of approximately $302,000. Our accumulated deficit was approximately $60.3 million at June 30, 2020 compared to $57.7 million at December 31, 2019. Additionally, we had a net loss in the amount of approximately $2,678,000 and cash used in operating activities of approximately $1,325,000 for the six months ended June 30, 2020.

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 condensed consolidated financial statements as of June 30, 2020 have been prepared assuming we will continue as a going concern. As reflected in the condensed consolidated financial statements included with this report, we had an accumulated deficit of approximately $60.3 million and a negative working capital of approximately $470,000 at June 30, 2020. Additionally, we had a net loss in the amount of approximately $2.7 million and cash used in operating activities of $1.3 million for the six months ended June 30, 2020. These factors raise substantial doubt about our ability to continue as a going concern for the next twelve months from the issuance of this Quarterly Report on Form 10-Q. 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 if we use the PPP Loan proceeds for eligible purposes during an 8 or 24 week period from the date of the loan, including payroll, benefits, rent and utilities, and we otherwise comply 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 $7,554,000 at June 30, 2020 versus approximately $9,273,000 at December 31, 2019. The change in total assets is primarily attributable to decreases in cash and accounts receivable.

Total liabilities were approximately $18,886,000 at June 30, 2020 versus approximately $18,147,000 at December 31, 2019. The increase in liabilities is primarily due to an increase in notes payable and convertible notes payable offset by a decrease in accounts payable and accrued expenses.

Net cash used in operating activities consists of net loss, adjusted by certain non-cash items, and changes in operating assets and liabilities.

Net cash used in operating activities was approximately $1,325,000 for the six months ended June 30, 2020 compared to net cash used in operating activities of approximately $507,000 for the six months ended June 30, 2019. The increase in cash used in operating activities of approximately $818,000 was primarily due to an approximate $588,000 increase in net loss after adjusting for non-cash items from period to period, plus a change in operating assets and liabilities of approximately $230,000 primarily attributable to a decrease in accounts payable and accrued liabilities, offset by decreases in accounts receivable and inventory and a decrease in prepaid expenses and other assets.

Net cash provided by investing activities was $9,500 for the six months ended June 30, 2020 compared to net cash provided by investing activities of $0 for the six months ended June 30, 2019. The increase is attributed to the cash received from the sale of equipment.

Net cash provided by financing activities was approximately $412,000 for the six months ended June 30, 2020 compared to net cash provided by financing activities of approximately $1,243,000 for the six months ended June 30, 2019. During the six months ended June 30, 2020, the Company received $499,000 from the issuance of notes payable.

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

For detailed information regarding our critical accounting policies and estimates, see our financial statements and notes thereto included in this Report and in our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes to our critical accounting policies and estimates from those disclosed in our most recent Annual Report on Form 10-K.

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 loss to adjusted EBITDA for the three and six months ended June 30, 2020 and 2019, respectively:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(In thousands)		(In thousands)	
Net loss	$ (904)	$ (2,746)	$ (2,678)	$ (3,805)
Non-GAAP adjustments:				
Depreciation and amortization	215	225	427	487
Interest and letter of credit fees	650	565	1,314	1,067
Income taxes	-	-	-	-
Stock based compensation	135	1,763	250	1,763
Adjusted EBITDA	$ 96	$ (193)	$ (687)	$ (488)

Item 3. 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 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer (who is the same person), we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted 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, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive officer and principal financial officer concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were not effective as a result of material weaknesses in our internal control over financial reporting. The ineffectiveness of our disclosure controls and procedures was due to the following material weaknesses in our internal control over financial reporting, which are common to 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.

Despite the existence of the material weaknesses above, we believe that the consolidated financial statements contained in this Form 10-Q 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 fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting except the updated business processes and internal controls made in support of the adoption of the new lease accounting standard.

Certain actions have been taken to address certain aspects of the material weaknesses disclosed above. As of January 1, 2020, we replaced our previous accounting software with a more efficient software package to manage our business activities and accounting needs. Although we no longer have a full-time CFO, during the fourth quarter of 2019 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. Also, in the fourth quarter of 2019, we 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. 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. 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.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is hereby made to the Annual Report on Form 10-K for the year ended December 31, 2019 for information on patent litigation initiated by us on July 17, 2019 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. 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. On May 27, 2020, such defendants filed two additional petitions for IPR with the USPTO, seeking to invalidate certain claims to the '147 Patent. On or about July 15, 2020, AEP Generation Resources, Inc., another defendant in the above action, filed four petitions for IPR with the USPTO, seeking to invalidate certain claims to the '114 Patent and '147 Patent. The Company believes that all of the foregoing claims of invalidity are without merit.

On July 30, 2020, the Company and Vistra Corp. executed a multi-year fleetwide license and supply agreement to provide Vistra a non-exclusive license to certain Company patents for use in connection with Vistra's coal-fired power plants, and to facilitate the parties' ongoing business relationship. Such patents licensed to Vistra relate to the Company's two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. The Company has dismissed all claims brought against Vistra in the above referenced patent litigation and Vistra has agreed to withdraw from petitions for IPR filed with the USPTO. These proceedings will continue with respect to the other parties involved.

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.

Item 1A. Risk Factors.

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. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Default Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification by Principal Executive Officer and Principal Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
32.1*	Certification by Principal Executive Officer and Principal 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*	The following financial information from our Quarterly Report on Form 10-Q for the three months ended June 30, 2020 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Unaudited Balance Sheets, (ii) the Condensed Consolidated Unaudited Statements of Operations, (iii) the Condensed Consolidated Unaudited Statements of Stockholders' Deficit, (iv) the Condensed Consolidated Unaudited Statements of Cash Flows, and (v) Notes to Condensed Consolidated Unaudited Financial Statements

* Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

Dated: August 19, 2020

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

EXHIBIT 31.1

CERTIFICATION

I, Richard MacPherson, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statements 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 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 subsidiary, 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 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;

   (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 reasonable 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: August 19, 2020

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

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Midwest Energy Emissions Corp. (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge, that:

(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 Company.

Dated: August 19, 2020

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