



MIDWEST ENERGY EMISSIONS CORP.

## **2022 ANNUAL REPORT**

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

**FORM 10-K**

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

For the fiscal year ended: **December 31, 2022**

Commission file number: **000-33067**

**MIDWEST ENERGY EMISSIONS CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**87-0398271**

(I.R.S. Employer  
Identification No.)

**1810 Jester Drive, Corsicana, Texas 75109**

(Address of principal executive offices) (Zip Code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

Non-accelerated Filer

Accelerated filer

Smaller reporting issuer

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$22,280,000.

The number of shares outstanding of the Common Stock (\$.001 par value) of the Registrant as of the close of business on May 12, 2023 was 94,249,676.

**DOCUMENTS INCORPORATED BY REFERENCE: None.**

**MIDWEST ENERGY EMISSIONS CORP.**  
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## CERTAIN DEFINED TERMS

As used in this document, unless the context otherwise requires, references to:

“BAC” means brominated powdered activated carbon.

“EGUs” means electric generating units.

“EPA” means the U.S. Environmental Protection Agency.

“ESP” means electro-static precipitators.

“Hg” means mercury.

“MATS” means Mercury and Air Toxics Standards.

“Midwest Energy Emissions Corp.,” “ME2C Environmental,” the “Company,” “we,” “us,” and “our” means Midwest Energy Emissions Corp. and its wholly owned, consolidated subsidiary, or either or both of them, as the context may require;

“MW” means megawatts.

“NOX” means oxides of nitrogen.

“PAC” means powdered activated carbon.

“REEs” means rare earth elements.

“SCR” means selective catalytic reduction.

“SEA” means the Company’s proprietary sorbent enhancing additive.

“SOX” means oxides of sulfur.

## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements,” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and reflect our current expectations regarding our future growth, results of operations, cash flows, performance and business prospects, and opportunities, as well as assumptions made by, and information currently available to, our management. Forward-looking statements are generally identified by using words such as “anticipate,” “believe,” “plan,” “expect,” “intend,” “will,” and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such risks include, without limitation, the following:

- the loss of major customers;
- dependence on availability and retention of key suppliers;
- changes, or lack of changes, in environmental regulations;
- risks related to advancements in technologies;
- lack of diversification in the Company’s business;
- risks related to intellectual property, including the ability to protect intellectual property and the success of the ongoing patent litigation;
- competition risks;
- changes in demand for coal as a fuel source for electricity production;
- ability to retain key personnel;
- business interruptions as a result of COVID-19;
- absence of a liquid public market for our common stock;
- share price volatility;
- the potential that dividends may never be declared; and
- other factors discussed in this report under the caption “*Risk Factors*”.

Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this report, and particularly our forward-looking statements, by these cautionary statements.

Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise.

**PART I**

**Item 1. Business.**

**General**

We are an environmental services and technologies company developing and delivering patented and proprietary solutions to the global power industry, specializing in mercury emissions removal technologies.

**Products and Services**

We provide mercury capture solutions driven by our patented two-part Sorbent Enhancement Additive (SEA®) process using a powerful combination of science and engineering. Our leading-edge services have been shown to achieve mercury emissions removal at a significantly lower cost and with less operational impact to coal-fired power plants than other used methods, while maintaining and/or increasing power plant output and preserving the marketability of byproducts for beneficial use. We design systems and materials tailored and formulated specifically to each customer's coal-fired units. Our mercury removal technologies and systems will achieve mercury removal levels which meet or exceed the 2012 Coal- and Oil-Fired Electric Utility Steam Generating Units National Emission Standards for Hazardous Air Pollutants, as revised, known as the MATS, requirements with lower cost and plant systems impacts than typical PAC or BAC sorbent injection systems. Our products have been shown to be successful across a myriad of fuel and system types, tunable to any configuration, and environmentally friendly, allowing for the recycling of fly ash for beneficial use.

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

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

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

- Assessment of existing systems and suggested improvements;
- Assessment and guidance of mercury capture and emissions;
- Optimal design of the injection strategy and appropriate equipment layout and installation;
- Sorbent optimization using flow modeling for a customized, low-cost plan for each unit;
- Emission testing for mercury and other trace metals with our mobile laboratory; and
- Ongoing research toward improved technology for mercury capture and rapid-response scientific support for emission or combustion issues as operations and regulations change.

We are also developing new technologies to improve the capture rate and environmental concerns of processing rare earth elements ("REEs"). See "Description of the Business - Additional Business Opportunities" below.

#### **Patents and Trademarks**

Our SEA® technology was originally developed by the University of North Dakota's Energy and Environmental Research Center. It was tested and refined on numerous operating coal-fired EGUs, with the founder of our wholly owned subsidiary participating with the Energy and Environmental Research Center on these tests since 2008. The Energy and Environmental Research Center Foundation, a non-profit entity, obtained patents on this technology. Between 2009 and 2017, we maintained an exclusive worldwide license with respect to this patented technology, which applied to various domestic and foreign patents and patent applications. Such formed the basis of our mercury control technology. On April 24, 2017, we acquired from The Energy and Environmental Research Center Foundation all such patent rights, including all patents and patents pending, domestic and foreign, relating to the foregoing technology.

We have a patent portfolio consisting of 37 active patents throughout the U.S., Canada, Europe, and China and 3 patents pending applications. We believe that our patent position is strong in the U.S., Canada and Europe.

#### **Industry Background**

The market for mercury removal from power plant emissions have largely been driven by federal regulations.

On December 21, 2011, the EPA announced MATS for power plants in the U.S. The MATS rule is intended to reduce air emissions of heavy metals, including mercury ("Hg"), from all major U.S. power plants burning coal or oil, which are the leading source of non-natural mercury emissions in the U.S. Existing power plants were granted three years (plus a potential one-year extension in cases of hardship, ruled on by state EPAs where the plant is domiciled) from April 16, 2012 to comply with the new emission limits. The MATS rule applies to EGUs that are larger than 25 MW that burn coal or oil for the purpose of generating electricity for sale and distribution through the national electric grid to the public, and includes investor-owned units, as well as units owned by the federal government, municipalities, and cooperatives that provide electricity for commercial, industrial, and residential uses. At the time of MATS being promulgated, there were approximately 1,250 coal-fired EGUs affected by this rule. Many EGUs have since shut down as a result of regulation and competitive disadvantages to newer or gas-fired EGUs and renewable energy sources (e.g. wind, solar). We believe that at the end of 2022, there are approximately 225 coal-fired EGUs remaining in the power market which make up the large mercury-emissions control market into which we sell.

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

In addition to the U.S. federal MATS rule, more than 20 states currently have regulations that limit mercury emissions and are similar to or more restrictive than the MATS rule. There are several choices of pollution control technologies available to reduce mercury emissions, but they do not all work consistently or cost-effectively for every plant design or for all of the various types of coal. The most common technology employed to reduce mercury emissions is a sorbent injection system which provides for the injection of PAC or BAC into the flue-gas of an EGU after the boiler itself but in front of the ESP. Such injections have proven effective with many coals, especially at reduction levels of 70% or less. At required mercury reduction levels above 80%, these injection systems require substantial injection rates which often have severe operational issues including over-loading the ESP and rendering the fly ash unfit for sale to concrete companies, and at times even causing combustion concerns with the fly ash itself.

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

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

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

## **Growth Strategy for Mercury Emissions**

### *North American Markets for Our Mercury Technologies*

North America is currently the largest market for our emissions technologies.

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

In Canada, there are the 2000 Canada-wide Standards for Mercury Emissions and the 2006 Canada-wide Standards for Mercury Emissions from Coal-Fired Electric Power Generation Plants among all the provinces which was initially implemented in 2010, with caps in mercury emissions for each of the provinces. We believe that we have the most effective technology for the EGUs and that we maintain a strong patent position for our mercury emissions technologies in Canada.

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

At the present time, there are 21 EGUs in the U.S. that currently use our SEA technologies and buy product from us. We expect to continue to conduct numerous demonstrations on prospective customer units and make supply offerings throughout the rest of 2023 and thereafter.

#### ***Patent Enforcement***

We believe that a significant percentage of coal-fired power plants in the United States have adopted and are infringing upon our two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants.

Beginning in 2019, we began to actively enforce its patent rights against unauthorized use of our patented technologies. We initiated our first patent litigation in July 2019 against four major owners and/or operators of coal-fired power plants in the United States and certain of their affiliates, along with certain other third parties in which we have claimed infringement of its patents related to its two-part process for mercury removal from coal-fired power plants. We subsequently entered into agreements with four of the major defendants. Litigation against the remaining parties is ongoing.

We expect to pursue other infringers and have communicated our position to a significant number of them. Although additional litigation may be necessary to enforce our intellectual property rights, we view this as a last resort. Our goal and overall strategy is to convert infringers to our supply chain of sorbent products for mercury removal, or otherwise license our patents to them on a non-exclusive basis in connection with their respective coal-fired power plants.

#### ***Other Markets for Our Emissions Technologies***

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

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

We previously attempted to pursue the European market and had entered into an agreement with a supplier in 2018 to allow them to commercialize our technology throughout Europe. Such agreement was terminated in 2020 and no revenues had been generated from such agreement prior to its termination. We intend to pursue the European market, although no assurance can be made that any such efforts will be successful. The European market, although significant, is not as large as the market in the U.S.

With regard to business opportunities in China and other Asian countries, there currently exists no specific mandate for mercury capture that requires specific control technology. Nevertheless, we are optimistic of the prospects for mercury emissions regulations in China and Southeast Asia in the coming years. It is estimated that China represents approximately 50% of the world's electric production from coal compared to the United States which represents 14%. We are hopeful that as a result of the Minamata Convention, China as well as other countries will follow the U.S. in regulating mercury emissions. In April 2023, we entered into an exclusive agency agreement with an unrelated company located in Hong Kong pursuant to which such company has been appointed our exclusive agent in various countries located in Southeast Asia (including but not limited to Singapore, Indonesia, Malaysia and Vietnam) to locate and solicit third parties in such territory interested in obtaining rights to use our technologies and purchasing product supply from us. There can be no assurance that we will be successful in obtaining any significant business in Southeast Asia from such arrangement.



### ***Sales and Marketing***

Our marketing strategy is designed to grow our mercury capture solutions in the North American region by building and maintaining the reputation and trust of our work among its customers – specifically by carrying out successful demonstrations performed with utility customers and the resulting contract awards to meet the MATS requirements in the long-term period and sustaining our operational performance with EGUs under contract – and developing new, and refining our existing, unique emissions technologies. We believe that by offering proven and innovative service offerings, we can attract more customers and partners to our services, creating a network growth effect. We expect that the continuing pursuit of infringers of our patented technologies will yield further licensing and supply agreements.

We believe that these targeted marketing initiatives are the most efficient and cost-effective strategy to sustain the growth of both new and existing customers.

### **Additional Business Opportunities**

We are also developing new technologies to improve the capture rate and environmental concerns of processing REEs. During the first quarter of 2021, we announced new technologies under development intended to improve the processing of REEs in North America. Such technologies were under development in conjunction with a collaboration with a third party and pursuant to a license and development agreement entered into in October 2019. In October 2022, such license and development agreement expired and has not been extended or renewed. Prior to expiration, such technologies were being evaluated and tested but had not yet been commercialized. We plan to evaluate and test other related technologies for the extracting of REEs from their solvent state which we have developed and do not involve any of the technologies subject to the expired license and development agreement. In tandem with our efforts in REEs, we have been exploring remediation technologies for wastewater and coal ash from coal-fired power plants, as well as water treatment. We believe the market for water treatment is large and significantly growing both in the United States and abroad. This expansion in water treatment and wastewater remediation will allow us to support the growing needs of the energy sector, as well as provide vital technologies for considerable environmental concerns. There can be no assurance that we will be successful in the development of these technologies.

On January 31, 2023, we entered into a License and Supply Agreement with Dakin Holdings Ltd., a company incorporated in Barbados (“Dakin”), effective as of January 1, 2023 (the “Dakin Agreement”), pursuant to which Dakin has granted to the Company (i) a limited license to manufacture and produce for Dakin products comprising certain intellectual property owned by Dakin as described below (the “Dakin IP”), and (ii) an exclusive license to commercialize the Dakin IP in the United States. Dakin is a company owned and controlled by Richard MacPherson, the Company’s Chief Executive Officer and President. The Dakin IP consists of a proprietary compound of materials engineered to treat a boiler to improve the combustion process and thereby reduce overall emissions, while improving boiler efficiency during the combustion of all types of fuels at power plants. We believe the Dakin IP can be an effective supplement to our core business of mercury emissions removal at coal-fired power plants and provide an additional revenue stream utilizing our present infrastructure. Nevertheless, there can be no assurance that the Dakin Agreement will lead to any significant revenues. For additional information, see Part III, Item 13. “Certain Relationships and Related Transactions, and Director Independence”.

### **Competition**

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

## **Raw Materials**

We buy all the raw materials needed to implement our technologies and provide uniquely formulated products for effective mercury removal from third-party suppliers. Suppliers of our raw materials include large companies that have provided materials for decades and have an international presence. When we use PAC as one component of our sorbent material, we buy it in the market from large activated carbon manufacturers. We believe that we have excellent relationships with our current suppliers. If any of our suppliers should become unavailable to us for any reason, there are a number of other suppliers that we believe can be contracted with to supply the raw materials that we need. However, the availability and price of those raw materials can be impacted by factors beyond our control including any price increases due to inflation. If such suppliers cannot meet our demand for such raw materials on a timely basis or at acceptable prices or if we are unable to offset any such increases that might occur with price adjustments to our customers, such could have a negative effect on our operations.

## **Seasonality**

Our products and services are connected to the power market. This market has changed over recent years, creating a greater proportional residential load demand. With this shift in demand and load, we have experienced some seasonal changes in billing cycles as our current customer concentration is in the Southwestern United States, where many of our customers decrease capacity in such winter months. The price and availability of natural gas can also influence the amount of generation provided by coal-fired plants.

## **Employees**

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

## **Corporate Information**

We were originally incorporated on July 19, 1983 in the State of Utah and subsequently domesticated as a Delaware corporation in February 2007. We changed our name to Midwest Energy Emissions Corp. effective on October 7, 2011. ME2C Environmental is a trade name of Midwest Energy Emissions Corp.

Our wholly owned subsidiary, MES, Inc., was originally incorporated in December 2008 in the State of North Dakota.

Effective on June 21, 2011, we completed a merger transaction (the “Merger”) whereby MES, Inc. (then called Midwest Energy Emissions Corp.) became our wholly owned subsidiary. As a result of the Merger, our business began to focus on the delivery of mercury capture technologies to power plants in North America, Europe, and Asia.

Our principal place of business is located at 1810 Jester Drive, Corsicana, Texas 75109, which location we have maintained for manufacturing and distribution of our products since 2015. As of December 2019, we relocated our corporate headquarters to such address which corporate headquarters prior thereto were maintained in Lewis Center, Ohio. Our telephone number is (614) 505-6115. Our corporate website address is <http://www.me2cenvironmental.com>.

## **Available Information**

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). Our SEC filings are also available on our website at [www.me2cenvironmental.com](http://www.me2cenvironmental.com). Information on or connected to our website is neither part of, nor incorporated by reference into, this Form 10-K or any other report filed with or furnished to the SEC.

We are a “smaller reporting company” as defined in the Exchange Act. We may take advantage of certain of the scaled disclosures available to smaller reporting companies until the fiscal year following the determination that the aggregate market price of our voting and non-voting common stock held by non-affiliates is more than \$250 million measured on the last business day of our second fiscal quarter, or our annual revenues are less than \$100 million during the most recently completed fiscal year and the aggregate market price of our voting and non-voting common stock held by non-affiliates is more than \$700 million measured on the last business day of our second fiscal quarter.

**Item 1A. Risk Factors.**

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

**Risks Related to Our Company**

***Demand for our services and products is largely driven by coal consumption by North American electricity power generating plants. Any significant changes that diminish the use of coal as a primary fuel source for electricity production may adversely affect our business.***

North American coal-fired electricity generating units comprise the basis of the market for our services and products. Regulations mandating or incentivizing the purchase of power from renewable energy sources (e.g., wind, solar, hydroelectric, geothermal) and/or the phasing out of coal-fired power plants could lessen the demand for electricity from such plants and overall reduce the number of coal-fired electricity generating units and the amount of coal burned, thereby decreasing the demand for our services and products which could adversely affect our business. The phasing out of coal-fired plants has already had a negative effect on our results of operations. Continued promulgation of these regulations in North America is affected by, among other things, politics, perceived environmental impact, and public favor.

***The risks associated with technological change may make our products and services less marketable.***

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

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

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

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

We own a number of significant patents and patents pending covering the U.S., Canada, Europe, and China for our technology. Certain critical technology related to our systems and products is protected by trade secret laws and confidentiality and licensing agreements. There can be no assurance that outstanding patents will not be challenged or circumvented by competitors, or that such other protection provided by trade secret laws and confidentiality and licensing agreements will prove adequate. We cannot assure you that we will have adequate remedies against contractual counterparties for disclosure of our trade secrets or violation of ME2C's intellectual property rights. As a result, we may not be able to successfully defend our patents or protect proprietary aspects of our technology.

***We may not be successful in patent litigation.***

In July 2019, we announced that we had initiated patent litigation against defendants in the U.S. District Court for the District of Delaware for infringement of certain patents which relate to our two-part Sorbent Enhancement Additive (SEA<sup>®</sup>) process for mercury removal from coal-fired power plants. Investors should note that patent litigation, like most types of commercial litigation, can be expensive, time-consuming, and unpredictable. Although we have already entered into agreements with each of the four major utility defendants in this litigation, such action will continue with respect to the other defendants still involved. There is no assurance that the continuing litigation with the remaining defendants, or any future patent litigation which we may commence, will be successful. In addition, in an infringement proceeding, a court may decide that one or more of our patents are not valid or enforceable, or a court may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation could put one or more of our patents at risk of being invalidated, held unenforceable, or interpreted narrowly and could put our patent applications at risk of not issuing.

***We depend on third-party suppliers for materials needed to implement our emissions technologies; availability of raw materials and volatility in price could impact our results of operations.***

We buy all the raw materials needed to implement our technologies and provide uniquely formulated products for effective mercury removal from third-party suppliers. Suppliers of our raw materials include large companies that have provided materials for decades and have an international presence. When we use PAC as one component of our sorbent material, we buy it in the market from large activated carbon manufacturers. We believe that we have excellent relationships with our current suppliers. If any of our suppliers should become unavailable to us for any reason, there are a number of other suppliers that we believe can be contracted with to supply the raw materials that we need. However, the availability and price of those raw materials can be impacted by factors beyond our control including any price increases due to inflation. If such suppliers cannot meet our demand for such raw materials on a timely basis or at acceptable prices or if we are unable to offset any such increases that might occur with price adjustments to our customers, such could have a negative effect on our operations.

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

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

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

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

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

Our business lacks significant diversification and to date has been dependent on the success of our mercury emission control technologies. As a result, we are impacted more acutely by factors affecting our industry or the regions in which we operate than we would if our business were more diversified, enhancing our risk profile. While we are in the process of developing new technologies, such as in the area of improving the processing of REEs, no assurance can be made that any such new technologies currently under development will be commercialized or result in a significant revenue stream.

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

Our mercury-emissions control technologies are used by coal-fired power plants primarily in the United States. At such times that gas prices remain low for sustained periods of time or such prices drop substantially, power suppliers will likely rely more upon gas-fired units rather than coal plants in meeting their power needs. Historically, gas prices have been volatile and are likely to remain volatile in the future due to numerous factors beyond our control. Although market prices for natural gas have recently remained relatively high, we cannot predict when such prices may decline and remain low for an extended period of time which, in such event, will likely cause a weaker demand for our products. In addition, mild winter months in the U.S. will also result in less of a power demand which will also be expected to negatively impact our operations.

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

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

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

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

***Revenues are generated under contracts that must be renegotiated periodically.***

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

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

The ongoing coronavirus disease (COVID-19) outbreak which began in China at the beginning of 2020 has impacted various businesses throughout the world, including the implementation of travel bans and restrictions and the extended shutdown of certain businesses in impacted geographic regions. During this time, we have continued to conduct our operations while responding to the pandemic with actions to mitigate adverse consequences to our employees, business, supply chain, and customers. Nevertheless, the duration and scope of the COVID-19 pandemic continues to be uncertain. If the coronavirus situation should worsen, we may experience disruptions to our business including, but not limited to, the availability of raw materials and equipment, to our workforce, or to our business relationships with other third parties. The extent to which the coronavirus impacts our operations in other areas or those of our third-party partners will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Any such disruptions or losses we incur could have a material adverse effect on our financial results and our ability to conduct business as expected.

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

We are subject to the requirements of the Exchange Act, including the requirements of the Sarbanes-Oxley Act of 2002. The requirements of these rules and regulations have increased in recent years, causing an increase in legal and financial compliance costs, and make some activities more difficult, time-consuming, or costly and may also place undue strain on our personnel, systems, and resources. Such rules and regulations require, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. This can be difficult to do. In this regard, our management concluded our internal control over financial reporting was not effective as of December 31, 2022. While certain remedial actions have been completed, we continue to actively plan for and implement additional control procedures to improve our overall control environment and expect these efforts to continue throughout the rest of 2023 and beyond. As a result of this and similar activities, management's attention may be diverted from other business concerns, which could have a material adverse effect on our business, financial condition, and results of operations. Further, investors could lose confidence in our financial reports, and our stock price may be adversely affected, if our internal controls over financial reporting continue to be found not to be effective by management or if we make disclosure of existing or potential significant deficiencies or material weaknesses in those controls in the future. Relatedly, if we fail to remediate any such material weakness in the future, we may not be able to accurately report our financial condition or results of operations.

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

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

***Doubt regarding our ability to continue as a going concern has been expressed in the past.***

The accompanying consolidated financial statements as of December 31, 2022 have been prepared assuming we will continue as a going concern.

As reflected in the consolidated financial statements for the year ended December 31, 2022, we had approximately \$1.5 million in cash at December 31, 2022. In addition, we had cash provided by operating activities of \$0.1 million for the year ended December 31, 2022, had working capital of \$2.3 million and an accumulated deficit of \$68.7 million at December 31, 2022. On October 28, 2022, our principal lender agreed to extend the maturity date of all of its existing secured and unsecured debt in the principal amount of \$13.4 million from October 31, 2022 to August 25, 2025. As a result, such liabilities have been classified as long-term liabilities in the accompanying consolidated financial statements as of December 31, 2022. Based upon such extension of the maturity date of such secured and unsecured debt, our current cash position and our recent revenue growth, management believes substantial doubt regarding the Company's ability to continue as a going concern has been mitigated. We believe we will have sufficient working capital to fund operations for at least the next twelve months from the date of issuance of these financial statements.

As reflected in the consolidated financial statements for the year ended December 31, 2021, we had \$1,388,000 in cash at December 31, 2021, along with cash provided by operating activities of \$206,000 for the year ended December 31, 2021. However, we had a working capital deficit of \$11,692,000 and an accumulated deficit of \$67.1 million at December 31, 2021. In addition, all existing secured and unsecured debt held by our principal lender in the principal amount of \$13.4 million was to mature on August 25, 2022, other than the profit share liability, which was within one year from the issuance of such consolidated financial statements.

Investors should note that such evaluation is performed by management each annual and interim reporting period.

***Discretion in the use of available funds***

Management has discretion concerning the use of our available funds, as well as the timing of their expenditure. As a result, investors will be relying on the judgment of management for the application of our available funds. The results and the effectiveness of the application of the available funds are uncertain. If the available funds are not applied effectively, the results of our operations may suffer. Stockholders may not agree with the manner in which management chooses to allocate and spend our available funds.

**Risks Related to Regulation**

***Our business focus has predominantly been mercury removal from power plant emissions, which is driven primarily by regulation. Any significant changes in mercury and other emission regulation could have a major impact on us.***

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Our business focus has predominantly been mercury reduction in flue gas emissions from large coal-fired utility and industrial boilers. This market is primarily based on air pollution control regulations and enforcement of those regulations. Any significant change in these regulations would have a dramatic effect on us, especially in North America (and primarily the United States) which is currently the largest market for our technology. Specifically, on February 16, 2012, the EPA published the final Coal- and Oil-Fired Electric Utility Steam Generating Units National Emission Standards for Hazardous Air Pollutants, known as MATS, which sets forth federal mercury emission levels. Power plants were required to begin complying with MATS on April 16, 2015, unless they were granted a one-year extension to begin to comply.

The MATS regulation has been subject to legal challenge since being enacted. In June 2015, the U.S. Supreme Court, in *Michigan v. EPA*, 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, but left the rule in place. In April 2016, the EPA issued a supplemental finding in response to the *Michigan* decision and found that, after a consideration of costs, it remained appropriate and necessary to regulate such emissions from coal- and oil-fired power plants. In May 2020, the EPA, then under the Trump Administration, reversed the determination, finding that, after weighing the costs of compliance against certain benefits of the regulation, the 2016 supplemental finding was erroneous but left the MATS rule in place. Upon taking office, the Biden Administration in January 2021 directed the EPA to review the previous Administration's actions on various environmental matters including the withdrawal of the May 2020 "appropriate and necessary" determination, for conformity with Biden Administration environmental policy. On February 9, 2022, the EPA proposed to revoke the May 2020 finding and reaffirm the EPA's 2016 finding. On February 15, 2023, the EPA reaffirmed that it remains appropriate and necessary to regulate hazardous air pollutants, including mercury, from power plants after considering cost, and revoked the May 2020 finding. Nevertheless, legal challenges may continue in the future with respect to the MATS regulation.

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

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

### **Risks Associated with our Common Stock**

***Our common stock currently has a limited trading market, which could affect your ability to sell shares of our common stock and the price you may receive for our common stock.***

Our common stock is currently traded in the over-the-counter market on the OTCQB maintained by OTC Markets Group Inc. under the symbol "MEEC." However, as the OTCQB is an unorganized, inter-dealer, over-the-counter market that provides significantly less liquidity than Nasdaq or other national securities exchanges, there has been only limited trading activity in our common stock, and we have a relatively small public float compared to the number of our shares outstanding. While we have applied to list our common stock on the TSX-V and have obtained conditional approval, we cannot predict the extent to which investors' interest in our common stock will provide an active and liquid trading market if our common stock is listed on the TSX-V.

***Our stock price may be volatile, which could result in substantial losses to investors and litigation.***

In addition to changes to market prices based on our results of operations and the factors discussed elsewhere in this "Risk Factors" section, the market price of and trading volume for our common stock may change for a variety of other reasons, not necessarily related to our actual operating performance. The capital markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, the average daily trading volume of the securities of small companies can be very low, which may contribute to future volatility. Factors that could cause the market price of our common stock to fluctuate significantly include:

- the results of operating and financial performance and prospects of other companies in our industry;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- announcements of innovations, increased service capabilities, new or terminated customers, or new, amended, or terminated contracts by our competitors;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- lack of securities analyst coverage or speculation in the press or investment community about us or market opportunities in our industry or about the market for coal-fired power in the U.S. or abroad;
- changes in government policies in the United States and, as our international business increases, in other foreign countries;
- changes in earnings estimates or recommendations by securities or research analysts who track our common stock or failure of our actual results of operations to meet those expectations;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- any lawsuit involving us, our services, or our products;
- arrival and departure of key personnel;
- sales of common stock by us, our investors or members of our management team; and
- changes in general market, economic and political conditions in the United States, and global economies or financial markets, including those resulting from natural or man-made disasters.

Any of these factors, as well as broader market and industry factors, may result in large and sudden changes in the trading volume of our common stock and could seriously harm the market price of our common stock, regardless of our operating performance. This may prevent you from being able to sell your shares at or above the price you paid for your shares of our common stock, if at all. In addition, following periods of volatility in the market price of a company's securities, stockholders often institute securities class action litigation against that company. Our involvement in any class action suit or other legal proceeding could divert our senior management's attention and could adversely affect our business, financial condition, results of operations, and prospects.

***Shares eligible for future sale may have adverse effects on our share price.***

Sales of substantial amounts of shares or the perception that such sales could occur may adversely affect the prevailing market price for our shares. We may issue additional shares in subsequent public offerings or private placements to make new investments or for other purposes. We are not required to offer any such shares to existing shareholders on a preemptive basis. Therefore, it may not be possible for existing shareholders to participate in such future share issuances, which may dilute the existing shareholders' interests in us.

***We do not anticipate paying any cash dividends on our capital stock in the foreseeable future.***

We currently intend to retain all of our future earnings to finance the growth and development of our business, and therefore, we do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We believe it is likely that our Board of Directors will continue to conclude that it is in the best interests of the Company and its stockholders to retain all earnings (if any) for the development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

*We may need to raise additional capital in the future. Additional capital may not be available to us on commercially reasonable terms, if at all, when or as we require. If we issue additional shares of our common stock or other securities that may be convertible into, or exercisable or exchangeable for, our common stock, our existing stockholders would experience further dilution and could trigger anti-dilution provisions in outstanding warrants.*



We may need to raise additional capital in the future. Future financings may involve the issuance of debt, equity, and/or securities convertible into or exercisable or exchangeable for our equity securities. These financings may not be available to us on commercially reasonable terms or at all when and as we require funding. If we are able to consummate such financings, the trading price of our common stock could be adversely affected and/or the terms of such financings may adversely affect the interests of our existing stockholders. Any failure to obtain additional working capital when required would have a material adverse effect on our business and financial condition and may result in a decline in our stock price. Any issuances of our common stock, preferred stock, or securities such as warrants or notes that are convertible into, or exercisable or exchangeable for, our capital stock would have a dilutive effect on the voting and economic interest of our existing stockholders.

***Our officers and directors are entitled to indemnification from us for liabilities under our articles of incorporation, which could be costly to us and may discourage the exercise of stockholder rights.***

Our articles of incorporation provide that we possess and may exercise all powers of indemnification of our officers, directors, employees, agents, and other persons and our bylaws also require us to indemnify our officers and directors as permitted under the provisions of the Delaware General Corporate Law. The foregoing indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors, officers, and employees for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors, officers, and employees even though such actions, if successful, might otherwise benefit the Company and stockholders.

***Our common stock is currently characterized as a "penny stock" under SEC rules. It may be more difficult to resell securities classified as "penny stock."***

Our common stock is currently characterized as a "penny stock" under applicable SEC rules (generally defined as non-exchange traded stock with a per-share price below \$5.00). These rules impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as "established customers" or "accredited investors." For example, broker-dealers must determine the appropriateness for non-qualifying persons of investments in penny stocks. Broker-dealers must also provide, prior to a transaction in a penny stock not otherwise exempt from the rules, a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, disclose the compensation of the broker-dealer and its salesperson in the transaction, furnish monthly account statements showing the market value of each penny stock held in the customer's account, provide a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction.

U.S. legal remedies available to an investor in "penny stocks" may include the following:

- If a "penny stock" is sold to the investor in violation of the requirements listed above, or other federal or states securities laws, the investor may be able to cancel the purchase and receive a refund of the investment.
- If a "penny stock" is sold to the investor in a fraudulent manner, the investor may be able to sue the persons and firms that committed the fraud for damages.

These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common stock and may affect your ability to resell our common stock.

Many brokerage firms will discourage or refrain from recommending investments in penny stocks. Most institutional investors will not invest in penny stocks. In addition, many individual investors will not invest in penny stocks due, among other reasons, to the increased financial risk generally associated with these investments.

For these reasons, penny stocks may have a limited market and, consequently, limited liquidity. We can give no assurance at what time, if ever, our common stock will not be classified as a "penny stock" in the future.

*A reverse stock split, if ever implemented, could cause our stock price to decline relative to its value before the split and decrease the liquidity of shares of our common stock.*

At a special meeting of stockholders held on February 24, 2022, our stockholders approved a proposal which authorizes our Board of Directors, in its sole and absolute discretion, to effect a reverse stock split of our common stock at a ratio to be determined by the Board, ranging from one-for-two to one-for-seven, at such time and date, if at all, as determined by the Board in its sole discretion, but no later than December 31, 2023. As of the date of this report, we do not have any plans to effectuate a reverse stock split. Nevertheless, in the event a reverse stock split is implemented at any time in the future, there is no assurance that that the reverse stock split will not cause an actual decline in the value of our outstanding common stock. The liquidity of the shares of our common stock may be affected adversely by the reverse stock split given the reduced number of shares that will be outstanding following the reverse stock split, especially if the market price of our common stock does not increase as a result of the reverse stock split. In addition, the reverse stock split may increase the number of stockholders who own odd lots of our common stock, creating the potential for such stockholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales.

***Potential future sales pursuant to Rule 144.***

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

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

**Item 1B. Unresolved Staff Comments.**

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

**Item 2. Properties.**

We lease a warehouse in Corsicana, Texas consisting of approximately 20,000 square feet which we use for manufacturing and distribution of our products. As of December 2019, we relocated our corporate headquarters to such location which corporate headquarters prior thereto were maintained in Lewis Center, Ohio. Such lease in Corsicana, Texas expires March 31, 2024.

**Item 3. Legal Proceedings.**

On July 17, 2019, we initiated patent litigation against certain defendants in the U.S. District Court for the District of Delaware for infringement of certain United States patents owned by the Company. These patents relate to our two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. Such action was commenced in order to actively defend our patented technologies that we believe have been significantly utilized by various parties. 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, we allege that each of the defendants has willfully infringed certain of our patents and seek unspecified damages, attorney fees, costs, and injunctive relief.

During 2020, each of the four major utility defendants – Vistra Energy Corp., AEP Generation Resources Inc., NRG Energy, Inc., and Talen Energy Corporation – in the above action filed petitions for Inter Partes Review with the United States Patent and Trademark Office, seeking to invalidate certain claims to the patents which are subject to the litigation.

Between July 2020 and January 2021, we entered into agreements with each of the four major utility defendants in such action which included certain monetary arrangements and pursuant to which we have dismissed all claims brought against each of them and their affiliates, and such parties have withdrawn from petitions for Inter Partes Review with the United States Patent and Trademark Office. Such agreements entered into with such parties provide each of them and their affiliates with a non-exclusive license to certain Company patents (related to our two-part Sorbent Enhancement Additive (SEA<sup>®</sup>) process) for use in connection with such parties' coal-fired power plants. One of the agreements has facilitated an ongoing business relationship with that party.

The litigation is continuing with respect to the other parties involved. In May 2021, a U.S. District Court Magistrate Judge issued a report and recommendation that the lawsuit should be permitted to proceed against 16 refined coal defendants named in the action directly involved in the refined coal program and operations, and be dismissed against 12 other defendants, primarily affiliated entities of the refined coal operators. Such report was issued in connection with certain motions to dismiss filed by the refined coal defendants. In September 2021, we received approval from the District Judge of the U.S. District Court in Delaware of the adoption of this report and recommendation of the Magistrate Judge to allow us to proceed with litigation claims against certain refined coal entities.

As a result of an application made by the Company to the Court in March 2022 to add additional parties to the action (all affiliated entities of the already named defendants), there are now 24 refined coal defendants named in the action. In connection with such application, the District Court Magistrate Judge ruled in April 2022 that certain parties could be added but denied the application with respect to certain others.

The fact discovery portion of the litigation has concluded. A jury trial date has been scheduled for November 2023.

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

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II****Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market**

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

**Recent Sales of Unregistered Securities**

None.

**Share Repurchase Program**

We purchased no equity securities during year ended December 31, 2022, and have no program in place at the present time to buy any equity securities in the future.

**Holdings**

As of May 12, 2023, there were 408 stockholders of record of our common stock. This does not reflect persons or entities that hold their stock in nominee or “street name”. The approximate number of beneficial stockholders is estimated to be 3,000.

**Dividends**

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

**Transfer Agent**

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

**Equity Compensation Plan Information**

The following table shows information, as of December 31, 2022, with respect to each equity compensation plan under which our common stock is authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders, terminated	4,775,000	\$0.75	0
Equity compensation plans approved by security holders	14,101,912	\$0.42	1,570,174
<b>Total</b>	<b>18,876,912</b>	<b>\$0.50</b>	<b>1,570,174</b>

**Item 6. [Reserved].****Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, uncertainties, and assumptions. You should read the “Forward-Looking Statements” and “Risk Factors” sections of this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

**Overview**

We are an environmental services and technologies company developing and delivering patented and proprietary solutions to the global power industry, specializing in mercury emissions removal technologies. We provide mercury capture solutions driven by our patented two-part Sorbent Enhancement Additive (“SEA”) technology. Our leading-edge services have been shown to achieve mercury emissions removal at a significantly lower cost and with less operational impact to coal-fired power plants than currently used methods, while maintaining and/or increasing power plant output and preserving the marketability of byproducts 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 facilities. 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 since being enacted. In June 2015, the U.S. Supreme Court, in *Michigan v. EPA*, 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, but left the rule in place. In April 2016, the EPA issued a supplemental finding in response to the *Michigan* decision and found that, after a consideration of costs, it remained appropriate and necessary to regulate such emissions from coal- and oil-fired power plants. In May 2020, the EPA, then under the Trump Administration, reversed the determination, finding that, after weighing the costs of compliance against certain benefits of the regulation, the 2016 supplemental finding was erroneous but left the MATS rule in place. Upon taking office, the Biden Administration in January 2021 directed the EPA to review the previous Administration’s actions on various environmental matters including the withdrawal of the May 2020 “appropriate and necessary” determination, for conformity with Biden Administration environmental policy. On February 9, 2022, the EPA proposed to revoke the May 2020 finding and reaffirm the EPA’s 2016 finding. On February 15, 2023, the EPA reaffirmed that it remains appropriate and necessary to regulate hazardous air pollutants, including mercury, from power plants after considering cost, and revoked the May 2020 finding. Nevertheless, legal challenges may continue in the future with respect to the MATS regulation.

We remain focused on positioning the Company for short and long-term growth, including focusing 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.

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. We also seek license agreements with utilities while allowing them to use our SEA® technologies without our supply of products. During 2021 and 2022, we have announced various supply contract extensions, new supply business and license agreements. We expect additional supply business and license agreements during 2023 and thereafter, including converting certain licensees to supply customers.

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 August 2022 which was recently extended to August 2025 (see below) and eliminating quarterly principal payment requirements. Pursuant thereto, AC Midwest was issued an unsecured note with a principal amount outstanding of \$13.2 million which was issued on February 25, 2019 pursuant to an Unsecured Note Financing Agreement entered into on such date with AC Midwest, pursuant to which AC Midwest exchanged a previously issued subordinated unsecured note in the principal amount of \$13.0 million, together with all accrued and unpaid interest thereon, for a new unsecured note in the principal amount of \$13.2 million (the “Unsecured Note”). The Unsecured Note, which is now scheduled to mature on August 25, 2025, bears a zero cash interest rate. Pursuant to the Unsecured Note Financing Agreement, AC Midwest shall also be entitled to a profit participation preference (the “Profit Share”) which was equal to 1.0 times the original principal amount but has recently been adjusted (see below). 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 our intellectual property, Net Revenue Share, Adjusted Free Cash Flow and Equity Offering Net Proceeds (as such terms are defined in the Unsecured Note Financing Agreement, as amended). In addition, there remains outstanding to AC Midwest a principal balance of approximately \$272,000 due under a secured note issued on November 29, 2016, in the original principal amount of approximately \$9.6 million which also has a maturity date of August 25, 2022 and recently extended to August 2025 (the “Secured Note”).

On October 28, 2022, we executed Amendment No. 1 to Unsecured Note Financing Agreement with AC Midwest pursuant to which the maturity date of the Unsecured Note was extended to August 25, 2025. In addition, the parties agreed that the Profit Share be increased by \$4,500,000 from \$13,154,931 (representing 1.0 times the original principal amount) to \$17,654,931. In addition, on October 28, 2022, we executed Amendment No. 4 to the Amended and Restated Financing Agreement with AC Midwest pursuant to which the maturity date of the Secured Note was extended to August 25, 2025. In addition, the interest rate on the remaining principal balance was reduced from 15.0% to 9.0% per annum.

In June 2021, we announced that we had entered into a Debt Repayment and Exchange Agreement (the “Debt Repayment Agreement”) with AC Midwest which was expected to repay all existing secured and unsecured debt obligations held by AC Midwest. Pursuant to such agreement, we were to repay the existing \$272,000 principal amount outstanding under the Secured Note in cash as well as the existing \$13.2 million principal amount outstanding under the Unsecured Note held by AC Midwest through a combination of cash and stock. The non-recourse profit share under the Unsecured Note was to have been satisfied through a combination of cash and stock. The closing was subject to various conditions including but not limited to the completion of an offering of equity securities resulting in net proceeds of at least \$12.0 million by December 31, 2021, which was extended to June 30, 2022. Such closing conditions were not met by June 30, 2022. On October 28, 2022, the parties agreed to terminate the Debt Repayment Agreement with immediate effect pursuant to which none of the parties shall have any further responsibility or liability thereunder.

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 February 2021, \$50,000 of such principal was voluntarily converted into shares of common stock, and in June 2021, the remaining principal balance of \$2,550,000 was voluntarily converted by the holders thereof into shares of our common stock.

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<sup>®</sup>) process for mercury removal from coal-fired power plants. Between July 2020 and January 2021, we entered into agreements with each of the four major utility defendants in the patent litigation commenced in 2019 which agreements included certain monetary arrangements and pursuant to which we have dismissed all claims brought against each of them and their affiliates, and such parties have withdrawn from petitions for Inter Partes Review with the U.S. Patent and Trademark Office. Such agreements entered into with such parties provide each of them and their affiliates with a non-exclusive license to certain Company patents (related to our two-part Sorbent Enhancement Additive (SEA<sup>®</sup>) process) for use in connection with such parties’ coal-fired power plants. One of the agreements has facilitated an ongoing business relationship with that party. The above-described proceedings are continuing with respect to the other parties involved. In May 2021, a U.S. District Court Magistrate Judge issued a report and recommendation that such litigation should be permitted to proceed against 16 refined coal defendants named in the action directly involved in the refined coal program and operations, and be dismissed against 12 other defendants, primarily affiliated entities of the refined coal operators. In September 2021, such report and recommendation was approved by the District Judge for the United States District Court for the District of Delaware which will allow us to proceed against certain refined coal entities named in the lawsuit. As a result of an application made by the Company to the Court in March 2022 to add additional parties to the action (all affiliated entities of the already named defendants), there are now 24 refined coal defendants named in the action. In connection with such application, the District Court Magistrate Judge ruled in April 2022 that certain parties could be added but denied the application with respect to certain others. The fact discovery portion of the litigation has concluded. A jury trial date has been scheduled for November 2023.

During the first quarter of 2021, we announced new technologies under development intended to improve the processing of rare earth elements (REEs) in North America. Such technologies were under development in conjunction with our collaboration with an Alabama third party entity and its affiliates and pursuant to a license and development agreement entered into in October 2019. In October 2022, such license and development agreement expired and has not been extended or renewed. Prior to expiration, such technologies were being evaluated and tested but had not yet been commercialized. We plan to evaluate and test other related technologies for the extracting of REEs from their solvent state which we have developed and do not involve any of the technologies subject to the expired license and development agreement. In tandem with our efforts in REEs, we have been exploring remediation technologies for wastewater and coal ash from coal-fired power plants, as well as water treatment. We believe the market for water treatment is large and significantly growing both in the United States and abroad. This expansion in water treatment and wastewater remediation will allow us to support the growing needs of the energy sector, as well as provide vital technologies for considerable environmental concerns. There can be no assurance that we will be successful in the development of these technologies.

In addition to the \$2.6 million in convertible notes which were converted into shares of common stock in the first and second quarters as described above, during the first quarter of 2021, we eliminated \$1,830,000 of other convertible notes originally issued in 2013 and 2018 through conversions to shares of common stock. During the third quarter of 2021, we issued 20,000 shares of common stock to a certain holder of notes issued in 2013 for the conversion of outstanding principal in the amount of \$10,000 and prepaid the outstanding principal balance of another of such notes issued in 2013 in the principal amount of \$10,000. As a result, there are no convertible notes currently outstanding.

On April 20, 2023, we received conditional approval to list our shares of common stock on the TSX Venture Exchange (the "TSX-V"). The listing is subject to our fulfilling certain requirements of the TSX-V in accordance with the terms of the conditional approval letter. Upon completion of the final listing requirements, we expect to be listed on the TSX-V as a Tier 1 Industrial, Technology, or Life Sciences Issuer under the symbol "MEEC".

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

### **Effects of the COVID-19 Pandemic**

It should be noted that the coronavirus (COVID-19) pandemic has impacted various businesses throughout the world since early 2020, including travel restrictions and the extended shutdown of certain businesses in impacted geographic regions. During this time, we have continued to conduct our operations while responding to the pandemic with actions to mitigate adverse consequences to our employees, business, supply chain and customers. Nevertheless, the duration and scope of the COVID-19 pandemic continues to be uncertain. In view of such uncertainty, disruptions to our business could still occur including, but 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 \$21,620,000 and \$13,012,000 for the years ended December 31, 2022 and 2021, respectively. Such revenues were primarily derived from sorbent product sales which were approximately \$20,644,000 and \$11,004,000 for the years ended December 31, 2022 and 2021, respectively. The increase in revenues from the prior year was primarily driven by increased sorbent product sales due to the increased supply demands in the coal-fired market as well as expansion of our customer base.

Licensing revenues were approximately \$651,000 and \$1,707,000 for the years ended December 31, 2022 and 2021, respectively. Such decrease was primarily due to greater licensing revenues generated in 2021 from agreements entered into with certain of the defendants in the patent litigation commenced in 2019.

Equipment sales and other revenues for the years ended December 31, 2022 and 2021 were approximately \$325,000 and 301,000, respectively. This increase was primarily due to increased equipment rental revenues in 2022 compared to 2021, partially offset by a decrease in demonstrations and consulting revenue.

#### **Costs and Expenses**

Total costs and expenses were approximately \$23,184,000 and \$16,622,000 during the years ended December 31, 2022 and 2021, respectively. The increase in total costs and expenses from the prior year is primarily attributable to the increase in cost of sales due primarily to increased sales, offset by a decrease in interest expense and an increase in the profit share liability of approximately \$802,000. In addition, there was a gain on extinguishment of debt recognized in the year ended December 31, 2021 in the approximate amount of \$600,677, for which there was not a comparable item recognized in the current year.

Cost of sales were approximately \$14,599,000 and \$7,939,000 for the years ended December 31, 2022 and 2021, respectively. The increase in cost of sales is primarily attributable to increased sales.

Selling, general and administrative expenses were approximately \$6,117,000 and \$5,934,000 for the years ended December 31, 2022 and 2021, respectively.

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Interest expense related to the financing of capital was approximately \$1,570,000 and \$2,818,000 for the years ended December 31, 2022 and 2021, respectively. The decrease is due to the 2021 stock conversion incentives provided to certain notes and accelerated interest expense upon conversion of notes, partially offset by the reduced interest on the notes payable as notes were converted to stock as well as the unsecured note with our primary lender reaching its original maturity of August 25, 2022. The breakdown of interest expense for the years ended December 31, 2022 and 2021 is as follows:

	Year Ended December 31,	
	2022	2021
	(In thousands)	
Interest expense on notes payable	\$ 53	\$ 277
Accelerated interest expense upon conversion of notes	-	343
Additional interest upon conversion of notes	-	221
Amortization of discount of notes payable	1,438	1,855
Amortization of debt issuance costs	79	122
	<u>\$ 1,570</u>	<u>\$ 2,818</u>

Loss on change in fair value of profit share liability were approximately \$802,000 and \$531,000 for the years ended December 31, 2022 and 2021, respectively. The change in 2022 is primarily attributed to changes in the assumptions and an increase in the amount of the profit share (See Note 2 to the consolidated financial statements).

There was a gain on extinguishment of debt of \$600,677 during the year ended December 31, 2021 of which there was not a comparable item for the year ended December 31, 2022. Such gain relates to the loan proceeds we received in April 2020 pursuant to the Paycheck Protection Program (“PPP”) under the CARES Act. Such loan was forgiven in January 2021 pursuant to the applicable PPP requirements.

**Net Income (Loss)**

For the year ended December 31, 2022, we had a net loss of approximately \$1,581,000 compared to a net loss \$3,633,000 for the year ended December 31, 2021. Such change was primarily due to a number of factors. Gross profit (revenues minus cost of sales) increased by approximately \$1,948,000 and interest expense decreased approximately \$1,248,000 for 2022 compared to 2021. In addition, the change in value of the profit share liability in 2022 resulted in a loss of approximately \$802,000 which increased our overall costs and expenses for the year ended December 31, 2022 by such amount.

**Liquidity and Capital Resource**

We had approximately \$1,504,000 in cash on our balance sheet at December 31, 2022 compared to approximately \$1,388,000 at December 31, 2021. Total current assets were approximately \$5,540,000 and total current liabilities were approximately \$3,224,000 at December 31, 2022, resulting in working capital of approximately \$2,316,000. This compares to total current assets of approximately \$3,791,000 and total current liabilities of approximately \$15,483,000 at December 31, 2021, resulting in working capital deficit of approximately \$11,692,000. Our accumulated deficit was approximately \$68.7 million at December 31, 2022 compared to \$67.1 million at December 31, 2021. Additionally, we had a net loss in the amount of approximately \$1,581,000 and cash provided by operating activities of approximately \$71,000 for the year ended December 31, 2022.



The accompanying consolidated financial statements as of December 31, 2022 have been prepared assuming the Company will continue as a going concern. As reflected in the consolidated financial statements, we had approximately \$1.5 million in cash at December 31, 2022. In addition, we had cash provided by operating activities of \$0.1 million for the year ended December 31, 2022, had working capital of \$2.3 million and an accumulated deficit of \$68.7 million at December 31, 2022. On October 28, 2022, our principal lender agreed to extend the maturity date of all of its existing secured and unsecured debt in the principal amount of \$13.4 million from October 31, 2022 to August 25, 2025. As a result, such liabilities have been classified as long-term liabilities in the accompanying consolidated financial statements as of December 31, 2022. Based upon such extension of the maturity date of such secured and unsecured debt, our current cash position and our recent revenue growth, management believes substantial doubt regarding the Company's ability to continue as a going concern has been mitigated. We believe we will have sufficient working capital to fund operations for at least the next twelve months from the date of issuance of these financial statements.

#### **Total Assets**

Total assets were approximately \$9,340,000 at December 31, 2022 versus approximately \$8,135,000 at December 31, 2021. The change in total assets is primarily attributable to an approximate \$1,763,000 increase in accounts receivable, together with an increase in cash offset by decreases in inventory, right of use asset and intellectual property.

#### **Total Liabilities**

Total liabilities were approximately \$16,757,000 at December 31, 2022 versus approximately \$18,374,000 at December 31, 2021. The decrease is primarily due to a decrease in the unsecured and secured notes payable as a result of the amendments in 2022.

#### **Operating Activities**

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

Net cash provided by operating activities was approximately \$71,000 for the year ended December 31, 2022 compared to net cash provided by operating activities of approximately \$206,000 for the year ended December 31, 2021.

#### **Investing Activities**

Net cash used in investing activities was approximately \$11,000 for the year ended December 31, 2022 and 2021 due to the purchase of property and equipment.

#### **Financing Activities**

Net cash provided by financing activities was approximately \$55,700 for the year ended December 31, 2022, compared to net cash provided by financing activities of approximately \$602,000 for the year ended December 31, 2021. During the year ended December 31, 2022, the Company received approximately \$58,000 from the exercise of stock options. During the year ended December 31, 2021, the Company received approximately \$299,000 from the issuance of notes payable, \$247,000 from the exercise of warrants and \$126,000 from the exercise of stock options.

#### **Critical Accounting Policies and Estimates**

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

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

### *Inventory*

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

### *Property and Equipment*

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

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

### *Intellectual Property*

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

### *Recoverability of Long-Lived and Intangible Assets*

Long-lived assets and certain identifiable intangibles held and used by us 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. We evaluate 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. We evaluated the recoverability of the carrying value of our equipment. No impairment charges were recognized for the years ended December 31, 2022 and 2021, respectively.

### *Leases*

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

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

### *Stock-Based Compensation*

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

### *Fair Value of Financial Instruments*

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

- Level 1 - Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.
- Level 2 - Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 - Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

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

### *Revenue Recognition*

We record 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 we satisfy our 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 our 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.

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Revenue is measured as the amount of consideration we expect 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 our financial statements.

### *Disaggregation of Revenue*

We generated revenue for the years ended December 31, 2022 and 2021 by (i) delivering product to our commercial customers, (ii) completing and commissioning equipment projects at commercial customer sites and (iii) performing demonstrations of our technology at customers with the intent of entering into long term supply agreements based on the performance of our products during the demonstrations and (iv) licensing our technology to customers.

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.

### *Income Taxes*

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

FASB ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of December 31, 2022. We are currently not aware of any issues under review that could result in significant payments, accruals or material deviation from our position. We are no longer subject to tax examinations by tax authorities for years prior to 2018.

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

### *Recently Issued Accounting Standards*

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

### **Non-GAAP Financial Measures**

Adjusted EBITDA

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

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

The following table shows our reconciliation of net loss to adjusted EBITDA for the year December 31, 2022 and 2021, respectively:

	<b>For the Year Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	<b>(In thousands)</b>	
Net loss	\$ (1,581)	\$ (3,633)
Non-GAAP adjustments:		
Depreciation and amortization	555	679
Interest	1,570	2,818
Change in fair value of profit share	802	531
Gain on extinguishment of debt	-	(601)
Income Taxes	18	23
Stock based compensation	672	1,011
Adjusted EBITDA	<u>\$ 2,036</u>	<u>\$ 828</u>

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

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

**Item 8. Financial Statements and Supplementary Data**

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY**  
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To the Stockholders and Board of Directors of  
**Midwest Energy Emissions Corp.**

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Midwest Energy Emissions Corp. and Subsidiary (the "Company") as of December 31, 2022, the related consolidated statements of operations, stockholders' deficit and cash flows for year ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Valuation of Profit Share Liability – Refer to Notes 2 and 9 to the financial statements***

*Critical Audit Matter Description*

In connection with the Unsecured Note disclosed in Note 9 to the financial statements, the Company shall pay the principal outstanding, as well as a profit participation preference (the “profit share liability”). The Company calculates the fair value of the profit share liability every quarter utilizing management estimates. The fair value of the profit share liability is calculated using a discounted cash flow model based on estimated future cash payments. The fair value of the profit share liability is determined on a Level 3 measurement. The fair value of the profit share liability fluctuates over time based on management estimates. As of December 31, 2022, the fair value of the profit share liability was approximately \$3.6 million.

Inherent in the valuation of Level 3 financial instruments are certain significant judgments and estimates related to forecasted cash flows. Changes in these assumptions can significantly impact the valuation of the profit share liability, and the gain or loss on the change in fair value that is recorded. This required a high degree of auditor judgment and an increased extent of effort, when performing audit procedures to evaluate the reasonableness of management’s forecasted cash flows. Accordingly, we believe that auditing the fair value of the profit share liability is a critical audit matter.

*How the Critical Audit Matter Was Addressed in the Audit*

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of the Company’s process to determine the fair value of the profit share liability;
- Obtaining and reading the Unsecured Note Agreement and evaluated management’s assessment of the terms which included an analysis of valuation of the profit share liability;
- Evaluating the reasonableness of management’s sales, costs and expenses forecast by comparing the forecast to historical sales and cost and expense data, historical profit margins and trends;
- Utilizing our valuation professionals to assist in (i) assessing the appropriateness of the valuation methodology and (ii) evaluating the reasonableness of the discount rate;
- Performing sensitivity analyses to evaluate the impact that changes in the significant assumptions would have on the fair value of the profit share liability;
- Testing the mathematical accuracy of the profit share liability calculation.

The outcome of the audit procedures resulted in determining that the fair value of the profit share liability recorded by management is reasonable.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2018 (such date takes into account the acquisition Rotenberg Meril Solomon Bertiger & Guttilla, P.C. by Marcum LLP effective February 1, 2022).

**Saddle Brook, NJ**

May 12, 2023



**Report of Independent Registered Public Accounting Firm**

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Midwest Energy Emissions Corp. and Subsidiary (the “Company”) as of December 31, 2021, and the related consolidated statements of operations, stockholders’ deficit and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

***Valuation of Profit Share Liability – Refer to Notes 2 and 9 to the financial statements***

*Critical Audit Matter Description*

In connection with the Unsecured Note disclosed in Note 9 to the financial statements, the Company shall pay the principal outstanding, as well as a profit participation preference (the “profit share liability”). The Company calculates the fair value of the profit share liability every quarter utilizing management estimates. The fair value of the profit share liability is calculated using a discounted cash flow model based on estimated future cash payments. The fair value of the profit share liability is determined on a Level 3 measurement. The fair value of the profit share liability fluctuates over time based on management estimates. As of December 31, 2021, the fair value of the profit share liability was approximately \$2.8 million.

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Inherent in the valuation of Level 3 financial instruments are certain significant judgments and estimates related to forecasted cash flows. Changes in these assumptions can significantly impact the valuation of the profit share liability, and the gain or loss on the change in fair value that is recorded. This required a high degree of auditor judgment and an increased extent of effort, when performing audit procedures to evaluate the reasonableness of management's forecasted cash flows. Accordingly, we believe that auditing the fair value of the profit share liability is a critical audit matter.

*How the Critical Audit Matter Was Addressed in the Audit*

The primary procedures we performed to address this critical audit matter included:

- Obtaining an understanding of the Company's process to determine the fair value of the profit share liability;
- Obtaining and reading the Unsecured Note Agreement and evaluated management's assessment of the terms which included an analysis of valuation of the profit share liability;
- Evaluating the reasonableness of management's sales, costs and expenses forecast by comparing the forecast to historical sales and cost and expense data, historical profit margins and trends;
- Utilizing our valuation professionals to assist in (i) assessing the appropriateness of the valuation methodology and (ii) evaluating the reasonableness of the discount rate;
- Performing sensitivity analyses to evaluate the impact that changes in the significant assumptions would have on the fair value of the profit share liability;
- Testing the mathematical accuracy of the profit share liability calculation.

The outcome of the audit procedures resulted in determining that the fair value of the profit share liability recorded by management is reasonable.

/s/ Rotenberg Meril Solomon Bertiger & Guttilla, P.C.

We have served as the Company's auditor from 2020 to 2022.

Saddle Brook, New Jersey  
April 5, 2022

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,504,225	\$ 1,388,307
Accounts receivable	2,777,607	1,015,053
Inventory	991,131	1,075,401
Prepaid expenses and other current assets (related party of \$0 and \$70,000)	267,393	312,008
<b>Total current assets</b>	<u>5,540,356</u>	<u>3,790,769</u>
Security deposits	10,175	10,175
Property and equipment, net	1,828,592	1,829,544
Right of use asset - operating lease	51,563	390,098
Intellectual property, net	1,909,597	2,114,197
<b>Total assets</b>	<u>\$ 9,340,283</u>	<u>\$ 8,134,783</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses (related party of \$25,000 and \$206,554)	\$ 2,946,835	\$ 2,267,711
Current portion of equipment notes payable	-	2,677
Current portion of operating lease liability	43,262	340,207
Customer credits	167,000	167,000
Accrued salaries	67,478	562,430
Secured note payable – related party	-	271,686
Unsecured note payable, net of discount and issuance costs – related party	-	11,871,254
<b>Total current liabilities</b>	<u>3,224,575</u>	<u>15,482,965</u>
Operating lease liability	11,289	54,551
Secured note payable, net of discount – related party	219,962	-
Unsecured note payable, net of discount and issuance costs – related party	9,663,056	-
Profit share liability – related party	3,638,260	2,836,743
<b>Total liabilities</b>	<u>16,757,142</u>	<u>18,374,259</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>Stockholders' deficit</b>		
Preferred stock, \$0.001 par value; 2,000,000 shares authorized, no shares issued	-	-
Common stock; \$0.001 par value; 150,000,000 shares authorized; and 93,087,796 and 89,115,951 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	93,088	89,116
Additional paid-in capital	61,188,442	56,788,321
Accumulated deficit	(68,698,389)	(67,116,913)
<b>Total stockholders' deficit</b>	<u>(7,416,859)</u>	<u>(10,239,476)</u>
<b>Total liabilities and stockholders' deficit</b>	<u>\$ 9,340,283</u>	<u>\$ 8,134,783</u>

*See accompanying notes to these consolidated financial statements.*

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
<b>Revenues</b>	\$ 21,620,153	\$ 13,012,049
<b>Costs and expenses:</b>		
Cost of sales	14,598,745	7,938,947
Selling, general and administrative expenses (related party of \$300,000 and \$325,676)	6,117,421	5,934,132
Interest expense (related party of \$1,570,446 and \$2,018,289)	1,570,446	2,817,895
Loss on investment	95,500	-
Gain on extinguishment of debt	-	(600,677)
Loss on change in fair value of profit share	801,517	531,435
<b>Total costs and expenses</b>	<u>23,183,629</u>	<u>16,621,732</u>
<b>Loss before provision for income taxes</b>	(1,563,476)	(3,609,683)
<b>Provision for income taxes</b>	(18,000)	(23,000)
<b>Net loss</b>	<u>\$ (1,581,476)</u>	<u>\$ (3,632,683)</u>
<b>Net income (loss) per common share - basic and diluted:</b>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
<b>Weighted average common shares outstanding – basic and diluted</b>	90,025,209	84,666,319

*See accompanying notes to these consolidated financial statements.*

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Par Value			
<b>Balance – January 1, 2022</b>	89,115,951	\$ 89,116	\$ 56,788,321	\$ (67,116,913)	\$ (10,239,476)
Share based compensation expense	-	-	282,367	-	282,367
Stock issued for cashless exercise of options	5,181	5	(5)	-	-
Stock issued for consulting services	500,000	500	159,500	-	160,000
Issuance of stock for compensation	3,250,000	3,250	122,417	-	125,667
<b>Capital contribution for gain on extinguishment of secured note payable – related party</b>	-	-	54,983	-	54,983
<b>Capital contribution for gain on extinguishment of unsecured note payable – related party</b>	-	-	3,722,743	-	3,722,743
<b>Issuance of stock for exercise of options</b>	216,664	217	58,116	-	58,333
<b>Net loss</b>	-	-	-	(1,581,476)	(1,581,476)
<b>Balance December 31, 2022</b>	<u>93,087,796</u>	<u>\$ 93,088</u>	<u>\$ 61,188,442</u>	<u>\$ (68,698,389)</u>	<u>\$ (7,416,859)</u>

**Year Ended December 31, 2021**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Par Value			
<b>Balance – January 1, 2021</b>	78,096,326	78,096	50,202,477	(63,484,230)	(13,203,532)
Stock issued for interest payable on convertible notes	723,900	724	614,615	-	615,339
Stock issued for conversion of convertible notes	8,880,000	8,880	4,431,120	-	4,440,000
Exercise of warrants	899,856	900	245,908	-	246,808
Stock issued for consulting services	275,000	275	200,225	-	200,500
Exercise of stock options	225,000	225	126,025	-	126,250
Share based compensation expense	-	-	967,967	-	967,967
Cashless exercise of stock options	15,869	16	(16)	-	-
Net loss	-	-	-	(3,632,683)	(3,632,683)
<b>Balance – December 31, 2021</b>	<u>89,115,951</u>	<u>\$ 89,116</u>	<u>\$ 56,788,321</u>	<u>\$ (67,116,913)</u>	<u>\$ (10,239,476)</u>

*See accompanying notes to these consolidated financial statements.*

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

	<b>For the year Ended December 31, 2022</b>	<b>For the year Ended December 31, 2021</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,581,476)	\$ (3,632,683)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>		
Stock-based compensation – amortization of prepaid services	263,646	-
Stock issued for interest expense	-	356,109
Stock-based compensation	408,034	967,967
Stock issued for consulting services	-	43,521
Amortization of discount of notes payable	1,438,615	2,249,891
Amortization of debt issuance costs	79,188	121,957
Amortization of right to use assets	338,535	405,771
Amortization of patent rights	204,600	204,599
Depreciation expense	11,679	68,460
Gain on forgiveness of debt	-	(600,677)
Loss on change in fair value of profit share	801,517	531,435
<b>Changes in operating assets and liabilities</b>		
(Decrease) Increase in accounts receivable	(1,762,554)	101,029
Decrease (Increase) in inventory	84,270	(515,274)
Increase in prepaid expenses and other assets	(59,030)	(59,841)
Decrease in security deposits	-	2,080
Decrease in accrued salaries	(494,952)	(286,277)
Increase in accounts payable and accrued liabilities	679,124	655,755
Decrease in operating lease liability	(340,207)	(407,842)
<b>Net cash provided by operating activities</b>	<u>70,989</u>	<u>205,980</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(10,727)	(10,975)
<b>Net cash used in investing activities</b>	<u>(10,727)</u>	<u>(10,975)</u>
<b>Cash flows from financing activities</b>		
Payment of convertible note	-	(10,000)
Payments of notes payable	-	(32,788)
Payments of equipment notes payable	(2,677)	(27,367)
Proceeds from exercise of warrants	-	246,808
Proceeds from exercise of stock options	58,333	126,250
Proceeds from the issuance of notes payable	-	299,380
<b>Net cash provided by financing activities</b>	<u>55,656</u>	<u>602,283</u>
Net increase in cash and cash equivalents	115,918	797,288
Cash and cash equivalents - beginning of period	1,388,307	591,019
<b>Cash and cash equivalents - end of period</b>	<u>\$ 1,504,225</u>	<u>\$ 1,388,307</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 52,643	\$ -
Income taxes	\$ -	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS</b>		
Common stock issued for prepaid services	\$ 53,333	\$ 156,979
Common stock issued for conversion of convertible notes	\$ -	\$ 4,440,000
Common stock issued for interest payable	\$ -	\$ 615,339
Common stock issued for consulting services	\$ 106,667	\$ 43,521

*See accompanying notes to these consolidated financial statements.*

**MIDWEST ENERGY EMISSIONS CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 - Organization**

*Midwest Energy Emissions Corp.*

Midwest Energy Emissions Corp. is organized under the laws of the State of Delaware.

*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.

*ME2C Sponsor LLC and ME2C Acquisition Corp.*

ME2C Sponsor LLC is a limited liability company formed in the State of Delaware and is a wholly owned subsidiary of Midwest Energy Emissions Corp. and owns 85% of ME2C Acquisition Corp. A decision was made in January 2023 to liquidate these entities. As such, as of December 31, 2022, the Company wrote off the assets for these entities and recorded a \$95,500 loss.

**Note 2 - Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying 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 promulgated by the United States Securities and Exchange Commission ("SEC").

*Principles of Consolidation*

The consolidated financial statements include the accounts of Midwest Energy Emissions Corp. and its wholly-owned subsidiaries, MES, Inc. and ME2C Sponsor LLC, and ME2C Acquisition Corp. which is 85% owned by ME2C Sponsor LLC (collectively, the "Company"). Intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, valuation of equity issuances and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company uses estimates in accounting for, among other items, 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 the year ended December 31, 2022 and 2021.



*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 and profit share liability were the only asset and liability measured at fair value on a recurring basis by the Company at December 31, 2022 and December 31, 2021. Cash is considered to be Level 1 and profit share liability is considered to be Level 3.

Financial instruments include cash, accounts receivable, accounts payable, and short-term debt. The carrying amounts of these financial instruments approximated fair value at December 31, 2022 and December 31, 2021 due to their short-term maturities.

The fair value of the promissory notes payable at December 31, 2022 and December 31, 2021 approximated the carrying amount as the notes were recently issued at interest rates prevailing in the market and interest rates as of December 31, 2022 and December 31, 2021. The fair value of the promissory notes payable was determined on a Level 2 measurement. Discounts on issued debt, as well as debt issuance costs, are amortized over the term of the individual promissory notes.

The fair value of the profit share liability at December 31, 2022 and December 31, 2021 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 liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	<b>Fair Value Measurement as of December 31, 2022</b>			
	<u><b>Total</b></u>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>
Liabilities:				
Profit share liability – related party (1)	\$ 3,638,260	\$ -	\$ -	\$ 3,638,260
Total Liabilities	<u>\$ 3,638,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,638,260</u>

	Fair Value Measurement as of December 31, 2021			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Profit share liability – related party (1)	\$ 2,836,743	\$ -	\$ -	\$ 2,836,743
Total Liabilities	<u>\$ 2,836,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,836,743</u>

(1) See Note 9 - Related Party

*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.

*Disaggregation of Revenue*

The Company generated revenue for the year ended December 31, 2022 and 2021 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 and (iv) licensing its technology to customers.

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 for the year ended December 31, 2022 and 2021. All sales were in the United States.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Product revenue	\$ 20,644,438	\$ 11,003,810
License revenue	650,938	1,706,954
Demonstrations & Consulting revenue	108,000	167,180
Equipment revenue	216,777	134,105
	<u>\$ 21,620,153</u>	<u>\$ 13,012,049</u>

*Accounts receivable and allowance for doubtful accounts*

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection.

Management believed that the accounts receivable were fully collectable and no allowance for doubtful accounts was deemed to be required on its accounts receivable at December 31, 2022. The Company historically has not experienced significant uncollectible accounts receivable. As of December 31, 2022 and 2021, the Company's allowance for doubtful accounts was \$0.

*Income Taxes*

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

FASB ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of December 31, 2022 and December 31, 2021. 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 no longer subject to tax examinations by tax authorities for the years prior to 2018.

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

*Basic and Diluted Loss Per Common Share*

Basic net loss per common share is computed using the weighted average number of common shares outstanding. There were no dilutive potential common shares as of December 31, 2022 and 2021, because the Company incurred a net loss and basic and diluted losses per common share are the same.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Stock Options	18,876,912	18,318,326
Warrants	3,285,000	4,285,000
Total common stock equivalents excluded from basic and dilutive loss per share	22,161,912	22,603,326

*Concentration of Credit Risk*

Financial instruments that subject the Company to credit risk consist of cash and equivalents on deposit with financial institutions and accounts receivable. The Company's cash as of December 31, 2022 and December 31, 2021 is maintained at high-quality financial institutions and has not incurred any losses to date.

*Customer and Supplier Concentration*

For the year ended December 31, 2022, four customers represented 21%, 16%, 13% and 11% of the Company's revenues, and for the year ended December 31, 2021, four customers represented 15%, 13%, 12% and 12% of the Company's revenues.

At December 31, 2022, four customers represented 24%, 18%, 16% and 10% of the Company's accounts receivable, and at December 31, 2021, four customers represented 23%, 22%, 15% and 11% of the Company's accounts receivable.

For the year ended December 31, 2022, 84% of the Company's purchases related to three suppliers. For the year ended December 31, 2021, 86% of the Company's purchases related to two suppliers. At December 31, 2022 and 2021, 81% and 66% 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 a 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 Issued Accounting Standards*

Issued in June 2021, FASB Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments* adds to U.S. GAAP an impairment model known as the current expected credit loss (CECL) model, which is based on expected losses rather than incurred losses. This guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application of the amendments is permitted.

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

**Note 3 – Liquidity 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.

As reflected in the consolidated financial statements, the Company had approximately \$1.5 million in cash at December 31, 2022. In addition, the Company had cash provided by operating activities of \$0.1 million for the year ended December 31, 2022, had working capital of \$2.3 million and an accumulated deficit of \$68.7 million at December 31, 2022.

The accompanying consolidated financial statements as of December 31, 2022 have been prepared assuming the Company will continue as a going concern. On October 28, 2022, the Company’s principal lender agreed to extend the maturity date of all of its existing secured and unsecured debt in the principal amount of \$13.4 million from October 31, 2022 to August 25, 2025 (see Note 9 - Related Party). As a result, such liabilities have been classified as long-term liabilities in the accompanying consolidated financial statements as of December 31, 2022. Based upon such extension of the maturity date of such secured and unsecured debt, the Company’s current cash position and the Company’s recent revenue growth, management believes substantial doubt regarding the Company’s ability to continue as a going concern has been mitigated. The Company believes it will have sufficient working capital to fund operations for at least the next twelve months from the date of issuance of these financial statements.

**Note 4 - Inventory**

Inventory was comprised of the following at December 31, 2022 and December 31, 2021:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw Materials	\$ 577,126	\$ 637,084
Spare Parts	90,374	86,118
Finished Goods	294,701	352,199
	<u>\$ 991,131</u>	<u>\$ 1,075,401</u>

**Note 5 - Property and Equipment, Net**

Property and equipment at December 31, 2022 and December 31, 2021 are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equipment & installation	\$ 1,095,140	\$ 1,976,634
Trucking equipment	845,102	834,375
Office equipment, computer equipment and software	20,295	20,295
Total equipment	1,960,537	2,831,304
Less: accumulated depreciation	(1,939,652)	(2,809,467)
Construction in process	1,807,707	1,807,707
Property and equipment, net	<u>\$ 1,828,592</u>	<u>\$ 1,829,544</u>

The Company uses the straight-line method of depreciation over estimated useful lives of 2 to 5 years. During the year ended December 31, 2022 and 2021 depreciation expense was \$11,679, and \$68,460, 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. Under the terms of the Agreement, the Company has been granted an exclusive license by the Energy and Environmental Research Center Foundation 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 the Energy and Environmental Research Center Foundation 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 the Energy and Environmental Research Center Foundation and 296,002 were issued to the inventors who had been designated by the Energy and Environmental Research Center Foundation. The shares issued were valued at \$518,000 (\$0.56 per share), representing the value as of the closing date.

License and patent costs capitalized as of December 31, 2022 and December 31, 2021 are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Licenses and patents	\$ 3,068,995	\$ 3,068,995
Less: Accumulated amortization	(1,159,398)	(954,798)
Intellectual property, net	<u>\$ 1,909,597</u>	<u>\$ 2,114,197</u>

Amortization expense for the year ended December 31, 2022 and 2021 was \$204,600 and \$204,599, 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 was paid in full on February 26, 2021. The note was secured by substantially all of the assets of MES, Inc.

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. In January 2021, the PPP Loan was forgiven, and the Company recorded a gain in the first quarter of 2021 on extinguishment of debt of \$299,300.

In February 2021, the Company received second draw loan proceeds in the amount of \$299,380 from First International Bank & Trust pursuant to the Paycheck Protection Program (the "Second PPP Loan") under the CARES Act. In October 2021, the Second PPP Loan was forgiven and the Company recorded a gain on extinguishment of debt of \$301,377.



**Note 8 - Convertible Notes Payable**

From July 30, 2013 through December 24, 2013, the Company sold convertible notes and warrants to unaffiliated accredited investors totaling \$,902,500 (the “2013 Notes”). From February 8, 2021 to February 15, 2021, the Company issued 1,880,000 shares of common stock to certain holders of the 2013 Notes for the conversion of the outstanding principal of such notes in the aggregate amount of \$940,000, based upon a conversion rate of \$0.50 per share. On April 9, 2021, the Company issued 60,000 shares of common stock to another holder of such notes for the conversion of outstanding principal in the amount of \$30,000, and on August 18, 2021, the Company issued 20,000 shares of common stock to another holder of such notes for the conversion of outstanding principal in the amount of \$10,000, each based upon a conversion rate of \$0.50 per share. On August 24, 2021, the Company prepaid the outstanding principal balance of another of such notes in the principal amount of \$10,000. As of December 31, 2022 and December 31, 2021, total principal of \$0, was outstanding on the 2013 Notes.

On June 15, 2018, the Company issued 2018 Unsecured Convertible Notes (the “2018 Unsecured Notes”) totaling \$60,000 and warrants to certain then holders of the 2013 Notes in exchange for their secured 2013 Notes, and from August 31, 2018 through October 30, 2018, the Company issued additional 2018 Unsecured Notes totaling \$300,000 and warrants to unaffiliated investors. Pursuant to the terms of the 2018 Unsecured Notes, if at any time after six months from the issuance of the 2018 Notes, the closing price of the Company’s common stock exceeds \$1.00 per share for 10 consecutive trading days, the Company shall have the right to force conversion of all of the outstanding principal of such Notes. Pursuant to notice dated February 17, 2021, the Company notified all such holders that as a result closing price of the Company’s common stock having exceeded \$1.00 per share for 10 consecutive trading days, the Company was electing to force conversion of all such outstanding principal. Between February 26, 2021 and March 8, 2021, the Company issued 690,000 shares of common stock to certain holders of the 2018 Unsecured Notes for conversion of the outstanding principal of such Notes in the aggregate amount of \$345,000, and on March 17, 2021, the Company issued 1,030,000 shares of common stock to the remaining holders of the 2018 Unsecured Notes for the conversion of the remaining outstanding principal in the aggregate amount of \$515,000, all based upon a conversion rate of \$0.50 per share. As of December 31, 2022 and December 31, 2021, total principal of \$0, was outstanding on the 2018 Unsecured Notes.

From June 18, 2019 through October 23, 2019, the Company sold 2019 Unsecured Convertible Notes (the “2019 Unsecured Notes”) totaling \$,600,000 and warrants to unaffiliated accredited investors. On February 26, 2021, the Company issued 100,000 shares of common stock to a certain holder of the 2019 Unsecured Notes for the conversion of outstanding principal in the amount of \$50,000, based upon a conversion rate of \$0.50 per share. Pursuant to a letter dated June 14, 2021, the Company offered each of the holders of the 2019 Unsecured Notes the opportunity to voluntarily convert the outstanding principal into shares of common stock at conversion ratio of 0.50 per share and, if converted prior to June 30, 2021, still be paid interest through September 30, 2021. With such offer, all accrued and unpaid interest, and additional interest through September 30, 2021, would be paid in shares of common stock at a rate of \$1.00 per share, in lieu of payment in cash. As a result thereof, and between June 17, 2021 and June 23, 2021, (i) the outstanding principal totaling \$2,550,000 was voluntarily converted by the holders thereof into an aggregate of 5,100,000 shares of common stock of the Company at a conversion price of \$0.50 per share, and (ii) all accrued and unpaid interest thereon, together with additional interest through September 30, 2021, which together totaled \$229,500, was converted into an aggregate of 229,500 shares of common stock of the Company. The Company recognized a conversion inducement cost of \$98,515 related to the conversion. As of December 31, 2022 and December 31, 2021, total principal of \$0, was outstanding on the 2019 Unsecured Notes. There is no further liability related to the profit share due to the voluntary conversion of all of the 2019 Unsecured Notes.

**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 “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 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 years ended December 31, 2022 and 2021 was \$38,557 and \$41,319 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.

On October 28, 2022, the Company, along with MES, and AC Midwest, executed Amendment No. 4 to the Amended and Restated Financing Agreement pursuant to which the maturity date of the AC Midwest Secured Note was extended to August 25, 2025. In addition, the interest rate on the remaining principal balance was reduced from 15.0% to 9.0% per annum. The Company has accounted for the extension as debt extinguishment with a related party. As such the Company recorded a capital contribution of \$ 54,983 on this exchange which is related to the difference in fair value of the note on the date of the exchange.

As of both December 31, 2022 and December 31, 2021, total principal of \$71,686 was outstanding on this note.

Amortized discount recorded as interest expense for the year ended December 31, 2022 and 2021 was \$,259 and \$0, respectively. As of December 31, 2022, the unamortized balance of the discount was \$51,724, which is being expensed over the life of the loan.

*Unsecured Note Payable*

The Company has the following unsecured note payable - related party outstanding as of December 31, 2022 and December 31, 2021:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unsecured note payable	\$ 13,154,931	\$ 13,154,931
Less fair value adjustment on extinguishment, net of amortized discount of \$230,868	(3,491,875)	-
Less discounts and debt issuance costs	-	(1,283,677)
Total unsecured note payable	<u>9,663,056</u>	<u>11,871,254</u>
Less current portion	-	(11,871,254)
Unsecured note payable, net of current portion	<u>\$ 9,663,056</u>	<u>\$ -</u>

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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 “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 interest expense over the life of the loan. Amortized discount recorded as interest expense for the year ended December 30, 2022 and 2021 was \$1,204,488 and \$1,855,000, respectively. As of December 31, 2022, the unamortized balance of the discount was \$0 and the unamortized balance of the debt issuance costs was \$0.

The AC Midwest Unsecured Note, which has been issued in exchange for the AC Midwest Subordinated Note which has now been cancelled, was to mature on August 25, 2022. It bears a zero cash interest rate.

In accordance with the Unsecured Note Financing Agreement, AC Midwest shall be entitled to a profit participation preference equal to 1.0 times the original principal amount (the “Profit Share”). If the original principal amount had been paid in full on or prior to August 25, 2020, AC Midwest would have been entitled to a profit participation preference equal to 0.5 times the original principal amount.

The Profit Share is “non-recourse” and shall only be derived from and computed on the basis of, and paid from, Net Litigation Proceeds from claims relating to the Company’s intellectual property, Net Revenue Share and Adjusted Free Cash Flow (as such terms are defined in the Unsecured Note Financing Agreement), and Equity Offering Net Proceeds as described below.

On August 30, 2022, AC Midwest agreed to an extension of the maturity date of the AC Midwest Unsecured Note (and AC Midwest Secured Note) from August 25, 2022 to September 30, 2022. Such extension was expected to provide the Company sufficient time in which to conclude the process of negotiating certain changes and modifications to such financing arrangements. On September 28, 2022, AC Midwest agreed to an additional short-term extension of such maturity date from September 30, 2022 to October 31, 2022. The Company has accounted for the extension as debt extinguishment with a related party. As such the Company recorded a capital contribution of \$488,274 on this exchange which is related to the difference in fair value of the note on the date of the exchange.

On October 28, 2022, the Company, along with MES, and AC Midwest, executed Amendment No. 1 to Unsecured Note Financing Agreement (“Amendment No. 1”) pursuant to which the maturity date of the AC Midwest Unsecured Note was extended to August 25, 2025. In addition, the parties agreed that the Profit Share be increased by \$4,500,000 from \$13,154,931 (representing 1.0 times the original principal amount) to \$17,654,931. The Company has accounted for the extension as debt extinguishment with a related party. As such the Company recorded a capital contribution of \$3,234,469 on this exchange which is related to the difference in fair value of the note on the date of the exchange.

Amortized discount recorded as interest expense post Amendment No. 1 for the year ended December 31, 2022 and 2021 was \$230,868 and \$0, respectively. As of December 31, 2022, the unamortized balance of the discount was \$3,491,875, which is being expensed over the life of the loan.

*Principal Payments and 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. In addition, and pursuant to Amendment No. 1, the Company shall pay the principal outstanding and Profit Share in an aggregate amount equal to 75.0% of any Equity Offering Net Proceeds (as defined) until the Unsecured Note and Profit Share have been paid in full. 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.

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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. The discounted cash flow model assumptions used at December 31, 2022 to calculate the Profit Share liability included: quarterly cash flows ranging from \$100,000 to \$350,000 from early 2024 to late 2041 and an annual market interest rate of 21%. The profit share liability will be marked to market every quarter utilizing management's estimates.

The following are the changes in the profit share liability (the only Level 3 financial instrument) during the years ended December 31, 2022 and 2021.

Profit Share as of January 1, 2022	\$ 2,836,743
Addition	147,575
Loss on change in fair value of profit share	653,942
Profit Share as of December 31, 2022	<u>\$ 3,638,260</u>
Profit Share as of January 1, 2021	\$ 2,305,308
Addition	-
Loss on change in fair value of profit share	531,435
Profit Share as of December 31, 2021	<u>\$ 2,836,743</u>

*Debt Repayment and Exchange Agreement*

On June 1, 2021, the Company, along with MES, entered into a Debt Repayment and Exchange Agreement with AC Midwest, which was expected to repay all existing secured and unsecured debt obligations presently held by AC Midwest (the "Debt Repayment Agreement").

Pursuant to the Debt Repayment Agreement, the Company was at closing to repay the principal balance outstanding on the AC Midwest Secured Note in cash, together with any other amounts due and owing under such note and repay the outstanding debt under the New AC Midwest Unsecured Note by paying and issuing a combination of cash and shares of common stock which AC Midwest had agreed to accept in full and complete repayment of the obligations thereunder.

At closing, and with regard to the New AC Midwest Unsecured Note, the Company was to pay AC Midwest \$6,577,465 in cash representing 50.0% of the aggregate outstanding principal balance of such note, and issue shares of common stock to AC Midwest in exchange for the remaining 50.0% of the aggregate outstanding principal balance at an exchange price equal to 100% of the offering price of common stock in the Qualifying Offering (as defined below). With regard to the Profit Share, at closing the Company was to pay AC Midwest \$2,305,308 in cash representing the Profit Share Valuation, and issue shares of common stock for \$4,026,568 representing the Adjusted Profit Share Valuation (as such terms are defined in the Debt Repayment Agreement) at the same exchange price indicated above. The Company agreed to provide certain registration rights with respect to the shares issued thereunder.

The closing was subject to various conditions including but not limited to the completion of an offering of equity securities resulting in net proceeds of at least \$2.0 million by December 31, 2021, which was extended to June 30, 2022 (the "Qualifying Offering"). Such closing conditions were not met by June 30, 2022.

On October 28, 2022, the parties entered into a Termination Agreement pursuant to which the parties agreed to terminate the Debt Repayment Agreement with immediate effect and that none of the parties shall have any further responsibility or liability thereunder.

*Short term debt*

On June 13, 2022, the Company entered into a promissory note in the amount of \$50,000 with the Company's Chairman of the Board of Directors. The note bears interest at 6% and is due on the earlier of 90 days or the Company having cash of \$1,200,000. The note was repaid in full in 2022. Interest expense for the year ended December 31, 2022 was \$4,937.

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*Related Party Transactions*

Kaye Cooper Kay & Rosenberg, LLP provides certain legal services to the Company and was paid \$81,250 and \$287,500 for the year ended December 31, 2022 and 2021, respectively, 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 December 31, 2022 and December 31, 2021, \$25,000 and \$206,554, respectively, was owed to the firm for services rendered.

In September 2022, the Company acquired a pickup truck from the Company's Chief Financial Officer for the purchase price of \$10,727 which the parties determined to be its fair market value.

**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 \$4,760.

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.

For the twelve months ended December 31, 2022 and 2021, the Company recorded an operating lease right of use asset and liabilities as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Right of use asset - operating lease	\$ 51,563	\$ 390,098
Current portion of operating lease liability	43,262	340,207
Operating lease liability	11,289	54,551

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

**For the twelve months ended December 31,**

2023	\$ 45,000
2024	11,250
Total	<u>56,250</u>
Less discount	<u>(1,699)</u>
Total lease liabilities	54,551
Less current portion	<u>(43,262)</u>
Operating lease obligation, net of current portion	<u>\$ 11,289</u>

The weighted average remaining lease term for operating leases is 1.17 years and the weighted average discount rate used in calculating the operating lease asset and liability is 5.0%. For the year ended December 31, 2022, payments on lease obligations were \$60,360 and amortization on the right of use assets was \$38,535.

For the year ended December 31, 2022 and 2021, 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:

	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
Operating lease costs	\$ 338,535	\$ 405,771

**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 2022 and 2025 and expose the Company to the potential risks associated with rising material costs during that same 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 certain United States patents owned by the Company. These patents relate to the Company's two-part Sorbent Enhancement Additive (SEA<sup>®</sup>) 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 certain of the Company's patents and seeks unspecified damages, attorneys fees, costs and injunctive relief.

During 2020, each of the four major utility defendants in the above action filed petitions for Inter Partes Review with the United States Patent and Trademark Office, seeking to invalidate certain claims to the patents which are subject to the litigation.

Between July 2020 and January 2021, we entered into agreements with each of the four major utility defendants in such action which included certain monetary arrangements and pursuant to which we have dismissed all claims brought against each of them and their affiliates, and such parties have withdrawn from petitions for Inter Partes Review with the United States Patent and Trademark Office. Such agreements entered into with such parties provide each of them and their affiliates with a non-exclusive license to certain Company patents (related to the Company's two-part Sorbent Enhancement Additive (SEA<sup>®</sup>) process) for use in connection with such parties' coal-fired power plants.

The above described proceedings are continuing with respect to the other parties involved. On May 20, 2021, a U.S. District Court Magistrate Judge issued a report and recommendation that the above action should be permitted to proceed against 16 refined coal defendants named in the action directly involved in the refined coal program and operations, and be dismissed against 12 other defendants, primarily affiliated entities of the refined coal operators. Such report was issued in connection with certain motions to dismiss filed by the refined coal defendants. In September 2021, the Company received approval from the District Judge of the U.S. District Court in Delaware of the adoption of this report and recommendation of the Magistrate Judge to allow the Company to proceed with litigation claims against certain refined coal entities.

As a result of an application made by the Company to the Court in March 2022 to add additional parties to the action (all affiliated entities of the already named defendants), there are now 24 refined coal defendants named in the action. In connection with such application, the District Court Magistrate Judge ruled in April 2022 that certain parties could be added but denied the application with respect to certain others. The fact discovery portion of the litigation has concluded. A jury trial date has been scheduled for November 2023.

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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 to employees, directors and consultants. For the year ended December 31, 2022 and 2021, stock based compensation expense amounted to \$671,681 and \$1,011,488, respectively. Such expense is classified in selling, general and administrative expenses.

*Common Stock*

On March 23, 2021, and pursuant to a consulting agreement dated November 1, 2020, as amended on March 19, 2021, with a nonaffiliated third party, the Company issued 500,000 shares of common stock to such party as part of its compensation thereunder. These shares of common stock were valued at \$15,000 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 consolidated statements of operations over ten months. Pursuant to an amendment dated March 15, 2022 and effective as of December 31, 2021, the nonaffiliated party agreed to forfeit all of such shares which shares were cancelled effective as of December 31, 2021. As such, the previously recorded expense of \$615,000 was reversed in December 2021.

On March 30, 2021, and pursuant to a business development agreement dated March 30, 2021 with a nonaffiliated third party, the Company issued 25,000 shares of common stock to such party for its compensation thereunder. These shares of common stock were valued at \$29,250 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 consolidated statements of operations over three months.

On December 1, 2021, and pursuant to a consulting agreement dated December 1, 2021 with a nonaffiliated third party, the Company issued 250,000 shares of common stock to such party as part of its compensation thereunder. These shares of common stock were valued at \$171,250 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 consolidated statements of operations over 12 months.

On May 31, 2022, and pursuant to a consulting agreement dated May 31, 2022 with a nonaffiliated third party, the Company issued 500,000 shares of common stock to such party as part of its compensation thereunder. These shares of common stock were valued at \$160,000 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 consolidated statements of operations over 12 months.

On May 31, 2022, the Company issued a total of 250,000 shares of common stock to two Directors. These shares of common stock were valued at \$5,000 in accordance with FASB ASC Topic 718. The fair value of the shares was expensed in full on the issuance date.

On May 31, 2022, the Company issued a total of 3,000,000 shares of common stock to the Chief Executive Officer. These shares of common stock were valued at \$90,000 in accordance with FASB ASC Topic 718. The fair value of the shares will be amortized as expense over the vesting period. The expense for the year ended December 31, 2022 was \$70,667.

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

On May 1, 2021, the Company issued 15,869 shares of common stock to a certain option holder upon the cashless exercise of an option to purchase 25,000 shares of common stock at an exercise price of \$0.42 based upon a market price of \$1.15 per share as determined under the terms of the option. On June 30, 2021, the Company issued 125,000 shares of common stock to a certain option holder upon a cash exercise of an option to purchase 125,000 shares of common stock at an exercise price of \$0.81 or \$101,250 in the aggregate.

On January 24, 2022, the Company extended the expiration dates of certain fully expensed previously granted nonqualified stock options (which were due to expire in February 2022) which were granted to five individuals to acquire an aggregate of 700,000 shares of the Company's common stock under the Company's 2014 Equity Incentive Plan and the 2017 Equity Incentive Plan (the "2017 Plan"). Such extended options are exercisable at prices ranging from \$1.15 to \$1.20 per share representing the original fair market value of the common stock on the dates of grant as determined under the applicable Equity Plan. The options are fully vested and exercisable and will now expire five years from their original expiration dates. Based on a Black-Scholes valuation model, these modified options were valued at \$138,623, in accordance with FASB ASC Topic 718, which was expensed on the amendment date in selling, general and administrative expenses within the Company's condensed consolidated statements of operations.

On February 2, 2022, the Company issued 5,181 shares of common stock to a certain option holder upon the cashless exercise of options to purchase an aggregate of 9,750 shares of common stock at exercise prices ranging from \$0.20 to \$0.33 per share based upon a market price of \$0.54 per share as determined under the terms of the options.

On May 31, 2022, the Company granted nonqualified stock options to the following executive officers: John Pavlish (Senior Vice President and Chief Technology Officer) and James Trettel (Vice President of Operations) – nonqualified stock options to each acquire 500,000 shares of the Company's common stock; and Jami Satterthwaite (Chief Financial Officer) – nonqualified stock options to acquire 100,000 shares of the Company's common stock. On such date, two other employees were also granted nonqualified stock options to each acquire 50,000 shares of the Company's common stock. All of such options were granted under the 2017 Plan and are exercisable at \$0.21 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 and expire five years from their issuance date. Based on a Black-Scholes valuation model, these options were valued at \$143,745, in accordance with FASB ASC Topic 718, which was expensed on the issuance date in selling, general and administrative expenses within the Company's consolidated statements of operations. The valuation assumptions included an expected duration of 2.5 years, volatility of 96.83%, discount rate of 2.62% and dividends of \$0.

A summary of stock option activity is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2021	18,318,326	\$ 0.53	2.89	\$ 2,961,965
Grants	1,200,000	0.21		-
Expirations	(415,000)	1.00		-
Exercised	(226,414)	0.27		-
December 31, 2022	<u>18,876,912</u>	<u>\$ 0.50</u>	<u>2.31</u>	<u>\$ 246,666</u>
Options exercisable at:				
December 31, 2022	18,876,912	\$ 0.50	2.31	\$ 246,666

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's closing stock price of \$0.2641 as of December 31, 2022, which would have been received by the option holders had all option holders exercised their options as of that date.

Stock options exercised during 2022 include 216,664 that were exercised for cash and 9,750 which were a cashless exercise



**Note 13 - Warrants**

The Company utilized a Black-Scholes options pricing model to value warrants at the issuance date. 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, a risk-free interest rate and the life of the warrant for the exercise period.

From January 23, 2021 to February 16, 2021, the Company issued 705,166 shares of common stock to certain warrant holders upon the cash exercise of warrants to purchase an aggregate of 705,166 shares of common stock at an exercise price of \$0.35 per share or \$246,808 in the aggregate.

On February 17, 2021, the Company issued 97,675 shares of common stock to a certain warrant holder upon the cashless exercise of a warrant to purchase 150,000 shares of common stock at an exercise price of \$0.45 per share based upon a market value of \$1.29 per share as determined under the terms of the warrant.

On March 8, 2021, the Company issued an aggregate of 97,015 shares of common stock to certain warrant holders upon the cashless exercise of warrants to purchase an aggregate of 175,000 shares of common stock at an exercise price of \$0.70 per share based upon market values from \$1.44 to \$1.63 per share as determined under the terms of the warrants.

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

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Aggregate Intrinsic Value</b>
December 31, 2021	4,285,000	\$ 0.63	2.47	\$ -
Grants	-	-	-	-
Expirations	(1,000,000)	0.70	-	-
Exercised	-	-	-	-
December 31, 2022	<u>3,285,000</u>	<u>\$ 0.70</u>	<u>1.37</u>	<u>\$ -</u>
Warrants exercisable at:				
December 31, 2022	3,285,000	\$ 0.70	1.37	\$ -

The following table summarizes information about common stock warrants outstanding at December 31, 2022:

<b>Outstanding and Exercisable</b>			
<b>Exercise Price</b>	<b>Number Outstanding</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Weighted Average Exercise Price</b>
\$ 0.70	3,285,000	1.37	\$ 0.70
<b>\$ 0.70</b>	<b>3,285,000</b>	<b>1.37</b>	<b>\$ 0.70</b>

**Note 14 - Taxes**

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

	<b>2022</b>	<b>2021 (as adjusted)</b>
Federal		
Current	\$ -	\$ -
Deferred	-	-
State and local		
Current	18,000	23,000
Deferred	-	-
Income tax provision	<u>\$ 18,000</u>	<u>\$ 23,000</u>

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

	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021, (as adjusted)</b>
U.S. federal statutory rate	21.0%	21.0%
State taxes	(2.6)%	(2.5)%
Deferred tax asset adjustments	0.1%	8.4%
Non-deductible amortization of debt discount	(20.9)%	(13.8)%
Non-taxable change in profit share liability	(10.8)%	(3.1)%
Change in valuation allowance	12.0%	(10.6)%
Income tax provision	<u>(1.2)%</u>	<u>(0.6)%</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred tax asset related to the net operating loss carryforward was adjusted to agree with income tax filings through the tax period ended December 31, 2021. Significant components of the Company's deferred tax assets and liabilities are as follows at December 31:

	<u>2022</u>	<u>2021 (as adjusted)</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 6,495,000	\$ 6,689,000
Stock based compensation	2,008,000	1,872,000
Other	23,000	1,430,000
Total deferred tax assets	<u>8,526,000</u>	<u>8,691,000</u>
Deferred tax liabilities:		
Property and equipment	(1,000)	-
Intangible assets	(98,000)	(76,000)
Total deferred tax liabilities	<u>(99,000)</u>	<u>(76,000)</u>
Valuation Allowance	<u>(8,427,000)</u>	<u>(8,615,000)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2022, the Company has U.S. federal net operating loss carryovers (“NOLs”) of approximately \$0,573,000 available to offset taxable net income in a given year of which \$23,576,000 expires from 2026 through 2037 and \$6,997,000 does not expire. The Company also has state NOL carryforwards of approximately \$1,694,000 which start to expire in 2024. If not used, these NOLs may be subject to limitation under Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under the regulations. The Company plans on undertaking a detailed analysis of any historical and/or current Section 382 ownership changes that may limit the utilization of the net operating loss carryovers.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon future generation for taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the years ended December 31, 2022 and 2021, the valuation allowance decreased by \$188,000 and \$189,000, respectively.

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

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There were no unrecognized tax benefits as of December 31, 2022. The Company is no longer subject to tax examinations by tax authorities for years prior to 2018. If applicable, interest costs related to the unrecognized tax benefits are required to be calculated and would be classified as “Other expenses – Interest” in the statement of operations. Penalties would be recognized as a component of “General and administrative.” No interest or penalties on unpaid tax were recorded during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, no liability for unrecognized tax benefits was required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

**Note 15 – Disclosure of Prior Period Financial Statement Error**

The Company revised certain previously issued disclosures related to the components of its deferred tax assets and liabilities and valuation allowance as of December 31, 2021. Additionally, the Company has revised the reconciliation of its income tax rate computed using the federal statutory rate for the year ended December 31, 2021. Since the Company provided a full valuation allowance on its net deferred tax assets, there was no impact to the Balance Sheet, Statement of Operations, Statement of Cash Flows or Statement of Stockholders’ Equity as of and for the year ended December 31, 2021.

The Company corrected its net operating loss carryforward and other deferred tax assets as of December 31, 2021, based on further analysis. The Company further reviewed its disclosure of the rate reconciliation and valuation allowance of its deferred tax assets. The below table summarizes the revisions to the reconciliation of the Company’s income tax rate computed using the federal statutory rate compared with the Company’s actual income tax rate for the year ended December 31, 2021:

	2021	Adjustment	For the Year Ended December 31, 2021, Adjusted
U.S. federal statutory rate	21.0%	0.0%	21.0%
State taxes	4.3%	(6.8)%	(2.5)%
Deferred tax asset adjustments	33.5%	(25.1)%	8.4%
Non-deductible amortization of debt discount	0.0%	(13.8)%	(13.8)%
Non-taxable change in profit share liability	0.0%	(3.1)%	(3.1)%
Change in valuation allowance	(63.6)%	53.0%	(10.6)%
Income tax provision	(4.8)%	4.2%	(0.6)%

The below table summarizes the revisions to the deferred tax assets and liabilities as of December 31, 2021:

	2021	Adjustment	2021 Adjusted
Deferred tax assets:			
Net operating loss carryforwards	\$ 9,312,000	\$ (2,623,000)	\$ 6,689,000
Stock based compensation	1,762,000	110,000	1,872,000
Other	143,000	(13,000)	130,000
Total deferred tax assets	11,217,000	(2,526,000)	8,691,000
Deferred tax liabilities:			
Property and equipment	(41,000)	41,000	-
Intangible assets	(76,000)	-	(76,000)
Total deferred tax liabilities	(117,000)	41,000	(76,000)
Valuation allowance	(11,100,000)	2,485,000	(8,615,000)
Net deferred tax asset	\$ -	-	-

**Note 16 - Subsequent Events**

The Company has evaluated subsequent events through the date of the filing of this Annual Report on Form 10-K and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements except for the transactions described below.

On January 31, 2023, the Company entered into a License and Supply Agreement with Dakin Holdings Ltd., a company incorporated in Barbados (“Dakin”), effective as of January 1, 2023, pursuant to which Dakin has granted to the Company (i) a limited license to manufacture and produce for Dakin products comprising certain intellectual property owned by Dakin (the “Dakin IP”), and (ii) an exclusive license to commercialize the Dakin IP in the United States. Dakin is a company owned and controlled by the Company’s Chief Executive Officer and President. The Dakin IP consists of a proprietary compound of materials engineered to treat a boiler to improve the combustion process and thereby reduce overall emissions, while improving boiler efficiency during the combustion of all types of fuels at power plants.

On February 1, 2023, the Company issued (i) 850,000 shares of common stock to the Company’s Chairman of the Board upon a cash exercise of options to purchase an aggregate of 850,000 shares of common stock at exercise prices ranging from \$0.19 to \$0.27 per share or \$209,500 in the aggregate, (ii) 110,000 shares of common stock to the Company’s Chief Executive Officer upon a cashless exercise of an option to purchase 250,000 shares of common stock at an exercise price of \$0.28 per share based upon a market price of \$0.50 per share as determined under the terms of the option, and (iii) 155,000 shares of common stock to a director of the Company upon a cashless exercise of an option to purchase 250,000 shares of common stock at an exercise price of \$0.19 per share based upon a market price of \$0.50 per share as determined under the terms of the option.

On February 20, 2023, the Company issued 17,858 shares of common stock to the Company’s Senior Vice President and Chief Technology Officer upon a cashless exercise of an option to purchase 50,000 shares of common stock at an exercise price of \$0.27 per share based upon a market price of \$0.42 per share as determined under the terms of the option.

Between February 21, 2023 and February 23, 2023, the Company issued an aggregate of 29,022 shares of common stock to three employees and one former employee upon a cashless exercise of options to purchase an aggregate of 80,000 shares of common stock at an exercise price of \$0.27 per share based upon market prices ranging from \$0.42 to \$0.43 per share as determined under the terms of the options.

On March 8, 2023, and pursuant to an advisor agreement dated March 1, 2023 with a nonaffiliated third party, the Company granted a nonqualified stock option under the 2017 Plan to such third party to acquire 125,000 shares of the Company’s common stock at an exercise price of \$0.40 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Plan. Fifty percent of the option and shall vest and become exercisable on September 1, 2023 and the remaining fifty percent shall vest and become exercisable on March 1, 2024. The option will expire five years after the date of grant.

On April 4, 2023, and pursuant to a consulting agreement effective April 1, 2023 with a nonaffiliated third party, the Company granted a nonqualified stock option under the 2017 Plan to such third party to acquire 250,000 shares of the Company’s common stock at an exercise price of \$0.39 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Plan. Fifty percent of the option and shall vest and become exercisable on October 1, 2023 and the remaining fifty percent shall vest and become exercisable on April 1, 2024. The option will expire five years after the date of grant.

On April 20, 2023, the Company received conditional approval to list its shares of common stock on the TSX Venture Exchange (the "TSX-V"). The listing is subject to the Company's fulfilling certain requirements of the TSX-V in accordance with the terms of the conditional approval letter. Upon completion of the final listing requirements, the Company expects to be listed on the TSX-V as a Tier 1 Industrial, Technology, or Life Sciences Issuer under the symbol "MEEC".

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

None.

**Item 9A. Controls and Procedures.**

**Report of Disclosure Controls and Procedures**

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness, the design and operations of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the principal executive officer and principal financial officer determined that as of December 31, 2022, the Company’s disclosure controls and procedures were ineffective as a result of material weaknesses in our internal control over financial reporting.

**Management’s Annual Report on Internal Control over Financial Reporting**

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

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

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

Our management, including our Chief Executive Officer and Principal Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 based on the criteria established in “Internal Control - Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, our management concluded our internal control over financial reporting was not effective as of December 31, 2022. The ineffectiveness of our internal control over financial reporting was due to the following material weaknesses which are indicative of many small companies: (i) lack of a sufficient complement of personnel commensurate with the Company’s reporting requirements; and (ii) insufficient written documentation or training of our internal control policies and procedures which provide staff with guidance or framework for accounting and disclosing financial transactions.

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

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

**Changes in Internal Control over Financial Reporting**

Except as discussed below, there have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the fourth quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Material Weaknesses**

In connection with our annual audit for the year ended December 31, 2022, management determined that controls as described above constitute material weaknesses in disclosure controls and procedures and internal control over financial reporting. As a result, it was determined that control deficiencies that constitutes material weaknesses in the design and operation of our internal control over financial reporting was present. Management believes that these material weaknesses did not have an effect on our financial results. However, management believes that the lack of these items results in ineffective internal controls, which could result in a material misstatement in our financial statements in future periods.

**Remediation**

Certain actions have been taken in recent years to address certain aspects of the material weaknesses disclosed above. During the fourth quarter of 2019 we hired a new full-time Controller (who became our Chief Financial Officer in June 2021), 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, which firm continues to provide service to us. Beginning in January 2020, we replaced our previous accounting software with a more efficient software package to manage our business activities and accounting needs.

Effective as of December 30, 2022, our Chief Financial Officer resigned but continues to provide financial, accounting and bookkeeping services to us. In addition, effective as of March 1, 2023, we retained another certified public accountant to perform bookkeeping and accounting services and retained a new Chief Financial Officer, through a company which provides part-time CFOs to various business entities. We believe the foregoing will assist in strengthening our overall control environment including the need for segregation of duties.

Although we believe that these efforts effectively strengthen our disclosure controls and procedures as well as our internal control over financial reporting, our management team intends to continue to actively plan for and implement additional control procedures to improve our overall control environment and expect these efforts to continue throughout 2023 and beyond. Due to the nature of the remediation process, the need to have sufficient resources (cash or otherwise) to devote to such efforts, and the need to allow adequate time after implementation to evaluate and test the effectiveness of the controls, no assurance can be given as to the timing of achievement of remediation.

**Item 9B. Other Information.**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.**

None.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

The following table sets forth certain information as of the date of this report about our executive officers and members of our board of directors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Richard MacPherson	67	President and Chief Executive Officer, Director
Christopher Greenberg	56	Chairman of the Board, Director
John Pavlish	64	Senior Vice President and Chief Technology Officer
James Trettel	54	Vice President of Operations
David M. Kaye	68	Secretary, Director
Gregory R. Powell	51	Chief Financial Officer

**Executive Officers**

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

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



*James Trettel* has been Vice President of Operations since January 2014. Mr. Trettel possesses over 25 years of experience in the dry bulk material handling industry. During 2012 and 2013, he was the owner and operator of Solid Foundation Services, LLC, a firm specializing in deep foundation installations for the gas and oilfield industry, while providing technical consulting services to the Company. Prior to 2012, he provided project management and engineering duties for numerous multi-million dollar turn-key contracts while employed at Advanced Bulk and Conveying Inc. starting in 2004. Additionally, Mr. Trettel has overseen day to day operations for 14 years as the VP of J&B Industrial Sales Company Inc. of sales, systems, and engineering organization specializing in bulk material handling. Mr. Trettel has extensive field experience with systems operating in a large variety of industry sectors including coal fired utilities. Mr. Trettel graduated Cum Laude with a B.S. degree in Mechanical Engineering.

*Gregory R. Powell* was appointed as Chief Financial Officer on February 10, 2023, to be effective March 1, 2023. Mr. Powell has over 15 years of experience as a senior financial professional with both large and small-scale international operations in multiple sectors. Since June 2020, he has been a principal of The CFO Centre which provides part-time CFOs to various business entities. In addition to his role with the Company, Mr. Powell has served as Chief Financial Officer of Multi-Metal Development Ltd. (TSXV: MLY) since January 2021. Prior to that, he acted as Chief Financial Officer of IntelliPharmaCeutics International Inc. (TSX: IPCI) from February 2019 to March 2020, Director of Finance for Wave Financial Inc. from August 2018 to January 2019, and Director of Finance for Pixelworks Canada and its predecessor ViXS Systems Inc. (TSX: VXS) from August 2013 to August 2018. Mr. Powell is a Chartered Professional Accountant - Certified General Accountant and a Certified Fraud Examiner, and in 2012 was awarded Fellowship in the Association of Chartered Certified Accountants.

## Directors

Please see the information regarding *Richard MacPherson* under “Executive Officers” above.

*Christopher Greenberg* has been a director of the Company since June 2013 and Chairman of the Board since December 2014. Beginning in 1997, Mr. Greenberg and his wife co-owned multiple Express Employment Professionals franchises. Express Employment Professionals is a staffing agency that provides full time and temporary job placement, human resources services and consulting. In 2003, Mr. Greenberg and his wife co-founded Global Safety Network, which grew into a leading, national provider of workforce risk management solutions. Mr. Greenberg served as its Chief Executive Officer from 2003 to May 2021. In 2015, Mr. Greenberg and his wife also co-founded Greenberg Enterprises, which provides business management and consulting services. Global Safety Network was sold in June 2022 and their final Express Employment Professionals franchise was sold in January 2023. These recent business sales have enabled Mr. Greenberg to devote additional time towards the growth of Greenberg Enterprises and its related entities. As an entrepreneur and operating Executive, Mr. Greenberg has demonstrated his ability to lead diverse professional teams to higher levels of achievement in a variety of highly competitive industries, cutting-edge markets, and fast-paced environments. He has strong business and technical qualifications with a track record of more than 30 years of hands-on experience in strategic planning, business development, project management, mergers and acquisitions, and partnerships. We believe that Mr. Greenberg’s deep experience in business, along his strong entrepreneurial and executive management background, qualifies him to serve on our board.

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

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

## **Composition of Our Board of Directors**

Our Board currently consists of three members. There are no contractual obligations regarding the election of our directors. We do not currently have a standing nominating committee and the functions of identifying, evaluating, and selecting candidates for the Board are performed by the Board as a whole. The Board will, from time to time, assesses potential candidates to fill perceived needs on the Board based on required skills, expertise, independence and other factors. In considering whether to nominate any particular candidate for election to the Board, the Board uses various criteria to evaluate each candidate, including the candidate's ability to further the interest of the stockholders through their established record of professional accomplishment, the ability to contribute positively to the collaborative culture among Board members, knowledge of our business, understanding of the competitive landscape, professional and personal experiences, and expertise relevant to our growth strategy. The Board does not set specific minimum qualifications or assign specific weights to particular criteria and no particular criterion is a prerequisite for a prospective nominee. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

## **Audit Committee**

Due to the resignation of certain independent directors in recent years, and due to the current small size of the board, the Board as a whole now acts and shall continue to act as the audit committee until such time, if any, that the number of authorized and elected directors is increased or the committees are otherwise reconfigured.

The audit committee's charter requires that such committee shall consist of no fewer than three directors. Each member of the audit committee shall be an independent director of the Company if required to satisfy the independence requirements of any exchange on which the Company's securities may be listed and any other applicable regulatory requirements. The audit committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibility by reviewing the accounting and financial reporting processes of the Company and its subsidiaries, our internal control and disclosure control system, and the audits of our financial statements. In this regard, the Audit Committee shall approve our retention of independent auditors and pre-approve any audit or non-audit services performed by them. It shall review with such accountants the arrangements for, and the scope of, the audit to be conducted by them. It also shall review with the independent accountants and with management the results of audits and various other financial and accounting matters affecting us.

Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement, at the time of his or her appointment to the Audit Committee. In addition, at least one member must have past employment experience in finance or accounting, requisite professional certification in accounting, of any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Unless otherwise determined by the Board, at least one member of the Audit Committee shall be a "financial expert", as defined by applicable rules of the Securities and Exchange Commission and such securities exchange or market on which the Company's securities are traded.

The full text of our audit committee charter is posted on the investor relations portion of our website at <http://www.me2cenvironmental.com>. We do not incorporate the information contained on, or accessible through, our corporate website into this report, and you should not consider it a part of this report.

The Board of Directors has no committees at the present time other than the Audit Committee.

## **Corporate Governance**

Directors of Delaware corporations are subject to the fiduciary duties of care and loyalty which includes the subsidiary duties of good faith, oversight and disclosure. The Board of Directors has found that the fiduciary duties placed on individual directors by applicable laws and legal requirements have helped to ensure that the Board of Directors operates independently of management and in the best interests of the Company.

In addition, the Board of Directors has adopted a written code of ethics and business conduct (the “Code of Conduct”), which outlines a set of ethical standards by which each director, officer and employee, of the Company should conduct his or her business. The objective of the Code of Conduct is to provide guidelines for maintaining our commitment to honesty, integrity, and ethical behavior. The Code of Conduct addresses conflicts of interest, protection of our assets, confidentiality, fair dealing with customers, suppliers, competitors and employees, insider trading, compliance with laws, and reporting any illegal or unethical behavior. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to our best interests or that may give rise to real, potential, or the appearance of conflicts of interest. Our Board of Directors will have ultimate responsibility for the stewardship of and monitoring compliance with the Code of Conduct. Directors, officers, and employees may be required periodically to review the Code of Conduct and acknowledge in writing their understanding of and compliance with the Code. Our Code of Business Conduct and Ethics reflects the foregoing principles. A copy of the Code of Conduct is available free of charge to any person on written or telephone request to Midwest Energy Emissions Corp., 1810 Jester Drive, Corsicana, Texas 75109 or (614) 505-6115.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of the code of ethics and business conduct applicable to our Chief Executive Officer and Chief Financial Officer by posting such information on our website <http://www.me2cenvironmental.com>.

#### Financial Experts

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

#### Delinquent Section 16(a) Reports

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

To the Company’s knowledge, based on review of the copies of such reports furnished to the Company, and with respect to the officers and directors, representations that no other reports were required, during the year ended December 31, 2022, all Section 16(a) filing requirements applicable to its executive officers, directors and 10% stockholders were complied with.

#### Item 11. Executive Compensation.

The following discussion relates to the compensation of our named executive officers, as determined under applicable SEC rules for smaller reporting companies like us, for the years ended December 31, 2022 and 2021, consisting of Richard MacPherson, our President and Chief Executive Officer, John Pavlish, Senior Vice President, and James Trettel, Vice President of Operations.

#### Fiscal Year 2022 and 2021 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(4)</sup>	Option Awards (\$) <sup>(4)</sup>	All Other Compensation (\$) <sup>(5)</sup>	Total (\$)
Richard MacPherson, President and Chief Executive Officer, Director (1)	2022	\$411,667	-	\$57,120	-	\$31,680	\$500,467
	2021	\$395,000	-	-	\$307,050	\$48,886	\$750,936
John Pavlish, Senior Vice President (2)	2022	\$330,000	-	-	\$69,838	\$14,300	\$414,138
	2021	\$330,000	-	-	\$204,700	\$14,384	\$552,084
James Trettel, Vice President of Operations (3)	2022	\$316,667	-	-	\$159,279	\$12,200	\$488,146
	2021	\$300,000	-	-	\$204,700	\$11,600	\$516,300

- (1) Mr. MacPherson was appointed President and Chief Executive Officer in March 2015. From January 1, 2017 to October 31, 2022, Mr. MacPherson’s annual base salary was \$395,000. Since November 1, 2022, Mr. MacPherson’s annual base salary has been \$495,000. Mr. MacPherson is currently employed pursuant to a three-year employment letter agreement which was entered into on January 29, 2019, and effective January 1, 2019, which after such three-year term will automatically renew for successive one-year periods unless otherwise terminated by either party prior to the next applicable renewal period. Mr. MacPherson shall also be entitled to participate in all corporate 401(k) programs and health benefit plans instituted by the Company and be eligible to receive bonus compensation, if any, as the Company shall from time to time determine. Mr. MacPherson shall also be entitled to participate in any stock option and incentive plans adopted by the Company. During 2021, Mr. MacPherson was granted a five-year nonqualified stock option to acquire 750,000 shares of common stock exercisable at \$0.78 per share. During 2022, Mr. MacPherson was granted a retention stock bonus award in the amount of 3,000,000 shares of common stock. Such award was granted on November 8, 2022. So long as Mr. MacPherson remains in the continuous employ of the Company, the shares shall vest according to the following: 25.0% shall vest six months from the date of grant, and another 25.0% shall vest on each subsequent six-month anniversary of the date of grant so that the stock award is fully vested two years from the date of grant. Any unvested shares shall be forfeited immediately when Mr. MacPherson is no longer in the continuous employ of the Company, unless due to death, disability or a change in control.

- (2) Mr. Pavlish was appointed Senior Vice President in November 2014. The Company and Mr. Pavlish entered into an employment agreement effective as of November 16, 2014. Pursuant to his employment agreement, Mr. Pavlish agreed to be employed by the Company as Senior Vice President. From January 1, 2017 to December 31, 2022, Mr. Pavlish’s annual base salary was \$330,000. Since January 1, 2023, Mr. Pavlish’s annual base salary has been \$415,000. As of December 31, 2022, \$29,063 of Mr. Pavlish’s 2021 salary remained unpaid. Mr. Pavlish shall also be entitled to participate in all corporate 401(k) programs and health benefit plans instituted by the Company and be eligible to receive bonus compensation, if any, as the Company shall from time to time determine. Mr. Pavlish shall also be entitled to participate in any stock option and incentive plans adopted by the Company. During 2021, Mr. Pavlish was granted a five-year nonqualified stock option to acquire 500,000 shares of common stock exercisable at \$0.78 per share. During 2022, Mr. Pavlish was granted a five-year nonqualified stock option to acquire 500,000 shares of common stock exercisable at \$0.21 per share.
- (3) Mr. Trettel was appointed Vice President of Operations in January 2014. Mr. Trettel is also entitled to participate in all corporate 401(k) programs and health benefit plans instituted by the Company and is eligible to receive bonus compensation, if any, as the Company shall from time to time determine. From January 1, 2017 to October 31, 2022, Mr. Trettel’s annual base salary was \$300,000. Since November 1, 2022, Mr. Trettel’s annual base salary has been \$400,000. Mr. Trettel is also entitled to participate in any stock option and incentive plans adopted by the Company. During 2021, Mr. Trettel was granted a five-year nonqualified stock option to acquire 500,000 shares of common stock exercisable at \$0.78 per share. During 2022, Mr. Trettel was granted a five-year nonqualified stock option to acquire 500,000 shares of common stock exercisable at \$0.21 per share.
- (4) Represents the dollar amount recognized for consolidated financial statement reporting purposes of restricted stock awards and stock option awards granted to the executive officers computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022. The dollar amount shown in the “Stock Awards” column for Mr. MacPherson reflects the grant date fair value recognized in 2022 only for the retention stock award granted in November 2022 which is subject to a vesting schedule. The full amount for the entire grant is reflected in the table below. The dollar amounts shown in the “Option Awards” column for Mr. Pavlish and Mr. Trettel reflect the grant date fair value recognized for stock options granted in 2022 plus the compensation expense associated with the extension of the expiration dates of certain stock options which extensions were authorized in January 2022. There can be no assurance the amounts determined in accordance with FASB ASC Topic 718 will ever be realized. The following table provides information concerning the restricted stock awards and stock options granted to the executive officers:

Name	Year	FASB ASC Topic 718 Value		FASB ASC Topic 718 Value		Extension of Stock Options (#)	FASB ASC Topic 718 Value (\$)
		Stock Awards (#)	(\$)	Stock Options (#)	(\$)		
Richard MacPherson	2022	3,000,000	960,000	-	-	-	-
	2021	-	-	750,000	307,050	-	-
John Pavlish	2022	-	-	500,000	59,900	50,000	9,938
	2021	-	-	500,000	204,700	-	-
James Trettel	2022	-	-	500,000	59,900	500,000	99,379
	2021	-	-	500,000	204,700	-	-

(5) The amounts shown for 2022 and 2021 in the “All Other Compensation” column are comprised of the following:

Name	Year	401k Match (\$)	Group Term Life Insurance (\$)	Auto Allowance and Other Benefits (\$)
Richard MacPherson	2022	-	-	31,680
	2021	11,600	-	37,286
John Pavlish	2022	12,200	-	2,100
	2021	11,600	-	2,784
James Trettel	2022	12,200	-	-
	2021	11,600	-	-

**Outstanding Equity Awards as of December 31, 2022**

The following table sets forth certain information about the number of unexercised nonqualified stock options and unearned stock awards held as of December 31, 2022 by each executive named in the Summary Compensation Table. There were no stock options exercised during fiscal 2022 by such executives.

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option Exercise Price	Option Expiration Date
Richard MacPherson	250,000	-	\$ 0.81	June 28, 2024
Richard MacPherson	750,000	-	\$ 1.20	June 28, 2024
Richard MacPherson	250,000	-	\$ 0.28	February 5, 2023
Richard MacPherson	8,229	-	\$ 0.29	July 6, 2023
Richard MacPherson	16,458	-	\$ 0.21	July 6, 2023
Richard MacPherson	16,458	-	\$ 0.17	July 31, 2023
Richard MacPherson	16,458	-	\$ 0.25	August 31, 2023
Richard MacPherson	16,458	-	\$ 0.26	September 30, 2023
Richard MacPherson	16,458	-	\$ 0.20	October 31, 2023
Richard MacPherson	1,500,000	-	\$ 0.27	June 28, 2024
Richard MacPherson	500,000	-	\$ 0.19	July 8, 2025
Richard MacPherson	500,000	-	\$ 0.58	December 14, 2025
Richard MacPherson	750,000	-	\$ 0.78	November 22, 2026
John Pavlish	2,000,000	-	\$ 0.74	June 28, 2024
John Pavlish	1,000,000	-	\$ 0.45	June 28, 2024
John Pavlish	50,000	-	\$ 1.15	February 10, 2027
John Pavlish	50,000	-	\$ 0.27	February 23, 2023
John Pavlish	6,875	-	\$ 0.29	June 8, 2023
John Pavlish	13,750	-	\$ 0.21	June 30, 2023
John Pavlish	13,750	-	\$ 0.17	July 31, 2023
John Pavlish	13,750	-	\$ 0.25	August 31, 2023
John Pavlish	13,750	-	\$ 0.26	September 30, 2023
John Pavlish	13,750	-	\$ 0.20	October 31, 2023
John Pavlish	13,750	-	\$ 0.33	November 30, 2023
John Pavlish	13,750	-	\$ 0.25	December 31, 2023
John Pavlish	600,000	-	\$ 0.27	June 28, 2024
John Pavlish	500,000	-	\$ 0.19	July 8, 2025
John Pavlish	500,000	-	\$ 0.58	December 14, 2025
John Pavlish	500,000	-	\$ 0.78	November 22, 2026
John Pavlish	500,000	-	\$ 0.21	May 31, 2027
James Trettel	250,000	-	\$ 0.42	June 28, 2024
James Trettel	500,000	-	\$ 1.15	February 10, 2027
James Trettel	50,000	-	\$ 0.27	February 23, 2023
James Trettel	6,250	-	\$ 0.29	June 8, 2023
James Trettel	12,500	-	\$ 0.21	June 30, 2023
James Trettel	12,500	-	\$ 0.17	July 31, 2023
James Trettel	12,500	-	\$ 0.25	August 31, 2023
James Trettel	12,500	-	\$ 0.26	September 30, 2023
James Trettel	12,500	-	\$ 0.20	October 31, 2023
James Trettel	12,500	-	\$ 0.33	November 30, 2023
James Trettel	12,500	-	\$ 0.25	December 31, 2023
James Trettel	1,000,000	-	\$ 0.27	June 28, 2024
James Trettel	500,000	-	\$ 0.19	July 8, 2025
James Trettel	500,000	-	\$ 0.58	December 14, 2025
James Trettel	500,000	-	\$ 0.78	November 22, 2026
James Trettel	500,000	-	\$ 0.21	May 31, 2027

## **Other Benefits**

Our executive officers are eligible to participate in all of our employee benefit plans, such as medical and dental, our employee stock purchase plan, and our 401(k) plan, in each case on the same basis as other employees, subject to applicable law, should such benefits exist. Our 401(k) plan allows eligible employees to defer a portion of their compensation before federal income tax to a qualified trust. All employees who are at least 21 years of age are eligible to participate in the 401(k) plan. The participants may choose from nineteen investment options for the investment of their deferred compensation. In addition, we match 100% of each participant's salary deferral, for the first 4% of their salary, with a cash contribution. For the years ended December 31, 2022 and 2021, we contributed \$61,678 and \$64,968, respectively, to the 401(k) plan. We also provide vacation and other paid holidays to all employees, including our executive officers, which are comparable to those provided at peer companies. At this time, we do not provide special benefits or other perquisites to our executive officers.

## **Policies Regarding Recovery of Awards**

Our board has not adopted a policy that requires us to make retroactive adjustments to any cash or equity-based incentive compensation paid to executive officers (or others) where the payment was predicated upon the achievement of financial results that were subsequently the subject of a restatement. However, we may implement a clawback policy in accordance with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the regulations that will be issued under that act.

## **Tax and Accounting Treatment of Compensation**

Section 162(m) of the Internal Revenue Code places a limit of \$1.0 million per person on the amount of compensation that we may deduct in any one year with respect to our Chief Executive Officer and certain of our other executive officers. While the board of directors considers deductibility factors when making compensation decisions, the board also looks at other considerations, such as providing our executive officers with competitive and adequate incentives to remain with us and increase our business operations, financial performance, and prospects, as well as rewarding extraordinary contributions. No compensation to named executive officers exceeded this threshold in 2022.

We account for equity compensation paid to our employees under the rules of FASB ASC Topic 718, which requires us to estimate and record an expense for each award of equity compensation over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is accrued. We have not tailored our executive compensation program to achieve particular accounting results.

## **Policies on Ownership, Insider Trading, Hedging, and 10b5-1 Plans**

We do not have formal stock ownership guidelines for our employees or directors, because the board of directors is satisfied that stock and option holdings among our employees or directors, are sufficient at this time to provide motivation and to align this group's interests with those of our stockholders. In addition, we believe that stock ownership guidelines are rare in companies at our stage, which means that ownership requirements would put us at a competitive disadvantage when recruiting and retaining high-quality executives.

We have established an insider trading policy which provides guidelines to officers, directors and employees with respect to transactions in the Company's securities. The Company's insider trading policy prohibits certain actions by such individuals relating to buying and selling common stock of the Company, and discourages certain other actions in other situations. Such individuals are authorized to enter into trading plans established according to Section 10b5-1 of the Exchange Act with an independent broker-dealer. Under these plans, the individual must not exercise any influence over the amount of the securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Such plans provide a defense from insider trading liability. As of December 31, 2022, no director or named executive officer had a trading plan in place.

## **Stockholder Advisory Vote on Executive Compensation**

Our Company held an advisory vote on executive compensation in 2021 and intends to take such action annually in the future. The Board intends to periodically reevaluate our executive compensation philosophy and practices in light of our performance, needs and developments, including the outcome of future non-binding advisory votes by our stockholders.

**Director Compensation**

**Director Compensation Table for Year Ended December 31, 2022**

The following table sets forth information regarding the compensation for 2022 of each non-executive member of the board of directors:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Total (\$)
Christopher Greenberg	100,000	33,000	19,368	152,368
David M. Kaye	-	22,000	-	22,000

(1) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022. The dollar amount shown in the “Options Awards” column for Mr. Greenberg reflects the compensation expense associated with the extension of the expiration date of a stock option which extension was authorized in January 2022. There can be no assurance the amounts determined in accordance with FASB ASC Topic 718 will ever be realized. The following table provides information concerning the stock awards and stock options granted to the Directors for 2022:

Name	Stock Awards (#)	FASB ASC Topic 718 Value	Stock Options (#)	FASB ASC Topic 718 Value	Extension of Stock Options (#)	FASB ASC Topic 718 Value
Christopher Greenberg	150,000	33,000	-	-	100,000	19,368
David M. Kaye	100,000	22,000	-	-	-	-

Mr. Greenberg is paid \$100,000 per year for serving as Chairman of the Board. As of December 31, 2022, Mr. Kaye was not paid any cash compensation for service on the Board in 2022. All directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with their duties to the Company.

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

The following table sets forth certain information known to us regarding beneficial ownership of our common stock as May 12, 2023 by:

- each person or group of affiliated persons known by us to be the beneficial owner of more than five percent of our capital stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

The column entitled “Percentage of Shares Beneficially Owned” is calculated based on 94,249,676 shares of common stock outstanding as of May 12, 2023.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities as well as any shares of common stock that the person has the right to acquire within 60 days of May 12, 2023 through the exercise of stock options or other rights. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

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Except as otherwise noted below, the address for persons listed in the table is c/o the Company at 1810 Jester Drive, Corsicana, Texas 75109.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned (7)
Richard MacPherson	16,131,345 (1)	16.4%
Christopher Greenberg	6,030,533 (2)	6.4%
John Pavlish	6,806,928 (3)	6.8%
James Trettel	4,180,685 (4)	4.3%
David M. Kaye	680,000 (5)	*
Alterna Core Capital Assets Fund II, L.P., et al	11,700,000 (6)	12.4%
All current directors and executive officers as a group (6 persons)	33,829,491	31.0%

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

- (1) Includes 11,790,826 shares owned by Mr. MacPherson and 4,340,519 shares which Mr. MacPherson has the right to acquire upon exercise of options. 3,000,000 of such shares owned by Mr. MacPherson were issued to him pursuant to a retention stock bonus award granted on November 8, 2022. So long as Mr. MacPherson remains in the continuous employ of the Company, the shares shall vest according to the following: 25.0% shall vest six months from the date of grant, and another 25.0% shall vest on each subsequent six-month anniversary of the date of grant so that the stock award is fully vested two years from the date of grant. Any unvested shares shall be forfeited immediately when Mr. MacPherson is no longer in the continuous employ of the Company, unless due to death, disability or a change in control.
- (2) Includes 5,422,533 shares owned by Mr. Greenberg, 5,000 shares owned by Mr. Greenberg with his wife, 3,000 shares owned by Mr. Greenberg's wife, and 600,000 shares which Mr. Greenberg has the right to acquire upon exercise of options.
- (3) Includes 1,053,803 shares owned by Mr. Pavlish and 5,753,125 shares which Mr. Pavlish has the right to acquire upon exercise of options.
- (4) Includes 136,935 shares owned by Mr. Trettel, 200,000 owned by Mr. Trettel's wife, and 3,843,750 shares which Mr. Trettel has the right to acquire upon exercise of options.
- (5) Includes 255,000 shares owned by Mr. Kaye and 425,000 shares which Mr. Kaye has the right to acquire upon exercise of options.
- (6) Represents 11,700,000 shares owned and based solely upon and according to information reported in filings made to the SEC, jointly filed by and on behalf of certain reporting persons identified below (the "Reporting Persons"). The Reporting Persons are Alterna Core Capital Assets Fund II, L.P., Alterna Capital Partners LLC, Alterna General Partner II LLC, AC Midwest Energy LLC, Eric M. Press, Roger P. Miller, and Earle Goldin. The address for the Reporting Persons is 10 Corporate Drive, Suite 2204, Bedford, NH 03110.
- (7) Applicable percentage ownership for each stockholder is based on 94,249,676 shares of common stock outstanding as of May 12, 2023 plus any securities that stockholder has the right to acquire within 60 days of May 12, 2023 pursuant to options, warrants, conversion privileges, or other rights. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that a person has the right to acquire beneficial ownership of upon the exercise or conversion of options, convertible stock, warrants, or other securities that are currently exercisable or convertible or that will become exercisable or convertible within 60 days of May 12 2023 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.



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

Other than the compensation agreements and other arrangements described under Item 11 Executive Compensation and the transactions described below, since January 1, 2022, there has not been and there is not currently proposed, any transaction or series of similar transactions to which we were, or will be, a party in which the amount involved exceeded, or will exceed, the lesser of (i) \$120,000 or (ii) one percent of the average of our total assets for the last two completed fiscal years, and in which any director, executive officer, holder of five percent or more of any class of our capital stock, or any member of the immediate family of, or entities affiliated with, any of the foregoing persons, had, or will have, a direct or indirect material interest.

On June 1, 2021, we entered into a Debt Repayment and Exchange Agreement with AC Midwest which at closing was expected to repay all existing secured and unsecured debt obligations then held by AC Midwest (the "Debt Repayment Agreement"). The closing was subject to various conditions including but not limited to the completion of an offering of equity securities resulting in net proceeds of at least \$12.0 million by December 31, 2021, which was extended to June 30, 2022. Such closing conditions were not met by June 30, 2022. On October 28, 2022, and in connection with the amendments to the financing documents executed on October 28, 2022 as described below, the parties agreed to terminate the Debt Repayment Agreement with immediate effect pursuant to which none of the parties shall have any further responsibility or liability thereunder.

AC Midwest is the holder of an unsecured note with a principal amount outstanding of \$13,154,930.60 which was issued on February 25, 2019 pursuant to an Unsecured Note Financing Agreement (the "Unsecured Note Financing Agreement") entered into on such date with AC Midwest, pursuant to which AC Midwest exchanged a previously issued subordinated unsecured note in the principal amount of \$13,000,000, together with all accrued and unpaid interest thereon, for a new unsecured note in the principal amount of \$13,154,930.60 (the "Unsecured Note"). The Unsecured Note was scheduled to mature on August 25, 2022 and bears a zero cash interest rate. Pursuant to the Unsecured Note Financing Agreement, AC Midwest shall also be entitled to a profit participation preference equal to 1.0 times the original principal amount (the "Profit Share"). Prior to maturity, the outstanding principal, as well as the Profit Share, are to be paid from Net Litigation Proceeds from claims relating to our intellectual property, Net Revenue Share and Adjusted Free Cash Flow (as such terms are defined in the Unsecured Note Financing Agreement, and to the extent set forth therein). 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 the Unsecured Note Financing Agreement until full and final payment. 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 our intellectual property, Net Revenue Share and Adjusted Free Cash Flow.

On August 30, 2022, AC Midwest agreed to a short-term extension of the maturity date of the Unsecured Note from August 25, 2022 to September 30, 2022, and on September 28, 2022, AC Midwest agreed to an additional short-term extension of such maturity date from September 30, 2022 to October 31, 2022 in order to provide the Company sufficient time in which to conclude the process of negotiating certain changes and modifications to such financing arrangements with AC Midwest.

On October 28, 2022, we executed Amendment No. 1 to the Unsecured Note Financing Agreement with AC Midwest pursuant to which the maturity date of the Unsecured Note was extended to August 25, 2025 and the Profit Share was increased by \$4,500,000 from \$13,154,931 (representing 1.0 times the original principal amount) to \$17,654,931. In addition, the parties agreed that a portion any Equity Offering Net Proceeds (as defined in Amendment No. 1) received by us shall also be used to pay the outstanding principal due on the Unsecured Note and Profit Share.

In addition, there remains outstanding to AC Midwest a principal balance of \$271,686 due under a secured note issued on November 29, 2016, in the original principal amount of \$9,646,686, which also was scheduled to mature on August 25, 2022 (the "Secured Note"). Similar to the maturity date of the Unsecured Note, the two short-term extensions described above also extended the maturity date of the Secured Note to October 31, 2022.

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On October 28, 2022, we executed Amendment No. 4 to the amended and restated financing agreement with AC Midwest dated November 1, 2016 (“Amended and Restated Financing Agreement”) pursuant to which the maturity date of the Secured Note was extended to August 25, 2025 and the interest rate on the remaining principal balance was reduced from 15.0% to 9.0% per annum.

On October 28, 2022, the Company and AC Midwest also entered into a repurchase option agreement (“Repurchase Option Agreement”) pursuant to which we shall have the option to repurchase a portion of the Common Shares owned by AC Midwest at a purchase price of \$0.50 per share until the earlier of (i) the date AC Midwest’s beneficial ownership reaches 5.0% of the Company’s issued and outstanding common stock, or (ii) August 25, 2025.

AC Midwest beneficially owns, or controls or directs, directly or indirectly, 10% or more of the outstanding shares of our common stock.

Kaye Cooper Kay & Rosenberg, LLP provides certain legal services to the Company and was paid \$481,250 for the year ended December 31, 2022 for legal services rendered. David M. Kaye, a Director and Secretary of the Company, is a partner of the law firm.

On June 13, 2022, the Company entered into a promissory note in the amount of \$250,000 with the Company’s Chairman of the Board of Directors. The note bore interest at 6% and was due on the earlier of 90 days or the Company having cash of \$1,200,000. On October 11, 2022, such loan together with all accrued interest was repaid in full by the Company.

On January 31, 2023, we entered into a License and Supply Agreement with Dakin Holdings Ltd., a company incorporated in Barbados (“Dakin”), effective as of January 1, 2023 (the “Dakin Agreement”), pursuant to which Dakin has granted to the Company (i) a limited license to manufacture and produce for Dakin products (the “Dakin Products”) comprising certain intellectual property owned by Dakin as described below (the “Dakin IP”), and (ii) an exclusive license to commercialize the Dakin IP in the United States. Dakin is a company owned and controlled by Richard MacPherson, the Company’s Chief Executive Officer and President. The Dakin Agreement is for a term of ten years unless terminated earlier under certain circumstances as set forth therein. Under the Dakin Agreement, Dakin shall purchase from the Company 100% of Dakin’s requirements for the Dakin Products containing the Dakin IP for all sales of the Dakin Products outside of the United States, subject to the availability of the products from the Company, at a pricing formula set forth in the Dakin Agreement. The Company shall pay Dakin a license fee of \$12,500 per month for a three-year period commencing as of the effective date, and pay Dakin a royalty on all sales of the Dakin Products made by the Company in the United States. The Company has also agreed to provide Dakin with technical support as requested by Dakin at such technical support rates set forth in the Dakin Agreement subject to adjustment. The Dakin IP consists of a proprietary compound of materials engineered to treat a boiler to improve the combustion process and thereby reduce overall emissions, while improving boiler efficiency during the combustion of all types of fuels at power plants.

### Director Independence

For purposes of this Annual Report on Form 10-K, the independence of our directors has been determined under the listing standards of the The Nasdaq Stock Market. The Board has determined that currently one of our directors, Christopher Greenberg, qualifies as an independent director. In making that determination, the Board considered the relationships that each director has with us and all other facts and circumstances the Board deemed relevant in determining independence, including the potential deemed beneficial ownership of our capital stock by each director, including non-employee directors that are affiliated with certain of our major stockholders.

### Item 14. Principal Accounting Fees and Services.

#### Independent Registered Public Accounting Firm’s Fees

The following table sets forth the fees billed or billable by Marcum LLP and its predecessor Rotenberg Meril Solomon Bertiger & Guttilla, P.C., our independent registered public accounting firm, for audit and non-audit services rendered to us relating to 2022 and 2021. These fees are categorized as audit fees, audit-related fees, tax fees, and all other fees. The nature of the services provided in each category is described following the table.

	Year Ended December 31,	
	2022	2021
<b>Principal Accounting Fees</b>		
Audit fees (1)	\$ 178,870	\$ 144,192
Audit-related fees (2)	\$ 0	\$ 23,508
Tax fees	\$ 0	\$ 0
All other fees	\$ 0	\$ 0
Total aggregate fees	<u>\$ 178,870</u>	<u>\$ 167,700</u>

- (1) The aggregate audit fees billed or expected to be billed for professional services rendered by our principal accountants for the audit of our consolidated financial statements included in our annual report on Form 10-K and review of our interim consolidated financial statements included in quarterly reports, and other services normally provided in connection with statutory and regulatory filings was \$178,870 and \$144,192 for the years ended December 31, 2022 and 2021, respectively.
- (2) The aggregate fees billed for Audit-related professional services rendered by our principal accountants consisted of work performed in connection with proposed registration statements was \$0 and \$23,508 for the years ended December 31, 2022 and 2021, respectively.

All fees described above were pre-approved by the Board.

#### Pre-Approval Policies and Procedures of the Audit Committee

The audit committee has not set any pre-approval policies and procedures as of December 31, 2022.

**PART IV****Item 15. Exhibits and Financial Statement Schedules.**

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

**(1) Financial Statements**

Report of Independent Registered Public Accounting Firm  
 Consolidated Balance Sheet as of December 31, 2022 and 2021  
 Consolidated Statements of Operations for Years Ended December 31, 2022 and 2021  
 Consolidated Statements of Stockholders' Deficit for Years Ended December 31, 2022 and 2021  
 Consolidated Statements of Cash Flows for Years Ended December 31, 2022 and 2021  
 Notes to Consolidated Financial Statements

**(2) Financial Statement Schedules**

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

**(3) Exhibits.**

<b>Exhibit</b>	<b>Description</b>	<b>Filed Herewith</b>	<b>Form</b>	<b>Incorporated by Reference Filing Date</b>
<a href="#">3.1</a>	<a href="#">Certificate of Incorporation and amendments thereto through November 25, 2014</a>		10-K	03/20/2015
<a href="#">3.2</a>	<a href="#">Amended and Restated By-laws</a>		8-K	10/16/2014
<a href="#">4.1</a>	<a href="#">Description of Securities</a>		10-K	05/14/2020
<a href="#">10.1</a>	<a href="#">Closing Agreement by and among Midwest Energy Emissions Corp., MES, Inc. and Energy &amp; Environmental Research Center Foundation effective as of April 21, 2017</a>		10-Q	08/21/2017
<a href="#">10.2</a>	<a href="#">Assignment of Patents by and between Energy &amp; Environmental Research Center Foundation and Midwest Energy Emissions Corp. dated April 24, 2017</a>		10-Q	08/21/2017
<a href="#">10.3</a>	<a href="#">Amended and Restated Employment Letter Agreement between Richard MacPherson and Midwest Energy Emissions Corp. dated January 29, 2019</a>		10-K	04/11/2019
<a href="#">10.4</a>	<a href="#">Employment Agreement between John Pavlish and Midwest Energy Emissions Corp. dated November 16, 2014</a>		8-K	11/20/2014
<a href="#">10.5</a>	<a href="#">Midwest Energy Emissions Corp. 2014 Equity Incentive Plan as amended</a>		10-K	03/30/2016
<a href="#">10.6</a>	<a href="#">Form of Option Award Agreement (2014 Equity Incentive Plan)</a>		8-K	02/05/2014
<a href="#">10.7</a>	<a href="#">Security Agreement by and between Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy, LLC dated as of August 14, 2014</a>		8-K	08/15/2014

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<a href="#">10.8</a>	<a href="#">Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of November 1, 2016</a>	8-K	11/03/2016
<a href="#">10.9</a>	<a href="#">Amendment No. 1 to Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of June 14, 2018</a>	8-K	06/20/2018
<a href="#">10.10</a>	<a href="#">Amendment No. 2 to Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of September 12, 2018</a>	10-Q	11/13/2018
<a href="#">10.11</a>	<a href="#">Amendment No. 3 to Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of February 25, 2019</a>	8-K	03/01/2019
<a href="#">10.12</a>	<a href="#">Amendment No. 4 to Amended and Restated Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of October 28, 2022</a>	8-K	11/02/2022
<a href="#">10.13</a>	<a href="#">Secured Note dated November 29, 2016</a>	8-K	12/02/2016
<a href="#">10.14</a>	<a href="#">Unsecured Note Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of February 25, 2019</a>	8-K	03/01/2019
<a href="#">10.15</a>	<a href="#">Amended No. 1 to Unsecured Note Financing Agreement among Midwest Energy Emissions Corp., MES, Inc. and AC Midwest Energy LLC dated as of October 28, 2022</a>	8-K	11/02/2022
<a href="#">10.16</a>	<a href="#">Unsecured Note dated February 25, 2019</a>	8-K	03/01/2019
<a href="#">10.17</a>	<a href="#">Repurchase Option Agreement between Midwest Energy Emissions Corp. and AC Midwest Energy LLC dated as of October 28, 2022</a>	8-K	11/02/2022
<a href="#">10.18</a>	<a href="#">License and Supply Agreement among Dakin Holdings Ltd., Midwest Energy Emissions Corp. and MES, Inc. dated as of January 31, 2023</a>	8-K	02/03/2023
<a href="#">10.19</a>	<a href="#">Midwest Energy Emissions Corp. 2017 Equity Incentive Plan as amended</a>	10-K	04/05/2022
<a href="#">10.20</a>	<a href="#">Form of Option Award Agreement (2017 Equity Incentive Plan)</a>	10-K	04/17/2018
<a href="#">14.1</a>	<a href="#">Code of Ethics</a>	<input checked="" type="checkbox"/>	
<a href="#">21.1</a>	<a href="#">Subsidiaries of the registrant</a>	10-K	04/11/2019
<a href="#">31.1</a>	<a href="#">Certification by Principal Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act</a>	<input checked="" type="checkbox"/>	
<a href="#">31.2</a>	<a href="#">Certification by Principal Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act</a>	<input checked="" type="checkbox"/>	
<a href="#">32.1</a>	<a href="#">Certification by Principal Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code</a>	<input checked="" type="checkbox"/>	
<a href="#">32.2</a>	<a href="#">Certification by 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</a>	<input checked="" type="checkbox"/>	
101.INS	Inline XBRL Instance Document		
101.SCH	Inline XBRL Taxonomy Extension Schema Document		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document		
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)		

**Item 16. Form 10-K Summary.**

None.

**SIGNATURES**

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

**MIDWEST ENERGY EMISSIONS CORP.**

Date: May 12, 2023

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

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Richard MacPherson</u> Richard MacPherson	President, Chief Executive Officer and Director (Principal Executive Officer)	May 12, 2023
<u>/s/ Gregory R. Powell</u> Gregory R. Powell	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	May 12, 2023
<u>/s/ Christopher Greenberg</u> Christopher Greenberg	Chairman of the Board and Director	May 12, 2023
<u>/s/ David M. Kaye</u> David M. Kaye	Secretary and Director	May 12, 2023

## CORPORATE INFORMATION

### Directors

**Christopher Greenberg**  
(Chairman of the Board)  
Founder, Greenberg Enterprises

**Richard MacPherson**  
President and Chief Executive Officer,  
Midwest Energy Emissions Corp.

**David M. Kaye**  
Partner, Kaye Cooper Kay & Rosenberg,  
LLP

**Troy Grant**  
Chief Executive Officer, Elcora Advanced  
Materials Corp.

### Officers

**Richard MacPherson**  
President and Chief Executive Officer  
Director

**John Pavlish**  
Senior Vice President and  
Chief Technology Officer

**James Trettel**  
Vice President of Operations

### Stockholder Information

#### Availability of Proxy Statement and Form 10-K

The Proxy Statement and the Annual Report on Form 10-K are available at Midwest Energy Emissions Corp.'s website at [www.me2cenvironmental.com](http://www.me2cenvironmental.com) and at the SEC's website at [www.sec.gov](http://www.sec.gov). Additional copies of the Proxy Statement or the Form 10-K may be obtained without charge by written request to Midwest Energy Emissions Corp., 1810 Jester Drive, Corsicana, Texas 75109, Attention: Secretary.

#### Market Information for Common Stock

Midwest Energy Emissions Corp. Common Stock is traded in Canada on the TSX Venture Exchange (TSXV) under the symbol "MEEC" and is quoted in the United States on the OTCQB operated by OTC Markets Group Inc. under the symbol "MEEC".

#### Independent Registered Public Accounting Firm

Rosenberg Rich Baker Berman, P.A.  
Somerset, NJ

#### Annual Meeting of Stockholders

The annual meeting will be held on Tuesday, December 5, 2023, at 10:00 a.m. Eastern Time virtually via the internet. The meeting notice and proxy materials were mailed to stockholders with this Annual Report. Midwest Energy Emissions Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 is included within this Annual Report.

#### Transfer Agent for Common Stock

Transfer Online, Inc., Portland, OR  
TSX Trust Company (Co-Transfer Agent in Canada),  
Toronto, ON, Canada