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Zacks Small-Cap Research

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Midwest Energy Emissions (MEEC-OTCQB)

Midwest Energy Emissions: Outlook for 2019 and Recent Contract Wins

Based on comparative analysis that utilizes the valuation metric of price-to-sales (P/S), a mid-second quartile industry P/S ratio of 3.5 on TTM sales through 4Q-2018 of $12.3 million indicates a share price target of $0.55

Current Price (04/15/19)	$0.28
Valuation	**$0.55**

OUTLOOK

Midwest Energy Emissions is well-positioned to benefit from the reduction of mercury emissions initiatives in the U.S, Canada and Europe. The company holds patents to SEA™ Technology for the reduction of mercury emissions by coal-fired electric generating units. In 2019, Europe offers significant prospects through a Licensing Agreement with Cabot Corp. Under the Industrial Emissions Directive (IED), 1,384 coal-fired EGUs in Europe will be required to achieve new mercury emission compliance standards by MID-2021. In addition, the company is pursuing a patent strategy in an effort to seek fair compensation for aspects its patented SEA technology adopted by certain domestic EGUs.

SUMMARY DATA

52-Week High	**$0.47**
52-Week Low	**$0.12**
One-Year Return (%)	**14.50**
Beta	**1.23**
Average Daily Volume (shrs.)	**43,120**
Shares Outstanding (million)	**76,246**
Market Capitalization ($ mil.)	**$21.73**
Short Interest Ratio (days)	**0.03**
Institutional Ownership (%)	**15.3**
Insider Ownership (%)	**22.1**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Pollution Control**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	5.43 A	7.93 A	8.45 A	5.69 A	27.50 A
2018	2.12 A	2.45 A	4.21 A	3.51 A	12.30 A
2019	2.45 E	4.60 E	6.81 E	4.40 E	18.26 E
2020					25.00 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.02 A	$0.00 A	$0.01 A	-$0.02 A	-$0.04 A
2018	-$0.03 A	-$0.02 A	-$0.01 A	-$0.01 A	-$0.06 A
2019	-$0.02 E	-$0.01 E	$0.01 E	-$0.02 E	-$0.04 E
2020					$0.01 E

Zacks Projected EPS Growth Rate - Next 5 Years % **7**

Quarterly EPS & revenue may not equal annual totals.

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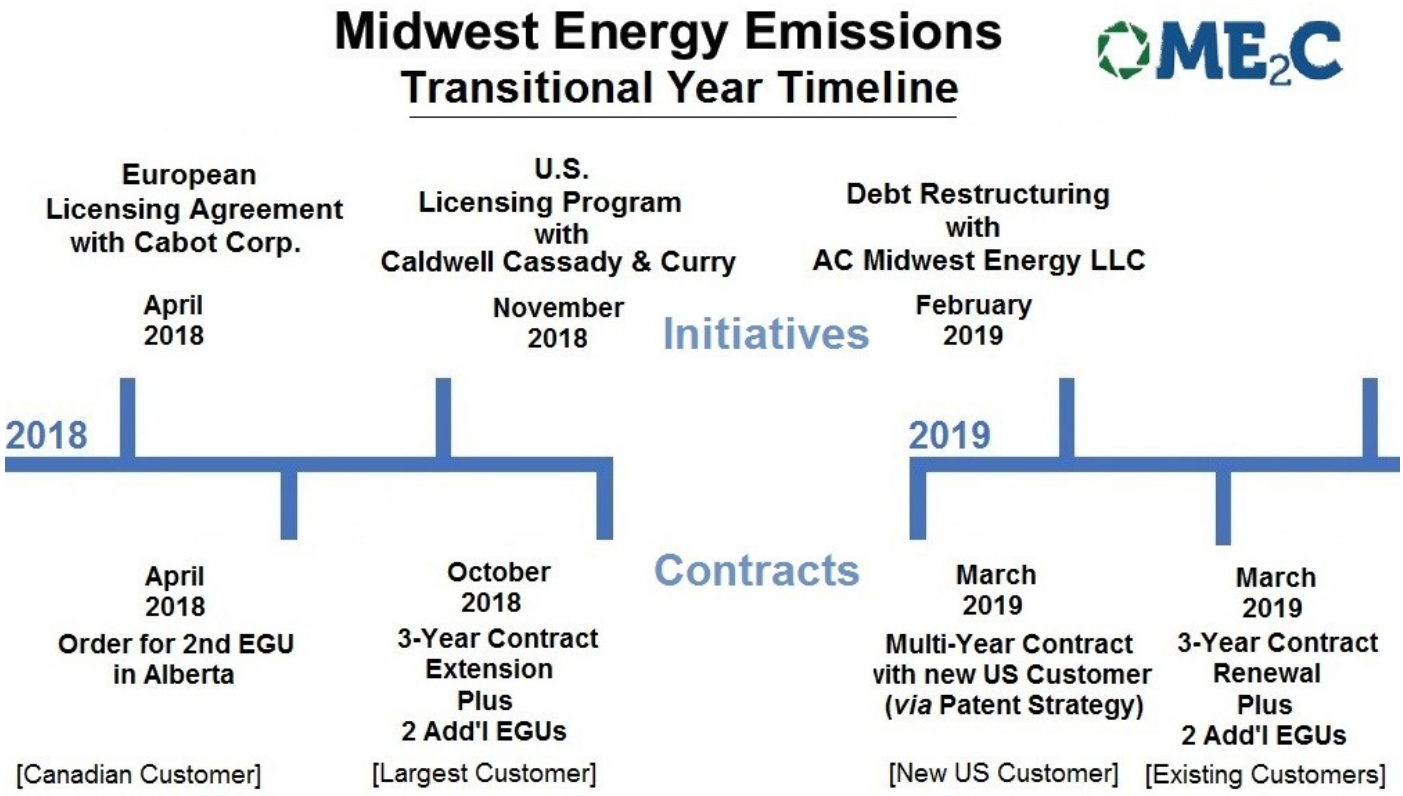
OVERVIEW OF 2018 AND OUTLOOK FOR 2019

Over the last six months, the news flow from Midwest Energy Emissions has been significant and positive, both regarding **North American contracts** and concerning **corporate initiatives**. In terms of contracts, **at least five additional EGUs are under supply contracts**, one of which is a new customer brought on board through the Patent Strategy. The **European initiative** (through the licensing agreement with Cabot) is expected to gain traction during the summer months of 2019, and management anticipates that some European contracts will be announced in the fall. The **Licensing initiative** continues to be pursued and has already led to a new customer contract. Moreover, the company's secured and unsecured **debt held by AC Midwest Energy LLC was restructured** in February 2019 with maturities being extended and the interest rate being reduced. Finally, despite the challenging industry dynamics, the company did not issue any shares during 2018.

Management expects to continue **securing additional contracts** for USA-based EGUs during 2018 and **for European EGUs beginning in the fall of 2019**. The licensing strategy, spearheaded by Caldwell Cassady & Curry's efforts, has already led to one contract, which was announced on March 5, 2019. On the April 11th conference call, management provided **guidance** that **EDITDA will be positive in 2019**.



Contract Announcements

In March 2019, Midwest Energy Emissions made three announcements:

- On March 5th**,** the company announced that a **new multi-year supply contract** was secured with a US-based utility. Management expects the contract to generate revenues of **over $1,000,000 annually**.
- On March 12th, Midwest announced the signing of a **multi-year contract renewal** (with a long-term customer), which is expected to generate **approximately $1,000,000 annually** in product sales.

- On March 19th, the company **expanded an existing customer agreement** with its largest customer for two additional EGUs in North America. Under the three-year contract, management expects the incremental coal-fired boilers to generate revenues **in excess of $2,000,000 annually**.

The March 2019 contract announcements followed two press releases in October 2018:

- On October 11, 2018, Midwest Energy Emissions announced that **the company's largest current customer extended its supply contract for an additional three years**. Under the multi-million dollar, Midwest Energy Emissions will continue supplying its proprietary Sorbent Enhancement Additive (SEA®) so that the customer can cost-effectively achieve the mercury capture requirements mandated by MATS.
- On October 16, 2018, the company announced that **the company's largest customer has expanded** the use of SEA® technologies **to two additional coal-fired boilers (EGUs)**. Management expects that this expansion will generate multi-million dollars annually in revenue over the course of three years. The customer was described as "one of the largest utilities in North America and a long-term customer."

European Licensing Agreement with Cabot Corporation

On April 17, 2018, Midwest Energy Emissions announced that the company has entered into a **multi□year European licensing agreement** with **Cabot Corp**. (NYSE: CBT). Under the agreement, **Cabot has exclusive access to Midwest Energy's patented SEA™ Technologies** for the development of mercury removal solutions for coal-fired EGUs in Europe. Cabot will market and sell Midwest Energy's proven **two□part mercury capture technology** and **proprietary scrubber additive technology** under the licensing agreement. Cabot has a strong presence in Europe and is expected to be a major player in the implementation of mercury emissions solutions that are required to achieve the European standards set forth by the Best Available Techniques (BAT) Reference Document (BREF) under the *Industrial Emissions Directive*. According to Midwest Energy Emissions, Europe's coal market includes a total of 1,384 coal□fired EGUs with 914 of those located in Eastern Europe.

Brief European Primer

In October 10, 2013, 140 nations (including the US, Canada, China, Germany, Netherland and the U.K.) signed the **Minamata Convention** on mercury, an international treaty that recognized mercury is a chemical of global concern and addresses the reduction of emissions of mercury and mercury compounds. In Europe, under the **Industrial Emissions Directive (IED)** of 2010, a BAT (Best Available Technique) Reference (aka BREF) document has been published (the most recent in 2017) to cover the required emission prevention activities on installations rated 50 MW or more. The standards are expected to be fully in force across Europe by mid-2021 with testing activity beginning during mid-2019, **the announcements of the initial contracts in the fall of 2019** and continuing until **full implementation in mid-2021**.

Patent Strategy

In November 2018, Midwest Energy Emissions' licensing program was announced in an effort to capture revenues from the unauthorized use of the company's patented SEA® technologies. Caldwell Cassady & Curry, P.C. was engaged, first to analyze and validate the company's patent portfolio and second to seek fair compensation from the many coal-fired EGUs (the company believes over 100) that have adopted aspects of the patented methods of SEA® technologies, particularly the enhancement of sorbent with a halide-based substance. As an IP (Intellectual Property) law firm, Caldwell Cassady & Curry is now engaged in an effort to offer licenses and other commercial opportunities to these domestic coal-fired utility operations that are using aspects of SEA® technologies to be compliant with MATS. Potential resolutions include a licensing program with Midwest Energy Emissions or a supply contract by which Midwest would become the provider of the sorbent. A relationship with Midwest Energy Emissions also would provide certain other benefits. With a sophisticated understanding of mercury interactions with flue

gas constituents and the knowledge of modifying the composition of sorbent based on coal type and the plant configuration, Midwest Energy has the expertise to further improve the operational efficiencies of these coal-fired systems.

Debt Restructuring

On February 25, 2019, Midwest Energy Emissions announced that all the unsecured and secured debt obligations with Alterna Capital Partners, LLC had been restructured.

The $13.0 million Unsecured Note Financing Agreement due December 15, 2020 (3-month LIBOR plus 5.0%) was exchanged for a new $13,154,930 Unsecured Note due August 25, 2022 (zero cash interest rate) with a profit participation preference derived from a certain percentage of net litigation proceeds, net licensing revenue and adjusted free cash flow, subject to various considerations.

The maturity of the $271,686 Secured Note due December 15, 2018) was extended to August 25, 2022 and the minimum EBITDA covenant has been waived.

Financial Results for 2018

On April 11, 2019, Midwest Energy Emissions reported results for the fourth quarter and full year ending December 31, 2018. Total revenues declined 55.3% to $12,295,862 from $27,499,080 reported in 2017 as revenue from product (sorbent) deliveries decreased 53.5%. Sorbent sales declined primarily from the shutdown of some customer EGU's due to competitive disadvantages and from the company's optimization efforts, allowing customers to enjoy improved operating and economic efficiencies at the plant level (less sorbent usage). Also, some customers lowered capacity factors[i], reducing the amount of product needed to achieve MATS compliance. Also, equipment sales declined from $794,000 in 2017 to $49,000 in 2018.

Total operating expenses decreased 45.3% to $15.0 million versus $27.49million in 2017, primarily attributable to cost of goods sold decreasing 51.9% to $9.15 million, which is associated with the decrease in revenues during the year. The gross margin contracted to 25.6% in 2018 from 30.8% in 2017 since there were higher overhead costs per sales dollar as total volumes decreased. SG&A expenses decreased 30.4% to $5.89 million, primarily due to decreases in stock-based compensation and sales compensation. Interest expense declined 8.3% to $1.98 million versus $2.15 million.

The company reported a loss of $4.82 million (or $0.06 per diluted share) versus a reported loss of $2.90 million (or $0.04 per diluted share) in 2017. Adjusted EBITDA declined to negative $1.50 million versus $2.90 million in 2017. As of December 31, 2018, the company had working capital of $131,518. Shares outstanding remain stable at 76,246,113 shares.

Despite the challenges reflected in the financial results reported for 2018, Midwest Energy Emissions remains well positioned to benefit from the reduction of mercury emissions initiatives in the U.S, Canada and Europe. It is important to remember that:

- Midwest Energy Emissions continues to generate revenues from its operationally-effective and cost-effective mercury emissions technology.
- The company announced **several million+ dollar contracts since October 2018**.
- Despite recent challenges, **the company did not issue any common shares** during 2018, and currently management has no plans to seek capital through the issuance of equity.
- The company has **meaningful potential in Europe** beginning in the fall of 2019 as a result of mercury control standards at coal-fired EGUs being fully enforced across Europe by mid-2021 with installation of testing starting in the summer of 2019. In Europe, the barriers to entry should be significantly reduced since Cabot Corp. (with its established relationships) will be the sales point contact.

- The **licensing model** being pursued under management's patent strategy could provide top-line and/or licensing revenues, both of which would enhance the company's profitability.

CORPORATE OVERVIEW

Headquartered Lewis Center, Ohio, Midwest Energy Emissions Corp. (MEEC) provides patented mercury capture solutions for coal-power plants whose mercury emissions exceed the U.S. Environmental Protection Agency's Mercury and Air Toxic Standards (MATS). **The company has successfully commercialized its Sorbent Enhancement Additive (SEA™) Technology**, which can achieve mercury removal levels that are compliant with MATS at a significantly lower cost than other methods while preserving the quality (and hence the marketability) of fly-ash, a by-product from the coal burning process. The company holds **42 issued patents and patents-pending** related to a mercury removal processes developed by the Energy & Environmental Research Center (EERC) and has a close and mutually beneficial relationship with the EERC Foundation, which aids in the commercialization EERC's research efforts. The company's holistic **cost-competitive solution** for mercury emission control is a proven, effective technology that reduces mercury emissions to MATS-compliant levels over a wide range of plant configurations and coal types.

The EPA's **MATS have created a multi-billion dollar market for mercury remediation solutions**. MATS require that all coal-fired Electric Generating Units (EGUs) larger than 25 megawatts (MW) remove approximately 90% of mercury from their emissions beginning April 16, 2015. On a plant-by plant basis, power plant operators must find an economical feasible method to upgrade existing plants in order to comply with MATS; otherwise, non-compliant plants could be forced to be decommissioned, which will affect the capacity, reliability and supply attributes of the associated electric networks.

The process of commercializing any pollution control technology or method within the utility industry is a lengthy and expensive process, which involves the migration of a technology from the laboratory to commercial-scale demonstrations and then to contract signings, installations, testing and finally commercial operations. SEA Technology has been successfully demonstrated over 50 times at large operating power plants across the United States and in Canada.

Midwest Energy Emissions is deploying what appears to be the industry's most cost-effective solution for coal power plants to comply with MATS. Management and the EERC believe that the SEA Technology process with an optimized blend of sorbents is the most efficient, cost-effective manner to capture mercury. **SEA Technology provides an approach that optimizes the mercury capture process while minimizing the cost of injected materials**. As a result, SEA Technology lessens the total amount of sorbent injected, thereby reducing the cost of MATS compliance. **The technology is also flexible**, allowing Midwest Energy's consumable products to be formulated specifically for a coal-fired unit and its coal-fuel-type. Importantly, the process has less operational impact with minimal corrosion to the plant's equipment and preserving the marketability of fly ash, an important ancillary revenue stream for power plants.

In a **milestone event**, on April 24, 2017, Midwest Energy Emissions closed on the acquisition of all patents rights and patents pending related to the Sorbent Enhancement Additive (SEA™) Technology from the Energy & Environmental Research Center (EERCF) at University of North Dakota. The purchase price was $2,500,000 and 925,000 shares of MEEC common stock, of which 628,998 shares were issued directly to EERCF and 296,002 shares were issued to the inventors. The cash payment was funded by cash-on-hand, which includes a portion of the net proceeds from the private placement that closed in November 2016.

Midwest Energy Emissions owns the Technology, and therefore no longer is required to pay monthly license maintenance fees of $$25,000 ($300,000 annually) and annual running royalties of $100 per one

megawatt (MW) of electronic nameplate capacity and $100 per three MW per hour at systems utilizing licensed products and/or processes.

SEA Technology, the company's **core IP**, provides an operationally-effective and cost-effective mercury emissions solution that is flexible to accommodate a broad range of configurations of coal-fired power plants fueled by varying coal types. Developed by researchers at the Energy & Environmental Research Center (EERC), SEA Technology utilizes the application of sorbent enhancement additives to promote the oxidation of elemental mercury in preparation for adsorption by uniquely formulated blends of sorbent products. Utilizing this Technology, Midwest Energy Emissions is able to offer at lower-cost option to utilities so that their coal-fired units can achieve compliance with MATS while maintaining the marketability of the fly ash by-product.

The portfolio of patents rights and patents pending is composed of **42 patents and patents-pending** related to mercury removal processes developed by the EERC. The patents in the United States include:

- Sorbents and Flue Gas Additives for the Oxidation and Removal of Mercury (7,435,286)
- High-Temperature Halogen Dissociation for Mercury Control in Coal-Fired Systems (7,615,101)
- Multifunctional Abatement of Air Pollutants in Flue Gas (7,628,969)
- Sorbents for the Oxidation and Removal of Mercury (8,168,147)
- Process for Regenerating a Spent Sorbent (8,173,566)
- Mercury Control Using Moderate-Temperature Dissociation of Halogen Compounds (8,312,822)
- Process for Regenerating a Spent Sorbent (Continuation) (8,440,585)
- Sorbents for the Oxidation and Removal of Mercury (Continuation) (8,652,235)

The patent and patents pending portfolio also includes international **blue sky market opportunities** with SEA Technology patents in **Europe, Canada** and **China**. SEA Technology has been successfully demonstrated for a few large utilities in Canada, where raising mercury capture regulations is being contemplated. Since 2012, a nationwide **mercury reduction agreement in Canada** has required a 60% reduction, though by early 2017 a 91% reduction had been attained.

China has promulgated emission regulations, but has yet to implement mercury reductions. In October 10, 2013, 140 nations (including the US, Canada, China, Germany, Netherland and the U.K.) signed the **Minamata Convention** on mercury, an international treaty that recognized mercury is a chemical of global concern and addresses the reduction of emissions of mercury and mercury compounds. Long-term, there is **blue sky potential** for international demand for the company's mercury remediation solutions.

Midwest Energy Emissions has demonstrated a **technical competitive advantage** by bringing EGUs to MATS compliance in a cost-effective manner. As many coal-fired utilities are having difficulties, ranging from encountering prohibitive costs in achieving a 90% reduction in mercury emissions to having to de-rate (lower the capacity of) boilers to attain compliance, management is focused on further penetrating the fleets of existing customers as well as securing new clients (electric utilities) which are challenged and are seeking an economical solution to comply with MATS.

Midwest Energy Emissions is unique in that it has a singular focus (the mercury emissions control market), holds the patents on processes, has achieved market penetration through the commercialization of SEA™ Technology and is positioned to take advantage of further opportunities afforded by the implementation of MATS.

Many coal-fired utilities are having difficulties, ranging from encountering prohibitive costs in achieving a 90% reduction in mercury emissions to having to de-rate (lower the capacity of) a boiler to attain compliance. Electric utilities with challenged EGUs have sought out solutions to achieve compliance with MATS.

VALUATION

The valuation methodology for pollution control/environmental remediation companies usually is based on the use of EV-to-EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) reflecting the industry's characteristics of profitability and cash flow generation. However, if a company is experiencing negative profitability, either due to adverse fundamental circumstances or being in the early phases of the company's life cycle, **the applicable valuation metric becomes Price-to-Sales (P/S)**.

Finding comparable companies to Midwest Energy Emissions is challenging. The company is unique in that it has a singular focus (the mercury emissions control market), holds the patents to SEA Technology processes, has achieved market penetration through the commercialization of SEA Technology and is positioned to take advantage of further growth opportunities afforded by the implementation of MATS. Many companies involved in the air pollution control industry range from companies that provide commodity chemicals and/or equipment to divisions of large, diversified companies where emission controls is just a small part of total operations. These types of companies are generally valued in the lower-to-middle portions of the valuation continuum rather than in the higher-end of the spectrum where highly-focused companies with patented treatment processes tend to trade.

For example, competing mercury emission control technologies are largely being commercialized by subsidiaries of large, diversified firms where mercury emission remediation is a small part of the total company. For example, TOXECON™ is being brought to market by Hamon Research-Cottrell, a subsidiary of Hamon & Cie International SA (aka Hamon Group), a publicly-traded Belgium-based engineering, procurement and contracting company (HAMO.BR) while Mer-Cure™ is being offered by US Power Plant Laboratories and URS Group, both subsidiaries of Alstom SA (ALO.PA and ALSMY OTC Pink), a publicly-traded France-based power generation, power transmission and rail infrastructure company. Also, the Air Pollution Control business unit of FMC Environmental Solutions, a division of FMC Corp. (FMC: NYSE), offers methods of mercury emission control as an adjunct to its use of hydrogen peroxide- and sodium bicarbonate-based methods to prevent or remediate contamination of air by power utility and manufacturing industries. FMC Corp. is a diversified chemical company. Mitsubishi Hitachi Power Systems, a merger of thermal power generation businesses of Mitsubishi Heavy Industries, Ltd. (7011) and Hitachi, Ltd. (HTHIF), is dedicated to the engineering, design and service of SCR systems for the control of NOx and SO2, and its SCR system solutions also have mercury oxidation capabilities.

We believe that the **valuation comparables** of Midwest Energy Emissions should Albemarle (ALB), Cabot Corp. (CBT), CECO Environmental (CECE) and IDEX (IEX). For example, CECO Environmental provides engineering, manufacturing and construction services. Also, comparable pollution control and value-added specialty chemical companies have comparable business models to Midwest Energy Emissions and achieve higher-than-average gross margins, generally in the 30% range, which is management's targeted margin for fully functional contracts.

The appropriate valuation methodology for Midwest Energy Emissions is based on price-to-sales (P/S) due the character of the company's enterprise, namely a small-capitalization company, currently with negative profitability, but with an expected sales profile that should grow and expand as the company's SEA Technology processes are deployed within the coal-fired utility industry and the company's patent-protected sorbent is sold into the operating customer base. Ultimately, the growing revenue stream should manifest itself into positive EBITDA and later, positive earnings when the break-even point is surpassed.

Industry Comparables	Pr Chg YTD	P/E CFY	EPS Gr 5Yr Est	Gross Margin	Price/ Book	Price/ Sales	Price/ CF
MIDWEST ENERGY EMISSIONS	18.8	N/M	7.0	25.6	N/M	1.8	N/M
Industry Mean	12.7	17.4	12.7	34.3	3.0	2.3	13.1
Industry Median	10.3	15.8	12.8	34.8	2.2	1.7	11.2
S&P 500	15.2	17.3	10.8	N/A	3.4	4.4	16.8
ALBEMARLE CORP.	7.3	13.4	15.1	36.5	2.3	2.6	11.0
CABOT CORP.	5.2	10.3	10.5	22.5	2.1	0.8	5.6
CECO ENVIRONMENTAL	13.3	18.2	15.0	33.1	1.5	0.8	11.4
IDEX CORP.	24.8	27.5	10.2	45.2	6.1	4.8	24.2
Recent Industry Acquisition		**Acquiror**					
CALGON CARBON		Kuraray	16.0	30.0	2.7	1.8	17.1
CYTEC INDUSTRIES INC.		Solvay SA	16.0	30.0	3.6	2.6	14.4
PALL CORP.		Danaher	12.5	50.2	8.3	4.8	19.3

Comparable companies trade in a P/S valuation range between 0.79 and 4.80.

Also, as a reference,

- Cytec Industries was acquired by Solvay SA at 2.6 times TTM revenues (19.7 EV/EBITDA)
- Pall Corp. was acquired by Danaher (DHR) at 4.8 times TTM revenues (20.3 EV/EBITDA) and
- Calgon Carbon was acquired by Kuraray SA at 1.8 times TTM revenues (16.1 EV/EBITDA).

Utilizing a second quartile industry average P/S ratio of 3.53 on TTM sales through 4Q-2018 of $12.3 million, our **share price target is $0.55**.

We are optimistic the ultimate success of Midwest Energy Emissions. The company should experience increases in revenues over the next few years as the coal-fired plants (both in North America and Europe) utilize Midwest Energy's SEA Technology to control mercury emissions in order to become compliant with the EPA's mercury emissions reduction regulations.

RISKS

- The industry addressing the reduction of mercury emissions is a market driven by governmental regulation. Any reduction in the EPA's regulations concerning mercury emissions or the timing of enforcement would significantly impact the demand for the company's products and services.
- Investors should be aware of the potential dilution from options, warrants and convertible notes as the company becomes profitable. The fully diluted share count is higher than the 76,246,113 shares outstanding (as of December 31, 2018) with an additional 9,161,510 shares exercisable through options, 4,105,398 shares exercisable through warrants and 3,700,000 shares for the conversion of the company's convertible debt.
- Recent quarters have demonstrated that the demand for SEA Technology faces certain challenges. Company-initiated optimization efforts at each EGU have improved operating efficiencies and have resulted in less-than-expected product (sorbent) usage. In addition, some customers lowered capacity factors, reducing the amount of product needed to achieve MATS compliance. And some EGUs were shut down as a result of competitive disadvantages versus other EGUs in their service areas.

BALANCE SHEET

Midwest Energy Emissions Corp.					
Year ending December 31st	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
ASSETS					
Cash and cash equivalents	7,212,114	1,083,280	7,751,557	2,418,427	584,877
Accounts receivable	410,950	1,150,602	3,553,096	2,931,353	1,642,126
Inventory	5,784,905	2,715,913	609,072	659,579	509,416
Customer acquisition costs	-	-	-	137,866	34,467
Prepaid expenses and other assets	140,559	161,813	199,495	210,535	136,628
Total Current Assets	**13,548,528**	**5,111,608**	**12,113,220**	**6,357,760**	**2,907,514**
Property and Equipment, net	255,330	1,243,450	2,569,354	2,728,993	2,397,691
Deferred tax asset	-	-	500,000	-	-
Patents & patent rights, net	64,707	58,825	52,945	2,934,862	2,733,662
Prepaid expenses and other assets	13,799	4,058	-	-	-
Debt issuance costs, net	2,285,696	-	-	-	-
Customer acquisition costs	1,156,521	897,428	642,203	34,467	-
TOTAL ASSETS	**17,324,581**	**7,315,369**	**15,877,722**	**12,056,082**	**8,038,867**
Liabilities and Stockholders' Equity					
Accounts payable and accrued expenses	688,730	1,235,162	4,363,553	1,795,703	1,858,326
Accrued legal and consulting fees	86,304	-	-	-	-
Accrued salaries and benefits	399,487	-	-	-	555,877
Deferred revenue	5,808,301	2,281,760	-	517,060	-
Customer credits	936,500	936,500	590,206	167,000	167,000
Current portion of equipment notes payable	-	-	39,499	61,177	63,424
Other current liabilities	250,000	-	-	-	-
Accrued interest	-	-	-	-	96,902
Advances payable - related party	-	-	78,750	77,500	-
Convertible note payable	-	-	-	1,461,417	-
Notes payable	3,080,376	2,497,114	1,500,000	2,500,000	-
Current liabilities of discontinued operations	-	-	-	-	-
Note payable - related party of disc. ops.	-	-	-	-	-
Total Current Liabilities	**11,249,698**	**6,950,536**	**6,572,008**	**6,579,857**	**2,741,529**
Notes payable	-	-	11,678,669	9,733,361	13,814,208
Convertible notes payable	4,724,598	3,175,085	1,142,154	-	-
Warrant liability	5,597,011	9,854,400	-	-	-
Accrued interest	337,999	169,202	-	-	-
Equipment note payable	-	111,144	143,135	167,650	104,226
TOTAL LIABILITIES	**21,909,306**	**20,260,367**	**19,535,961**	**16,480,868**	**16,659,963**
Common stock	40,228	47,194	73,510	76,246	76,246
Additional paid-in-capital	19,113,724	25,008,016	49,838,469	42,165,620	42,785,990
Accumulated deficit	(23,738,677)	(38,000,208)	(54,883,223)	(46,666,652)	(51,483,332)
Total Stockholders' Equity	**(4,584,725)**	**(12,944,998)**	**(4,971,244)**	**(4,424,786)**	**(8,621,096)**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**17,324,581**	**7,315,369**	**14,564,722**	**12,056,082**	**8,038,867**
Shares outstanding	40,228,123	47,194,118	73,509,663	76,246,113	76,246,113

PROJECTED INCOME STATEMENT

Midwest Energy Emissions Corp.

Income Statement

Period ending	2014 12/31/2014	2015 12/31/2015	2016 12/31/2016	2017 12/31/2017	2018 12/31/2018	2019 E 12/31/2019
Revenues	**2,794,206**	**12,631,919**	**32,345,540**	**27,499,080**	**12,295,862**	**18,264,862**
Costs and operating expenses:						
Cost of goods sold	1,483,379	8,629,570	23,030,404	19,016,932	9,147,745	12,925,518
Operating expenses	904,914	1,812,355	-	-	-	-
License maintenance fees	300,000	300,000	-	-	-	-
Marketing and development	-	-	-	-	-	-
Selling, general & administrative exp.	2,208,546	2,967,146	5,185,828	5,585,083	4,607,511	4,800,000
Settlement charges	-	1,335,394	-	-	-	-
Depreciation and amortization	387,123	390,828	913,000	1,354,000	796,000	899,325
Professional fees	678,725	672,269	-	-	-	-
Stock-based compensation	3,318,759	213,273	1,158,617	1,532,013	491,000	500,000
Impairment of fixed assets	-	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-
Total operating expenses	**9,281,446**	**16,320,835**	**30,287,849**	**27,488,028**	**15,042,256**	**19,124,843**
Operating gain (loss)	**(6,487,240)**	**(3,688,916)**	**2,057,691**	**11,052**	**(2,746,394)**	**(859,981)**
Other income (expense):						
Interest (expense)	(2,724,506)	(6,213,897)	(3,816,855)	(2,154,570)	(1,975,097)	(1,900,000)
Letter of credit (fees)	-	-	(226,000)	(219,333)	(29,000)	0
Gain (loss) on disposal of fixed assets	-	-	-	-	-	0
Gain (loss) on forgiveness of liabilities	-	-	-	-	-	0
Gain (loss) on debt restructuring	-	-	(14,105,076)	-	(44,036)	0
Change in value of warrant liability	4,204,189	(3,194,189)	-	-	-	0
Debt conversion costs	-	(1,123,380)	-	-	-	0
Other income (expense)	-	-	-	-	-	0
Total other income (expense)	**1,479,683**	**(10,531,466)**	**(18,147,931)**	**(2,373,903)**	**(2,048,133)**	**(1,900,000)**
Net loss before taxes	**(5,007,557)**	**(14,220,382)**	**(16,090,240)**	**(2,362,851)**	**(4,794,527)**	**(2,759,981)**
Income tax benefit (expense)	-	(41,149)	472,669	(540,422)	(22,153)	(50,000)
Net Gain (Loss) from Continuing Ops.	**(5,007,557)**	**(14,261,531)**	**(15,617,571)**	**(2,903,273)**	**(4,816,680)**	**(2,809,981)**
Net gain (loss) from discontinued ops.	-	-	-	-	-	-
Net Income (Loss)	**(5,007,557)**	**(14,261,531)**	**(15,617,571)**	**(2,903,273)**	**(4,816,680)**	**(2,809,981)**
Net loss per share:						
Basic and diluted loss per share	**(0.13)**	**(0.32)**	**(0.31)**	**(0.04)**	**(0.06)**	**(0.04)**
Wgted avg. shares - basic & diluted	39,140,243	44,160,298	50,646,328	75,061,800	76,137,894	76,137,894
Adjusted EBITDA	**N/A**	**(1,200,000)**	**4,129,000**	**2,897,000**	**(1,504,000)**	**539,000**

Midwest Energy Emissions Corp.						
Income Statement		1Q	2Q	3Q	4Q	
	2016	2017	2017	2017	2017	2017
Period ending	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	12/31/2017
Revenues:						
Product sales	28,920,051	5,284,234	7,112,722	8,075,510	5,577,566	26,050,032
Equipment sales	2,699,051	7,160	776,946	2,975	7,125	794,206
Demonstration and consulting services	726,438	136,000	41,500	369,482	107,860	654,842
Total revenues	**32,345,540**	**5,427,394**	**7,931,168**	**8,447,967**	**5,692,551**	**27,499,080**
Costs and operating expenses:						
Cost of goods sold	23,030,404	3,785,922	4,995,776	5,509,204	4,726,030	19,016,932
Selling, general & administrative expenses	7,257,445	2,694,282	2,313,357	1,910,020	1,553,437	8,471,096
Settlement charges	-	-	-	-	-	-
Total operating expenses	**30,287,849**	**6,480,204**	**7,309,133**	**7,419,224**	**6,279,467**	**27,488,028**
Operating gain (loss)	**2,057,691**	**(1,052,810)**	**622,035**	**1,028,743**	**(586,916)**	**11,052**
Other income (expense):						
Interest (expense)	(3,816,855)	(540,475)	(544,918)	(541,855)	(527,322)	(2,154,570)
Letter of credit fees	(226,000)	(60,000)	(60,667)	(52,667)	(45,999)	(219,333)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-
Gain (loss) on forgiveness of liabilities	-	-	-	-	-	-
Gain (loss) on debt restructuring	(14,105,076)	-	-	-	-	-
Change in value of warrant liability	-		-	-	-	-
Debt conversion costs	-	-	-	-	-	-
Gain on legal settlements	-	-	-	379,000	-	-
Other income (expense)	-	-	-	-	-	-
Total other income (expense)	**(18,147,931)**	**(600,475)**	**(605,585)**	**(215,522)**	**(573,321)**	**(2,373,903)**
Net loss before taxes	**(16,090,240)**	**(1,653,285)**	**16,450**	**813,221**	**(1,160,237)**	**(2,362,851)**
Income tax benefit (expense)	472,669	0	0	0	(540,422)	(540,422)
Net Gain (Loss) from Continuing Ops.	**(15,617,571)**	**(1,653,285)**	**16,450**	**813,221**	**(1,700,659)**	**(2,903,273)**
Net gain (loss) from discontinued ops.	-	-	-	-	-	-
Net Income (Loss)	**(15,617,571)**	**(1,653,285)**	**16,450**	**813,221**	**(1,700,659)**	**(2,903,273)**
Net loss per share:						
Basic and diluted loss per share	**(0.31)**	**(0.02)**	**0.00**	**0.01**	**(0.02)**	**(0.04)**
Wgted avg. shares - basic & diluted	50,646,328	73,585,727	74,493,909	75,865,678	76,624,335	75,061,800
Adjusted EBITDA	**4,129,000**	**152,000**	**1,232,000**	**1,572,000**	**(59,000)**	**2,897,000**

Midwest Energy Emissions Corp.

Income Statement Period ending	2017 12/31/2017	1Q 2018 3/31/2018	2Q 2018 6/30/2018	3Q 2018 9/30/2018	4Q 2018 12/31/2018	2018 12/31/2018
Revenues:						
Product sales	26,050,032	2,059,819	2,414,951	4,113,890	3,526,202	12,114,862
Equipment sales	794,206	9,146	0	28,252	11,602	49,000
Demonstration and consulting services	654,842	52,147	36,600	66,950	(23,697)	132,000
Total revenues	**27,499,080**	**2,121,112**	**2,451,551**	**4,209,092**	**3,514,107**	**12,295,862**
Costs and operating expenses:						
Cost of goods sold	19,016,932	1,708,315	1,882,612	3,009,656	2,547,162	9,147,745
Selling, general & administrative expenses	8,471,096	1,781,368	1,709,763	1,364,312	1,039,068	5,894,511
Settlement charges	-	-	-	-	-	-
Total operating expenses	**27,488,028**	**3,489,683**	**3,592,375**	**4,373,968**	**3,586,230**	**15,042,256**
Operating gain (loss)	**11,052**	**(1,368,571)**	**(1,140,824)**	**(164,876)**	**(72,123)**	**(2,746,394)**
Other income (expense):						
Interest (expense)	(2,154,570)	(513,501)	(516,082)	(471,086)	(474,428)	(1,975,097)
Letter of credit fees	(219,333)	(29,000)	-	-	-	(29,000)
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-
Gain (loss) on forgiveness of liabilities	-	-	-	-	-	-
Gain (loss) on debt restructuring	-	-	(44,036)	-	-	(44,036)
Change in value of warrant liability	-	-	-	-	-	-
Debt conversion costs	-	-	-	-	-	-
Gain on legal settlements	-	-	-	-	-	-
Other income (expense)	-	-	-	-	-	-
Total other income (expense)	**(2,373,903)**	**(542,501)**	**(560,118)**	**(471,086)**	**(474,428)**	**(2,048,133)**
Net loss before taxes	**(2,362,851)**	**(1,911,072)**	**(1,700,942)**	**(635,962)**	**(546,551)**	**(4,794,527)**
Income tax benefit (expense)	(540,422)	0	0	0	(22,153)	(22,153)
Net Gain (Loss) from Continuing Ops.	**(2,903,273)**	**(1,911,072)**	**(1,700,942)**	**(635,962)**	**(568,704)**	**(4,816,680)**
Net gain (loss) from discontinued ops.	-	-	-	-	-	-
Net Income (Loss)	**(2,903,273)**	**(1,911,072)**	**(1,700,942)**	**(635,962)**	**(568,704)**	**(4,816,680)**
Net loss per share:						
Basic and diluted loss per share	**(0.04)**	**(0.03)**	**(0.02)**	**(0.01)**	**(0.01)**	**(0.06)**
Wgted avg. shares - basic & diluted	75,061,800	76,246,113	76,246,113	76,246,113	76,246,113	76,137,894
Adjusted EBITDA	**2,897,000**	**(847,000)**	**(908,000)**	**97,000**	**154,000**	**(1,504,000)**

HISTORICAL STOCK PRICE



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[i]The capacity factor of a generating unit is the ratio between the amount of energy that a plant actually produces and the maximum amount of energy that it could produce for the same period of time. Managing Large-Scale Penetration of Intermittent Renewables, An MIT Energy Initiative Symposium April 20, 2011p. 17.