



Advanced Emissions Solutions, Inc.
Advancing **Cleaner** Energy

Q1'16 Earnings Call



May 11, 2016

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Safe Harbor



This presentation includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which provides a "safe harbor" for such statements in certain circumstances. The forward-looking statements include statements or expectations regarding future growth or contraction, competition, strategic review of alternatives for our EC business, our ability to commercialize our products and intellectual property; our ability to achieve sales and complete EC contracts; future contracts, projects, and operations; amount and timing of production of RC, timing and terms of the lease, lease renewal or sale of RC facilities, pipeline of tax equity investors and M-Prove Technology™ sales, CCS cash flow and ability to make distributions; future revenues, royalties earned, expenses, cash flow and use of cash, liquidity, debt and other financial and accounting measures; timing and outcome of our restructuring and cost containment efforts; our ability to remain compliant with Securities and Exchange Commission (SEC) reporting obligations and be relisted on the NASDAQ Stock Market LLC; scope, timing and impact of current and anticipated regulations and legislation; and related matters. These statements are based on current expectations, estimates, projections, beliefs and assumptions of our management. Such statements involve significant risks and uncertainties. Actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to, changes and timing in laws, regulations, IRS interpretations or guidance, accounting rules and any pending court decisions, legal challenges to or repeal of them; changes in prices, economic conditions and market demand; the ability of the RC facilities to produce coal that qualifies for tax credits; the timing, terms and changes in contracts for RC facilities, or failure to lease or sell RC facilities; impact of competition; availability, cost of and demand for alternative tax credit vehicles and other technologies; technical, start-up and operational difficulties; availability of raw materials; loss of key personnel; reductions in operating costs may be less than expected; inability to comply with the terms of loan agreements; intellectual property infringement claims from third parties; the outcome of pending litigation; seasonality and other factors discussed in greater detail in our filings with the SEC. You are cautioned not to place undue reliance on such statements and to consult our SEC filings for additional risks and uncertainties that may apply to our business and the ownership of our securities. Our forward-looking statements are presented as of the date made, and we disclaim any duty to update such statements unless required by law to do so.

First Quarter & Recent Highlights



- Solid execution against strategic goals
- Distributions from the Refined Coal (“RC”) business increased year-over-year and were in-line with expectations
 - Working to transition an existing investor from a lower producing RC facility to a higher producing RC facility, resulting in an anticipated increase of 4.1 million tons per year of RC produced compared to the previous RC facility
 - This transition is expected to result in a distribution to ADES of \$7.0 million within the second quarter
- Emissions Control (“EC”) business momentum is improving with ongoing sales of equipment and expected sales of M-Prove™ Technology in the coming quarter
- EC business reduced expenses and drove higher positive operating income during the period
- Review of strategic alternatives for EC business remains ongoing

First Quarter Financial Review



Financial data highlights: <i>(in thousands)</i>	Three Months Ended March 31,	
	2016	2015
Revenues	\$ 22,357	\$ 21,757
Operating expenses exclusive of cost of revenue ⁽¹⁾	\$ 8,357	\$ 12,940
Earnings from equity method investments	\$ 5,577	\$ 314
Royalties, related party	\$ 1,189	\$ 2,194
Net income (loss)	\$ 4,376	\$ (6,132)
Cash and cash equivalents ⁽²⁾	\$ 5,469	\$ 9,265
Restricted cash, current and long-term ⁽²⁾	\$ 11,773	\$ 11,708

(1) See Appendix A.

(2) Balances are as of March 31, 2016 and December 31, 2015, respectively.

- Revenue remained solid during the first quarter of 2016 primarily due to completion of EC equipment contracts
- Operating expenses, exclusive of cost of revenue, declined by 35%, which does not reflect the additional headcount and other cost reduction actions that were taken in April
- Earnings from RC equity investments increased significantly during the period
- Royalties from CCS were down primarily as a result of temporary suspension of operations for certain retained RC facilities
- Net income increased, primarily driven by the timing of cash distributions and equity income recognition from the RC business (see footnote 4 of the March 31, 2016 Quarterly Report on Form 10-Q), and across the board expense reductions due primarily restructuring and business alignment activities
- Cash declined principally as a result of principal and interest payments on debt

Select Components of Net Income (Loss)



- Overview of select components of first quarter 2016 and 2015 consolidated net income (loss).

Select Components of Net Income (Loss) ⁽¹⁾ (In millions)	Three Months Ended March 31,	
	2016	2015
GAAP Net Income (Loss)	<u>\$4.4</u>	<u>(\$6.1)</u>
Non-Cash Items	(\$0.6)	(\$2.0)
EC Manufacturing, R&D Businesses/Ventures ⁽²⁾	(\$0.2)	(\$3.5)
Restatement Expenses	(\$1.4)	(\$2.6)
Restructuring Expenses, Net of Non-Cash Items	(\$0.2)	(\$0.4)
RC Segment Income	\$7.9	\$0.7
All Other, Net	<u>\$(1.1)</u>	<u>\$1.7</u>
Total of Select Components of Net Income (Loss)	<u>\$4.4</u>	<u>(\$6.1)</u>

(1) See Appendix B of this document for further detail.

(2) Amounts related to EC-Manufacturing only relate to the three months ended March 31, 2015, as it was shut-down in 2015. R&D Businesses/venture amounts relate to both periods presented.



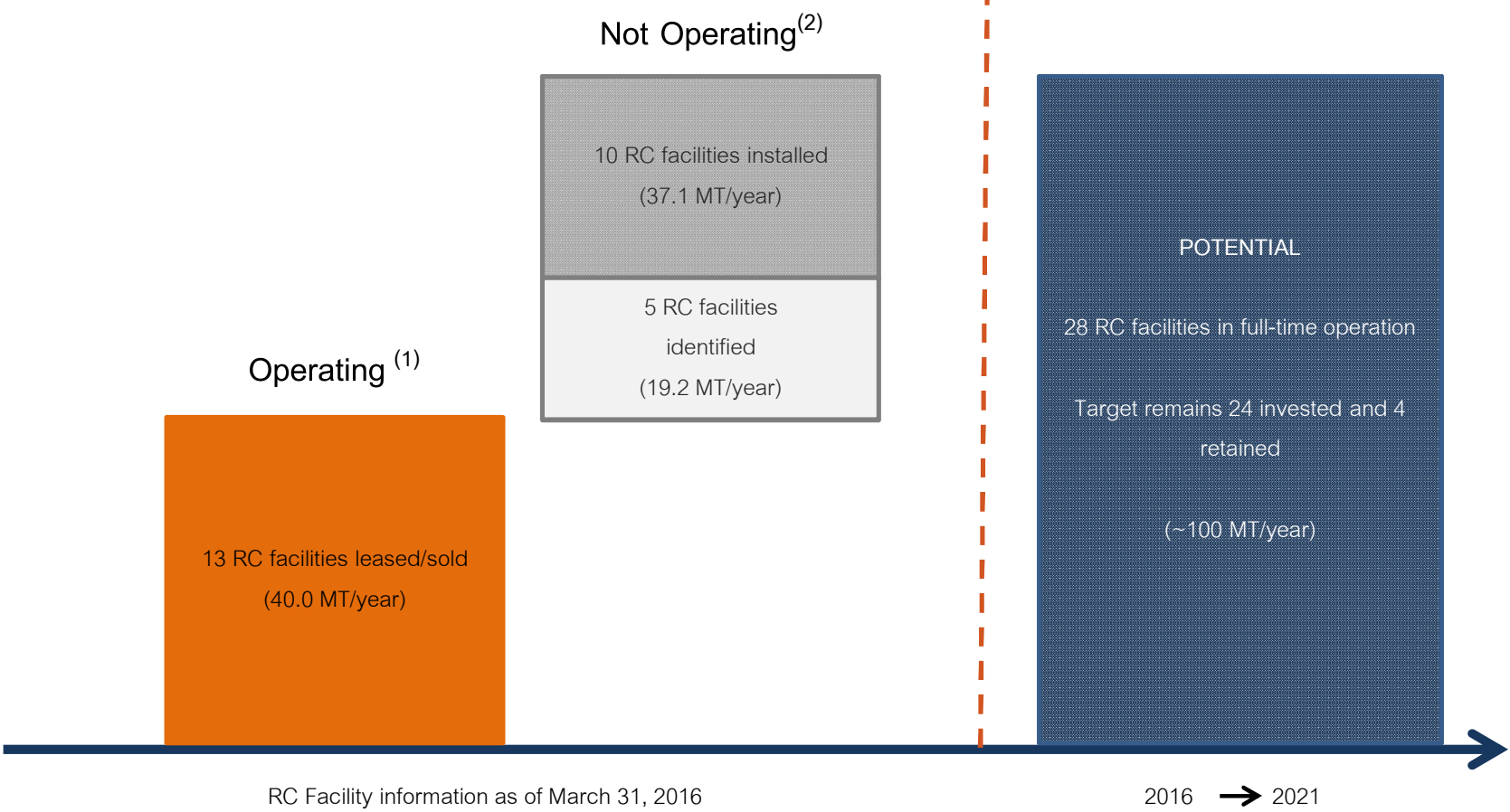
Refined Coal





RC Facilities Today and Tomorrow

Full-time Operations Roadmap



(1) All tonnage based on trailing 12 months (TTM) as of March 31, 2016 based on actual tonnage burned

(2) Non operating tonnage is per US Energy Information Administration – TTM ended February, 2016

Refined Coal: Components of Earnings

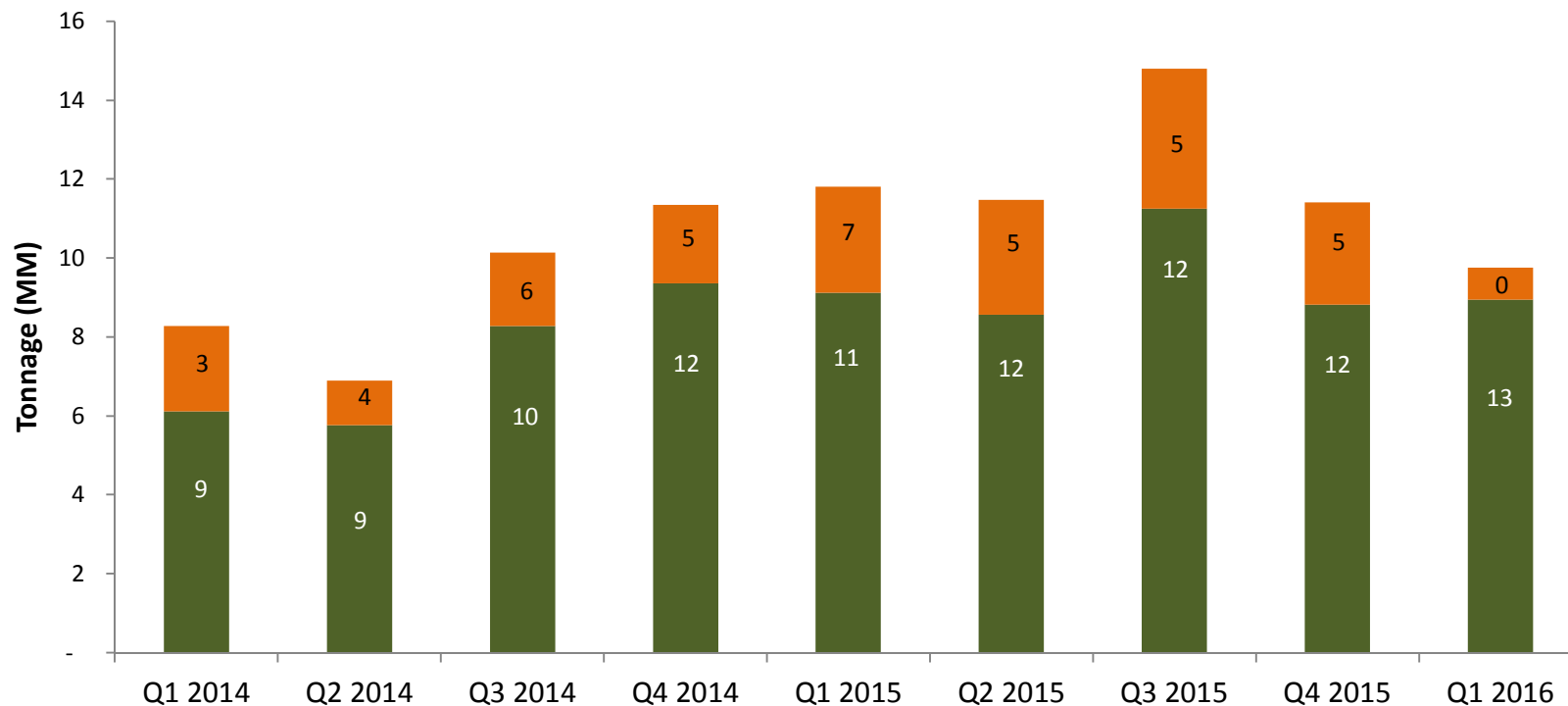


Components of RC Segment Earnings ⁽¹⁾ (In thousands)	Three Months Ended March 31,	
	2016	2015
RC Segment Earnings		
CCS	\$ 5,443	\$ 100
CCSS	\$ 691	\$ 1,022
RCM6	\$ (557)	\$ (808)
Consulting	\$ -	\$ 21
Royalties, related party	\$ 1,189	\$ 2,194
Gain on sale of RCM6	\$ 2,078	\$ -
<i>Total RC Earnings</i>	\$ 8,844	\$ 2,529
RC Segment Expenses		
RCM6 note payable interest expense	\$ 263	\$ 609
453A interest expense	\$ 791	\$ 1,131
Consulting fees	\$ -	\$ 67
Other	\$ (80)	\$ 57
<i>Total RC Expenses</i>	\$ 974	\$ 1,864
Segment Operating Income	\$ 7,870	\$ 665

(1) See Appendix C of this document for further details related to refined coal segment earnings and operating income.



Operating Tons: Invested vs. Retained

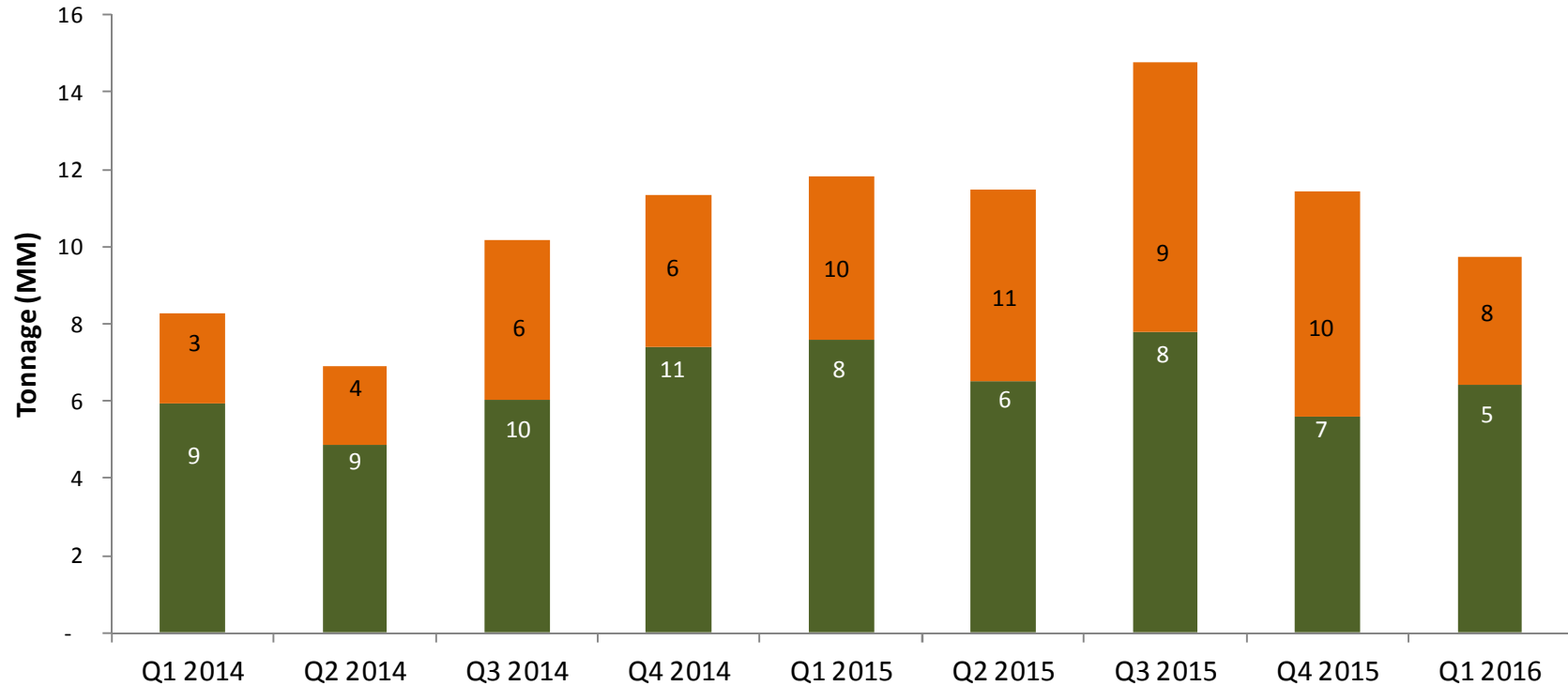


As of Q1 2016	Invested	Retained	QTD - Total
Tonnage ⁽¹⁾	8,949	802	9,751
Count (#)	13	-	13

Note: Numbers/counts within bar graph represent the number of facilities per category as of the end of each quarter presented.

(1) Tonnage information is based upon RC production for the three months ended March 31, 2016 (in thousands)

Operating Tons: Royalty vs. Non-Royalty



As of Q1 2016	Operating Tons		QTD - Total
	Royalty	Non-Royalty	
Tonnage (1)	3,330	6,421	9,751
Count (#)	8	5	13

Note: Numbers/counts within bar graph represent the number of facilities per category as of the end of each quarter presented.

(1) Tonnage information is based upon RC production for the three months ended March 31, 2016 (in thousands)

Future Rent Payments – CCS Invested Facilities



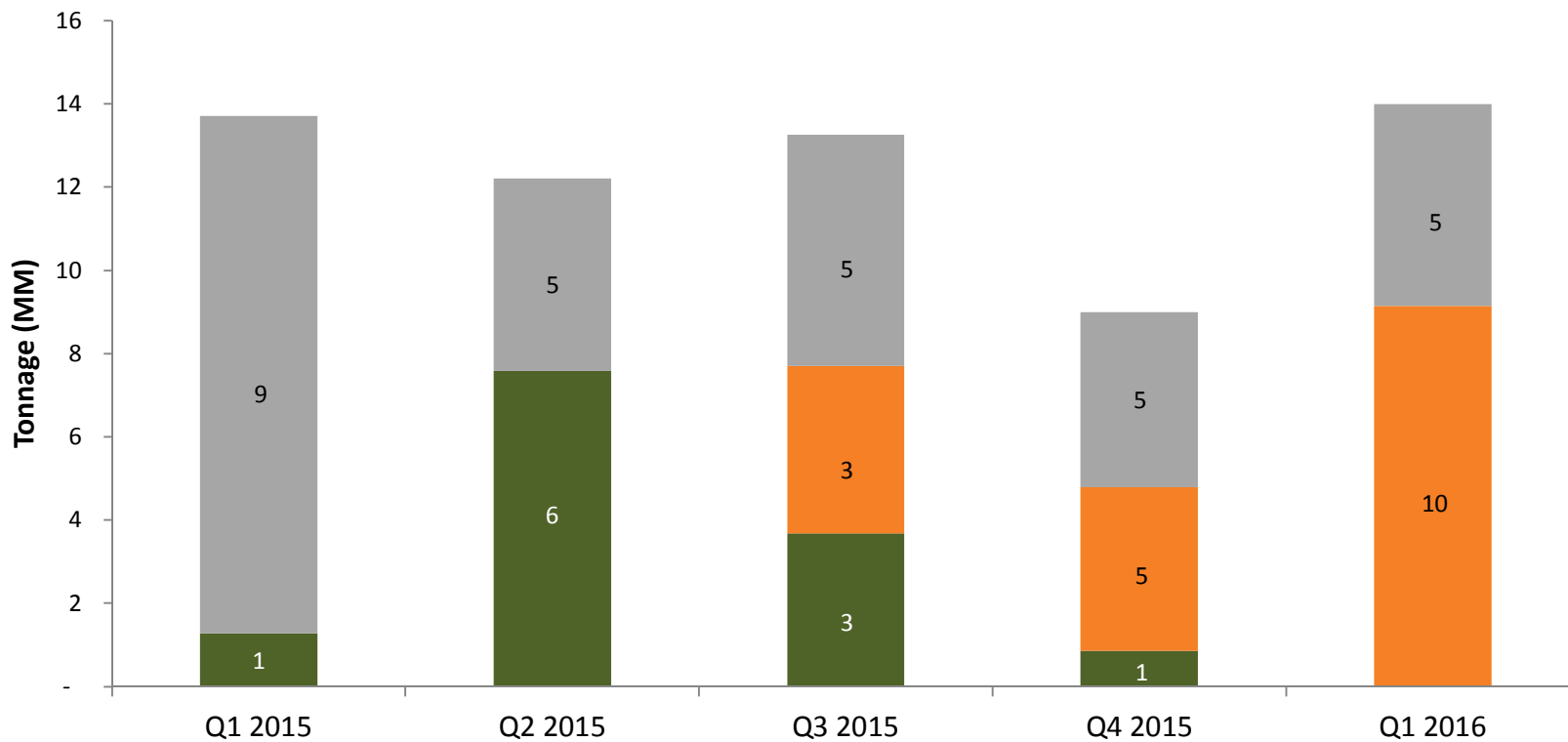
- As of March 31, 2016, remaining payments to all CCS members from CCS's current RC facilities leased or sold to tax equity investors are projected to be an aggregate of ~\$626 million from Q2, 2016 to 2021; assuming no modifications of contracts, non-renewals or early terminations
 - Decrease from the \$650 million as of December 31, 2015 is related to Q1, 2016 cash collections and adjustments to contracted amounts

CCS Expected Payments <i>as of March 31, 2016</i> <i>(in millions)</i>	
2016 (Q2 to Q4)	\$75
2017	\$118
2018	\$122
2019	\$118
2020	\$117
2021	\$76
	\$626

Note: ADES receives 42.5% of these amounts



Non-Operating Tons⁽⁴⁾



As of Q1 2016	Non-Operating			QTD - Total
	Identified	Construction	Installed	
Tonnage ⁽³⁾	4,855	-	9,143	13,997
Count (#)	5	-	10	15

Note: Numbers/counts within bar graph represent the number of facilities per category as of the end of each quarter presented.

(1) Q1 2016 is estimated based on an average of February QTD actuals

(2) 2015 Operating tons based on actual tonnage produced

(3) Tonnage information is based upon RC production for the three months ended March 31, 2016 (in thousands)

(4) Non operating tonnage is per US Energy Information Administration - TTM ended February, 2016



Emissions Control



Emissions Control: Components of Earnings



Components of EC Segment Earnings ⁽¹⁾ (In thousands)	Three Months Ended March 31,	
	2016	2015
EC Segment Revenues		
Equipment sales	\$ 21,727	\$ 21,115
Consulting services	\$ 196	\$ 347
Chemicals and other	\$ 434	\$ 274
<i>Total EC Revenues</i>	\$ 22,357	\$ 21,736
EC Segment Expenses		
Sales cost of revenue, exclusive of D&A	\$ 17,034	\$ 15,051
Consulting cost of revenue, exclusive of D&A	\$ 135	\$ 426
Chemical cost of revenue, exclusive of D&A	\$ 142	\$ 238
Payroll and benefits	\$ 719	\$ 2,235
Legal and professional fees	\$ 183	\$ 891
Research and development expense, net	\$ 202	\$ 1,250
Other	\$ (689)	\$ 1,024
<i>Total EC Expenses</i>	\$ 17,726	\$ 21,115
Segment Operating Income	\$ 4,631	\$ 621

(1) See Appendix D of this document for further details related to Emissions Control segment earnings and operating income.

CCS and ADES: Cash Flow Update



Cash Flow Update ⁽¹⁾ (In thousands)	Three Months Ended March 31,	
	2016	2015
CCS		
Cash and cash equivalents, beginning of year	\$ 6,182	\$ 3,870
Cash provided by (used in):		
Operating activities	\$ 10,140	\$ 18,031
Investing activities	\$ (2,028)	\$ (7,700)
Financing activities	\$ (4,405)	\$ 2,786
Net change in cash and cash equivalents	\$ 3,707	\$ 13,117
Cash and cash equivalents, end of period	\$ 9,889	\$ 16,987
Distributions to ADES	\$ 3,400	\$ 100
ADES		
Cash and cash equivalents, beginning of year	\$ 9,265	\$ 25,181
Cash provided by (used in):		
Operating activities	\$ (1,823)	\$ (8,208)
Investing activities	\$ 1,686	\$ (4,303)
Financing activities	\$ (3,659)	\$ (932)
Net change in cash and cash equivalents	\$ (3,796)	\$ (13,443)
Cash and cash equivalents, end of period	\$ 5,469	\$ 11,738

(1) See Appendix E of this document for further details related to cash flow information.

2016 Strategic Priorities



- **NASDAQ Relisting and SEC Compliance with Financial Filings**
- **Drive New RC Closings and Incremental Cash Flows**
 - Each new tax-equity investor, above the current, drives \$3-6 million in annual cash flow to ADES through 2021
- **Continue to Commercialize Emissions Control Products and IP**
 - Solid progress on positioning business to break even within four to six quarters (e.g. not relying on CCS cash flows)
- **Implement Remaining Cost Controls**
 - Quarterly reductions throughout 2016; enter 2017 with new run rate
- **Enhance Cash Flow and Liquidity Profile**
 - Eliminate debt as soon as it makes sense
 - End 2016 with better liquidity profile than when we started
- **Evaluate Strategic Alternatives to Ensure Proper Value**



Appendix



Appendix A: Non-GAAP Disclosure ADES Operating Expenses Exclusive of Cost of Revenue



(in thousands)

	Three months ended March 31,			
	Ref.	2016	Ref.	2015
GAAP Operating expenses	(1)	\$ 25,668	(1)	\$ 28,655
Equipment sales cost of revenue, exclusive of depreciation and amortization	(1)	(17,034)	(1)	(15,051)
Consulting services cost of revenue, exclusive of depreciation and amortization	(1)	(135)	(1)	(426)
Chemical and other cost of revenue, exclusive of depreciation and amortization	(1)	(142)	(1)	(238)
Operating expenses exclusive of cost of revenue		<u>\$ 8,357</u>		<u>\$ 12,940</u>

Footnotes :

(1) Agrees to ADES Consolidated Statement of Operations in the 2016 Q1 Form 10-Q filing

Non-GAAP Disclosure Notes:

This non-GAAP summary of significant Components of the Company's Q1 2016 and 2015 EC segment earnings and operating income is being provided to investors as supplement to the Company's reported results and should not be considered in isolation, as a substitute for, or as superior to, financial measures calculated in accordance with U. S. GAAP, and the Company's financial results calculated in accordance with GAAP and supplemental information regarding information otherwise disclosed in such financial statements should be carefully evaluated. This non-GAAP summary of significant Components of the Company's Q1 2016 and 2015 EC segment earnings and operating income is being provided to Investors because the Company believes that such supplemental information will assist Investors in their understanding of significant financial components that contributed to the RC segment earnings and operating income in Q1 2016 and 2015. The Company's management uses this non-GAAP measure for similar purposes.

Appendix B: Non-GAAP Disclosure ADES Select Cash and Non-cash Components of Q1 2016 and 2015 Net Income (Loss)



(in thousands)

	Three Months Ended March 31,			
	Ref.	2016	Ref.	2015
Net Income (Loss)	(1)	\$ 4,376	(1)	\$ (6,132)
Non-Cash Charges:				
Depreciation and Amortization	(2)	(231)	(2)	(531)
Amortization of Debt discount/issuance costs	(2)	(573)	(2)	(25)
Gain on settlement of debt		869		-
Impairment of Property, Equipment, Intangibles	(2)	-	(2)	(48)
Provision for Bad Debts and Note Receivable	(2)	6	(2)	(511)
Interest Costs Added to Principal Balance of Notes Payable	(2)	-	(2)	-
Share Based Compensation Expense	(2)	(636)	(2)	(954)
Other	(2)	16	(2)	43
Total Non-Cash Items		<u>(549)</u>		<u>(2,026)</u>
Significant Cash Items:				
Research and Development Expenses (excluding non-cash Losses -- legacy EC-Manufacturing segment)	(1)	(202)	(1)	(1,250)
		-	(3)	(2,192)
		<u>(202)</u>		<u>(3,442)</u>
Restatement Expenses	(4)	(1,400)	(4)	(2,600)
Restructuring Expenses (net of non-cash charges)	(5)	(283)	(5)	(469)
Less non-cash Share Based Compensation	(5)	100	(5)	100
Restructuring Expenses--Cash		<u>(183)</u>		<u>(369)</u>
Total Significant Cash Items		<u>(1,785)</u>		<u>(6,411)</u>
RC Segment Items:				
CCS Equity Earning	(6)	5,443	(6)	100
CCSS Equity Earnings	(6)	691	(6)	1,022
Losses attributable to RCM6	(6)	(557)	(6)	(808)
Earnings from Equity Method Investments		<u>5,577</u>		<u>314</u>
Royalties--Related Party	(1)	1,189	(1)	2,194
Imputed interest on RCM6 Note	(7)	(263)	(7)	(609)
Interest--453A	(7)	(791)	(7)	(1,131)
Gain on sale of RCM6	(1)	2,078	(1)	-
Other	(8)	80	(8)	(103)
Segment Income--RC	(7)	<u>7,870</u>	(7)	<u>665</u>
Other amounts included within Net Income (Loss)	(9)	(1,160)	(9)	1,640
Total Significant Cash and Non-Cash Components of Net Income (Loss)		<u>\$ 4,376</u>		<u>\$ (6,132)</u>

Footnotes :

- (1) Agrees to ADES Condensed Consolidated Statement of Operations in the 2016 Q1 Form 10-Q filing
- (2) Agrees to ADES Condensed Consolidated Statement of Cash Flows in the 2016 Q1 Form 10-Q filing
- (3) Agrees to ADES "Management Discussion and Analysis" in Item 2 in the 2015 Q1 Form 10-Q filing
- (4) Agrees to ADES "Management Discussion and Analysis" in Item 2 in the 2016 Q1 Form 10-Q filing
- (5) Agrees to ADES Footnote 2 in the 2016 Q1 Form 10-Q filing
- (6) Agrees to ADES Footnote 4 in the in the 2016 Q1 Form 10-Q filing
- (7) Agrees to ADES Footnote 12 in the 2016 Q1 Form 10-Q filing
- (8) Represents immaterial items included in Clean Coal Segment Income that are not otherwise specifically disclosed in the Company's annual report on Form 10-K.
- (9) Represents the mathematical calculation of the remaining amounts necessary to reconcile to the Net Income (Loss) included within the ADES Condensed Consolidated Statement of Operations in the 2016 Q1 Form 10-Q

Non-GAAP Disclosure Notes:

This non-GAAP summary of significant Cash and Non-Cash Components of the Company's Q1 2016 and 2015 net income (loss) is being provided to investors as supplement to the Company's reported results and should not be considered in isolation, as a substitute for, or as superior to, financial measures calculated in accordance with U. S. GAAP, and the Company's financial results calculated in accordance with GAAP and supplemental information regarding information otherwise disclosed in such financial statements should be carefully evaluated. This non-GAAP summary of significant Cash and Non-Cash Components of the Company's Q1 2016 and 2015 net income (loss) is being provided to Investors because the Company believes that such supplemental information will assist Investors in their understanding of significant financial components that contributed to or otherwise increased or reduced the Company's Q1 2016 and 2015 net income (loss). The Company's management uses this non-GAAP measure for similar purposes.

Appendix C: Non-GAAP Disclosure ADES Significant Components of Q1 2016 and 2015 RC Segment Earnings and Operating Income



(in thousands)

	Ref.	Three months ended March 31,	
		2016	Ref. 2015
RC segment earnings:			
CCS	(1)	\$ 5,443	(1) \$ 100
CCSS	(1)	691	(1) 1,022
RCM6	(1)	(557)	(1) (808)
		<u>5,577</u>	<u>314</u>
Consulting	(2)	-	(2) 21
Royalties, related party	(2)	1,189	(2) 2,194
Gain on sale of RCM6	(3)	2,078	(3) -
		<u>8,844</u>	<u>2,529</u>
RC segment expenses:			
RCM6 note payable interest expense	(4)	263	(4) 609
453A interest expense	(4)	791	(4) 1,131
Consulting fees		-	(5) 67
Other	(6)	(80)	(6) 57
		<u>974</u>	<u>1,864</u>
Segment operating income	(2)	<u>\$ 7,870</u>	(2) <u>\$ 665</u>

Footnotes :

- (1) Agrees to ADES Footnote 7 in the 2016 Q1 Form 10-Q filing
- (2) Agrees to ADES Footnote 12 in the 2016 Q1 Form 10-Q filing
- (3) Agrees to ADES Consolidated Statement of Operations in the 2016 Q1 Form 10-Q filing
- (4) Agrees to ADES Footnote 11 in the 2016 Q1 Form 10-Q filing
- (5) Agrees to ADES Footnote 8 in the 2015 Form Q1 Form 10-Q filing
- (6) Represents immaterial items included in RC segment Income that are not otherwise specifically disclosed in the Company's 2016 Q1 Form 10-Q filing

Non-GAAP Disclosure Notes:

This non-GAAP summary of significant Components of the Company's Q1 2016 and 2015 EC segment earnings and operating income is being provided to investors as supplement to the Company's reported results and should not be considered in isolation, as a substitute for, or as superior to, financial measures calculated in accordance with U. S. GAAP, and the Company's financial results calculated in accordance with GAAP and supplemental information regarding information otherwise disclosed in such financial statements should be carefully evaluated. This non-GAAP summary of significant Components of the Company's Q1 2016 and 2015 EC segment earnings and operating income is being provided to Investors because the Company believes that such supplemental information will assist Investors in their understanding of significant financial components that contributed to the RC segment earnings and operating income in Q1 2016 and 2015. The Company's management uses this non-GAAP measure for similar purposes.

Appendix D – Non-GAAP Disclosure ADES Significant Components of Q1 2016 and 2015 EC Segment Revenues and Operating Income (loss)



(in thousands)

	Ref.	Three months ended March 31,	
		2016	Ref. 2015
EC segment revenues:			
Equipment sales	(1)	\$ 21,727	(1) \$ 21,115
Consulting services	(1)	196	(1) 347
Chemicals and other	(1)	434	(1) 274
		<u>22,357</u>	<u>21,736</u>
EC segment expenses:			
Sales cost of revenue, exclusive of depreciation and amortization	(2)	17,034	(2) 15,051
Consulting cost of revenue, exclusive of depreciation and amortization	(2)	135	(2) 426
Chemical and other cost of revenue, exclusive of depreciation and amortization	(2)	142	(2) 238
Payroll and benefits	(3)	719	(3) 2,235
Legal and professional fees	(3)	183	(3) 891
Research and development expense, net	(2)	202	(2) 1,250
Other	(4)	(689)	(4) 1,024
		<u>17,726</u>	<u>21,115</u>
GAAP segment operating income (loss)	(2)	<u>\$ 4,631</u>	(2) <u>\$ 621</u>

Footnotes :

- (1) Agrees to ADES Footnote 12 in the 2016 Q1 Form 10-Q filing
- (2) Agrees to ADES Consolidated Statement of Operations in the 2016 Q1 Form 10-Q filing
- (3) Agrees to ADES "Management Discussion and Analysis" in Item 2 in the 2016 Q1 Form 10-Q filing
- (4) Represents items included in the EC segment Income (Loss) that are not otherwise specifically disclosed in the Company's 2016 Q1 Form 10-Q filing. Additionally, included within these amounts include a recovery of the DSI Business Owner settlement amount of \$0.9 million in 2016 and an allowance related to a note receivable of \$0.5 million in 2015 as disclosed in the 2016 Q1 Form 10-Q filing and the 2015 Form 10-K filing, respectively.

Non-GAAP Disclosure Notes:

This non-GAAP summary of significant Components of the Company's Q1 2016 and 2015 EC segment earnings and operating income (loss) is being provided to investors as a supplement to the Company's reported results and should not be considered in isolation, as a substitute for, or as superior to, financial measures calculated in accordance with U. S. GAAP, and the Company's financial results calculated in accordance with GAAP and supplemental information regarding information otherwise disclosed in such financial statements should be carefully evaluated. This non-GAAP summary of significant Components of the Company's Q1 2016 and 2015 EC segment earnings and operating income (loss) is being provided to Investors because the Company believes that such supplemental information will assist Investors in their understanding of significant financial components that contributed to the EC segment earnings and operating income in Q1 2016 and 2015. The Company's management uses this non-GAAP measure for similar purposes.

Appendix E: Supplemental Disclosure CCS and ADES Cash Flow Information



(in thousands)

	Ref.	Three months ended March 31,	
		2016	Ref. 2015
CCS cash flows:			
Cash and cash equivalents, beginning of year	(1)	\$ 6,182	(1) \$ 3,870
Cash provided by (used in):			
Operating activities	(1)	10,140	(1) 18,031
Investing activities	(1)	(2,028)	(1) (7,700)
Financing activities	(1)	(4,405)	(1) 2,786
Net change in cash and cash equivalents		3,707	13,117
Cash and cash equivalents, end of period		\$ 9,889	\$ 16,987
Cash distributions to ADES	(2)	\$ 3,400	(2) \$ 100
ADES cash flows:			
Cash and cash equivalents, beginning of year	(3)	\$ 9,265	(3) \$ 25,181
Cash provided by (used in):			
Operating activities	(3)	(1,823)	(3) (8,208)
Investing activities	(3)	1,686	(3) (4,303)
Financing activities	(3)	(3,659)	(3) (932)
Net change in cash and cash equivalents	(3)	(3,796)	(3) (13,443)
Cash and cash equivalents, end of period	(3)	\$ 5,469	(3) \$ 11,738

Footnotes :

- (1) Agrees to ADES "Management Discussion and Analysis" in Item 2 in the 2016 Q1 Form 10-Q filing
- (2) Agrees to ADES Footnote 4 in the in the 2016 Q1 Form 10-Q filing
- (3) Agrees to ADES Consolidated Statement of Cash Flows in the 2016 Q1 Form 10-Q filing

Appendix F: 10-Q Balance Sheet⁽¹⁾



<i>(in thousands, except share data)</i>	As of	
	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,469	\$ 9,265
Receivables, net	7,354	8,361
Receivables, related parties, net	794	1,918
Restricted cash	1,414	728
Costs in excess of billings on uncompleted contracts	701	2,137
Prepaid expenses and other assets	1,810	2,306
Total current assets	<u>17,542</u>	<u>24,715</u>
Restricted cash, long-term	10,359	10,980
Property and equipment, net of accumulated depreciation of \$4,736 and \$4,557, respectively	1,894	2,040
Investment securities, restricted, long-term	—	336
Cost method investment	2,776	2,776
Equity method investments	5,203	17,232
Other assets	3,809	2,696
Total Assets	<u>\$ 41,583</u>	<u>\$ 60,775</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 5,923	\$ 6,174
Accrued payroll and related liabilities	5,367	5,800
Current portion of notes payable, related parties	—	1,837
Billings in excess of costs on uncompleted contracts	5,864	9,708
Short-term borrowings, net of discount and deferred loan costs, related party	10,921	12,676
Settlement and royalty indemnity obligation	5,452	6,502
Other current liabilities	6,324	7,395
Total current liabilities	<u>39,851</u>	<u>50,092</u>
Long-term portion of notes payable, related parties	—	13,512
Settlement and royalty indemnification, long-term	13,619	13,797
Advance deposit, related party	2,584	2,980
Other long-term liabilities	5,590	5,372
Total Liabilities	<u>61,644</u>	<u>85,753</u>
Commitments and contingencies (Note 8)		
Stockholders' deficit:		
Preferred stock: par value of \$.001 and no par value per share, respectively, 50,000,000 shares authorized, none outstanding	—	—
Common stock: par value of \$.001 per share, 100,000,000 shares authorized, 22,009,349 and 21,943,872 shares issued, and 21,858,565 and 21,809,164 shares outstanding at March 31, 2015 and December 31, 2014, respectively	22	22
Additional paid-in capital	116,570	116,029
Accumulated deficit	<u>(136,653)</u>	<u>(141,029)</u>
Total stockholders' deficit	<u>(20,061)</u>	<u>(24,978)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 41,583</u>	<u>\$ 60,775</u>

(1) See complete, unaudited Condensed, Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended March 31, 2016.

Appendix G: 10-Q Income Statement⁽¹⁾



<i>(in thousands, except per share data and percentages)</i>	Three Months Ended March 31,	
	2016	2015
Revenues:		
Equipment sales	\$ 21,727	\$ 21,115
Consulting services	196	368
Chemicals and other	434	274
Total revenues	22,357	21,757
Operating expenses:		
Equipment sales cost of revenue, exclusive of depreciation and amortization	17,034	15,051
Consulting services cost of revenue, exclusive of depreciation and amortization	135	426
Chemical and other cost of revenue, exclusive of depreciation and amortization	142	238
Payroll and benefits	3,802	4,911
Rent and occupancy	394	631
Legal and professional fees	2,983	3,735
General and administrative	745	1,882
Research and development, net	202	1,250
Depreciation and amortization	231	531
Total operating expenses	25,668	28,655
Operating loss	(3,311)	(6,898)
Other income (expense):		
Earnings from equity method investments	5,577	314
Royalties, related party	1,189	2,194
Interest expense	(1,964)	(1,775)
Gain on sale of equity method investment	2,078	—
Gain on settlement of note payable	869	—
Other	(9)	77
Total other income (expense), net	7,740	810
Income (loss) before income tax expense	4,429	(6,088)
Income tax expense	53	44
Net income (loss)	\$ 4,376	\$ (6,132)
Income (loss) per common share:		
Basic	\$ 0.20	\$ (0.28)
Diluted	\$ 0.20	\$ (0.28)
Weighted-average number of common shares outstanding:		
Basic	21,849	21,696
Diluted	22,176	21,696

(1) See complete, unaudited Condensed, Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended March 31, 2016.

Appendix H: 10-Q Cash Flow⁽¹⁾



<i>(in thousands)</i>	Three Months Ended March 31,		
	2016	2015	
Cash flows from operating activities			
Net income (loss)	\$ 4,376	\$ (6,132)	
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	231	531	
Amortization of debt issuance costs	573	25	
Gain on settlement of debt	(869)	—	
Impairment of property and equipment	—	48	
Provision for bad debt expense and note receivable	(6)	511	
Share-based compensation expense	636	954	
Earnings from equity method investments	(5,577)	(314)	
Gain on sale of equity method investment	(2,078)	—	
Other non-cash items, net	(17)	(43)	
Changes in operating assets and liabilities, net of effects of acquired businesses:			
Receivables	1,012	(56)	
Related party receivables	1,124	(24)	
Prepaid expenses and other assets	496	(308)	
Costs incurred on uncompleted contracts	14,613	2,231	
Restricted cash	35	—	(1) See complete,
Other long-term assets	(1,104)	206	unaudited
Accounts payable	(250)	(116)	Condensed,
Accrued payroll and related liabilities	(444)	(131)	Consolidated
Other current liabilities	(1,071)	(377)	Financial Statements
Billings on uncompleted contracts	(17,021)	(3,677)	and Notes related
Advance deposit, related party	(396)	(727)	thereto within the
Other long-term liabilities	242	(65)	Quarterly Report on
Settlement and royalty indemnification obligation	(1,228)	(744)	Form 10-Q for the
Distributions from equity method investees, return on investment	4,900	—	period ended March
Net cash used in operating activities	(1,823)	(8,208)	31, 2016.

Appendix H: 10-Q Cash Flow (continued)⁽¹⁾



<i>(in thousands)</i>	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net cash used in operating activities	(1,823)	(8,208)
Cash flows from investing activities		
Maturity of investment securities, restricted	336	—
Increase in restricted cash	(100)	(1,200)
Acquisition of property and equipment	(112)	(111)
Proceeds from sale of property and equipment	12	—
Advance on note receivable	—	(500)
Acquisition of business	—	(2,124)
Purchase of and contributions to equity method investees	(223)	(468)
Distributions from equity method investees in excess of cumulative earnings	—	100
Proceeds from sale of equity method investment	1,773	—
Net cash provided by (used in) investing activities	1,686	(4,303)
Cash flows from financing activities		
Repayments on short-term borrowings, related party	(1,750)	—
Repayments on notes payable, related parties	(1,246)	(717)
Repurchase of shares to satisfy minimum tax withholdings	(84)	(215)
Short-term borrowing loan costs	(579)	—
Net cash used in financing activities	(3,659)	(932)
Decrease in Cash and Cash Equivalents	(3,796)	(13,443)
Cash and Cash Equivalents, beginning of period	9,265	25,181
Cash and Cash Equivalents, end of period	\$ 5,469	\$ 11,738
Supplemental disclosures of cash information:		
Cash paid for interest	\$ 1,029	\$ 1,599
Cash paid (refunded) for income taxes	(89)	44
Supplemental disclosure of non-cash investing and financing activities:		
Settlement of RCM6 note payable	13,234	—
Non-cash reduction of equity method investment	(11,156)	—

(1) See complete, unaudited Condensed, Consolidated Financial Statements and Notes related thereto within the Quarterly Report on Form 10-Q for the period ended March 31, 2016.