



## Mechanical Technology, Incorporated

A New York Corporation

325 Washington Avenue Extension  
Albany, NY 12205

518.218.2550

<https://www.mechtech.com/>

[contact@mechtech.com](mailto:contact@mechtech.com)

SIC Code 3829

Listed on the OTC Markets quotation system on the OTC Pink – Current Information tier

Current Trading Symbol: MKTY

CUSIP Number: 583538202

Quarterly Report

For the Three Months Ended

March 31, 2020 and 2019

Including Condensed Consolidated Financial Statements and Notes and Disclosures Prescribed by OTC Pink Market  
Filed on April 30, 2020

As of March 31, 2020, the number of shares outstanding of our Common Stock was: 9,570,677, net of treasury stock

As of December 31, 2019, the number of shares outstanding of our Common Stock was: 9,570,677, net of treasury stock

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Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes:  No:

**1) Name of the issuer and its predecessors (if any)**

Mechanical Technology, Incorporated (the "Company"). There have been no other names used by this predecessor.

Date and state (or jurisdiction) of incorporation (also describe any changes to incorporation since inception, if applicable) Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

October 3, 1961 – New York  
Current Standing - Active

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes:  No:

**2) Security Information**

Trading Symbol: MKTY

Exact title and class of securities outstanding: Common Stock

CUSIP: 583538202

Par or Stated Value: \$0.01

Total shares authorized: 75,000,000 as of: 03/31/30

Total shares outstanding: 9,570,677 as of: 03/31/20

Number of shares in the Public Float<sup>A</sup>: 5,365,837 as of date: 03/31/20

Total number of shareholders of record: 267 as of date: 04/17/20

Additional class of securities (if necessary):

Trading Symbol: N/A

Exact title and class of securities outstanding: N/A

CUSIP: N/A

Par or Stated Value: N/A

Total shares authorized: N/A as of: N/A

Total shares outstanding: N/A as of: N/A

Transfer Agent

Name: American Stock Transfer & Trust Company, LLC

Address 1: 6201 15th Avenue

Address 2: Brooklyn, NY 11219

Phone: 800.937.5449

Is the Transfer Agent registered under the Exchange Act?\* Yes:  No:

\*To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors:

NONE

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On March 4, 2020, the Company filed a Form 10 Registration Statement with the Securities and Exchange Commission (the "SEC") to register its common stock under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"). Upon the Form 10 becoming effective, the Company would once again be subject to the reporting requirements of the Exchange Act and would resume filing annual, quarterly, and current reports, and annual proxy statements, with the SEC.

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<sup>A</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

On April 3, 2020, the Company submitted a request to the SEC to withdraw the Company's registration statement on Form 10, as filed with the SEC on March 4, 2020, as the Company's board of directors determined, based on recent market and economic disruptions caused by the COVID-19 pandemic, that the registration of the Company's common stock under the Exchange Act is not advisable and is not in the best interests of the Company and its shareholders at this time. The Company may file a new Form 10 to register its common stock at a later date should the board of directors determine that such action is then advisable.

The Company's common stock will continue to be quoted on the OTC Pink – Current Information tier of the OTC Markets Group quotation system.

### 3) Issuance History

The list below includes any events, in chronological order, that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**. The list includes all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services.

#### A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods:

#### Issuances to Employees and Directors:

From January 1, 2018 through December 31, 2018, the Company awarded to certain of its employees and directors options to purchase an aggregate of 160,000 shares of Common Stock at an exercise price of \$0.90 per share. Such options were awarded to these employees and directors for services provided to the Company.

From January 1, 2019 through December 31, 2019, the Company awarded to an employee options to purchase an aggregate of 15,000 shares of Common Stock at an exercise price of \$0.83 per share. Such options were awarded to this employee in conjunction with employment with the Company.

From January 1, 2020 through March 31, 2020, the Company awarded to members of the Company's Investment Committee and to the Company's CEO special one-time restricted stock awards totaling 68,930 shares of Common Stock valued at \$0.99 per share. The shares would be restricted for one year, and have a two-year total vesting, with half vesting on the first anniversary of the award date and the remainder vesting on the second anniversary of the award date.

Number of Shares outstanding as of January 1, 2018		Opening Balance:							
		Common: <u>10,378,975</u>							
		Preferred: <u>0</u>							
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	
<u>01/05/18</u>	<u>New issuance</u>	<u>5,695</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Walter L. Robb</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>04/10/18</u>	<u>New issuance</u>	<u>12,500</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Thomas J. Marusak</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>10/08/18</u>	<u>New issuance</u>	<u>5,000</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>John N. Hamilton</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>12/13/18</u>	<u>New issuance</u>	<u>15,000</u>	<u>Common Stock</u>	<u>\$0.59</u>	<u>No</u>	<u>Thomas J. Marusak</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	

<u>12/13/18</u>	<u>New issuance</u>	<u>12,500</u>	<u>Common Stock</u>	<u>\$0.52</u>	<u>No</u>	<u>Thomas J. Marusak</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>12/13/18</u>	<u>New issuance</u>	<u>23,000</u>	<u>Common Stock</u>	<u>\$0.78</u>	<u>No</u>	<u>Thomas J. Marusak</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
Shares Outstanding on <u>December 31, 2018</u>	<u>Ending Balance:</u> Common: <u>10,452,670</u> Preferred: <u>0</u>								

Number of Shares outstanding as of <u>January 1, 2019</u>	<u>Opening Balance:</u> Common: <u>10,452,670</u> Preferred: <u>0</u>								
<u>Date of Transaction</u>	<u>Transaction type (e.g. new issuance, cancellation, shares returned to treasury)</u>	<u>Number of Shares Issued (or cancelled)</u>	<u>Class of Securities</u>	<u>Value of shares issued (\$/per share) at issuance</u>	<u>Were the shares issued at a discount to market price at the time of issuance? (Yes/No)</u>	<u>Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).</u>	<u>Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)</u>	<u>Restricted or Unrestricted as of this filing?</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>1,250</u>	<u>Common Stock</u>	<u>\$0.59</u>	<u>No</u>	<u>Ann M. Hogle</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>1,750</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Ann M. Hogle</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>9,500</u>	<u>Common Stock</u>	<u>\$0.59</u>	<u>No</u>	<u>Rick Jones</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>25,000</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Rick Jones</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>25,000</u>	<u>Common Stock</u>	<u>\$0.52</u>	<u>No</u>	<u>Rick Jones</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>5,000</u>	<u>Common Stock</u>	<u>\$0.78</u>	<u>No</u>	<u>Isaac M. Abbott</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>2,500</u>	<u>Common Stock</u>	<u>\$0.85</u>	<u>No</u>	<u>Isaac M. Abbott</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>1,250</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Kellie-Ann Aubin</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>2,000</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Lisa A. Brennan</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/26/19</u>	<u>New issuance</u>	<u>1,250</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Patricia A. Phillips</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/27/19</u>	<u>New issuance</u>	<u>1,250</u>	<u>Common Stock</u>	<u>\$0.59</u>	<u>No</u>	<u>Rebecca VanAlstyne</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>02/27/19</u>	<u>New issuance</u>	<u>1,500</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Rebecca VanAlstyne</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>03/04/19</u>	<u>New issuance</u>	<u>11,500</u>	<u>Common Stock</u>	<u>\$0.75</u>	<u>No</u>	<u>George F. Relan</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>03/05/19</u>	<u>New issuance</u>	<u>5,000</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Donald E. Welch</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>03/06/19</u>	<u>New issuance</u>	<u>5,000</u>	<u>Common Stock</u>	<u>\$0.29</u>	<u>No</u>	<u>Peter Opela</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>03/12/19</u>	<u>New issuance</u>	<u>12,500</u>	<u>Common Stock</u>	<u>\$0.90</u>	<u>No</u>	<u>David C. Michaels</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	
<u>03/12/19</u>	<u>New issuance</u>	<u>18,000</u>	<u>Common Stock</u>	<u>\$0.78</u>	<u>No</u>	<u>David C. Michaels</u>	<u>Option Exercise</u>	<u>Unrestricted</u>	

03/12/19	New issuance	1,000	Common Stock	\$0.59	No	Kellie-Ann Aubin	Option Exercise	Unrestricted
03/12/19	New issuance	1,000	Common Stock	\$0.78	No	Kellie-Ann Aubin	Option Exercise	Unrestricted
03/12/19	New issuance	1,000	Common Stock	\$0.59	No	Patricia A. Phillips	Option Exercise	Unrestricted
03/12/19	New issuance	500	Common Stock	\$0.59	No	Peter Steiner	Option Exercise	Unrestricted
03/12/19	New issuance	750	Common Stock	\$0.29	No	Peter Steiner	Option Exercise	Unrestricted
Shares Outstanding on December 31, 2019	<u>Ending Balance:</u> Common: 10,586,170 Preferred: 0							

Number of Shares outstanding as of January 1, 2020	<u>Opening Balance:</u> Common: 10,586,170 Preferred: 0							
<b>Date of Transaction</b>	<b>Transaction type (e.g. new issuance, cancellation, shares returned to treasury)</b>	<b>Number of Shares Issued (or cancelled)</b>	<b>Class of Securities</b>	<b>Value of shares issued (\$/per share) at issuance</b>	<b>Were the shares issued at a discount to market price at the time of issuance? (Yes/No)</b>	<b>Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).</b>	<b>Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)</b>	<b>Restricted or Unrestricted as of this filing?</b>
Shares Outstanding on March 31, 2020	<u>Ending Balance:</u> Common: 10,586,170 Preferred: 0							

**B. Debt Securities, Including Promissory and Convertible Notes**

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

**4) Financial Statements**

A. The following financial statements were prepared in accordance with:

- U.S. GAAP
- IFRS

B. The financial statements for this reporting period were prepared by (name of individual):

Name: Lisa Brennan  
Title: Accounting Manager  
Relationship to Issuer: Employee

The remaining information called for by this Item 4 (C. - H.) is included following the "Index to Condensed Consolidated Financial Statements" contained in this annual report.

## 5) Issuer's Business, Products and Services

### A. Description of the Business Operations

The Company's core business is conducted through MTI Instruments, Inc. ("MTI Instruments"), its wholly-owned subsidiary. MTI Instruments was incorporated in New York on March 8, 2000 and is a supplier of precision linear displacement solutions, vibration measurement and system balancing systems, and wafer inspection tools, consisting of electronic gauging instruments for position, displacement and vibration application within the industrial manufacturing/production markets, as well as the research, design and process development market; and engine vibration analysis systems for both military and commercial aircraft. These tools, systems and solutions are developed for markets and applications that require the precise measurements and control of products, processes, and the development and implementation of automated manufacturing, assembly, and consistent operation of complex machinery.

The Company has also recently both formed EcoChain, Inc. ("EcoChain"), a wholly-owned subsidiary, to conduct a new line of business associated with cryptocurrency mining operations, and purchased Class A Preferred Shares of Soluna Technologies, Ltd. ("Soluna"), a Canadian company that develops vertically-integrated, utility-scale computing facilities focused on cryptocurrency mining and cutting-edge blockchain applications. EcoChain was incorporated in Delaware on January 8, 2020 and is establishing a new business line focused on cryptocurrency and the blockchain ecosystem. In connection with the creation of the new business line, EcoChain is developing a pilot cryptocurrency mining facility that it intends to integrate with the bitcoin blockchain network.

The Company's operations are headquartered in Albany, New York, where it designs, manufactures, and markets its products.

### B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of such entity's business, contact information for the business, officers, directors, managers or control persons.

MTI Instruments, Inc. - wholly-owned subsidiary – Frederick Jones, President, Secretary and Treasurer

EcoChain, Inc. - wholly-owned subsidiary – William Phelan, President, Frederick Jones, CEO, Secretary and Treasurer

Turbonetics Energy Incorporated – dormant entity – Frederick Jones, President, Secretary and Treasurer

### C. Principal Products or Services, and Their Markets

MTI Instruments specializes in non-contact (our sensors do not touch the object they are trying to measure) highly-accurate metrology products. The measurements are carried from a distance while the sensor is tracking the object's movement. These types of measurement sensors are commonly referred to in the industry as non-contact, linear displacement measurement sensors. In addition, MTI Instruments manufactures quality control tools for the semiconductor industry as well as a line of products capable of performing the diagnosis of vibration and balancing problems of an aircraft engine and generating a visual map of where metal weights should be placed for the customer to balance the engine, also known as "trim balancing."

***Precision Instruments' Products:*** MTI Instruments' precision instruments products are designed to address the needs of process engineers, researchers, designers, product developers, and others who need to measure and monitor what they are working on with precisions down to a nanometer or 1 billionth of a meter – essential to some industries like the semiconductor market, which uses such precision in the manufacturing of products including computer chips and smartphones. These products are also used in general industrial manufacturing applications including measuring dimensions, monitoring thickness, and the vibration of products.

Listed below are selected MTI Instruments' precision instruments product offerings and technologies:

<b>Product</b>	<b>Description</b>
D200 HD	Ultra-high precision capacitive boards and systems offering nanometer accuracy
Accumeasure Series	High precision capacitive boards and systems offering great stability
Microtrak 3 and Microtrak 4	Single spot laser sensor equipped with the latest complementary metal oxide semiconductor sensor technology with higher sensitivity than previous generation
MTI-2100 Fotonic Sensor Series	Fiber-optic based vibration sensor systems with high frequency response

**Semiconductor and Solar Metrology Systems:** MTI Instruments has developed a family of products that can assist in early defect detection in the manufacturing process of semiconductor products. Some of these semiconductor products include microchips, which are the basis for building the sophisticated electronic devices we use today, including computers and smartphones. MTI Instruments' semiconductor products help to find irregularities early on in the manufacturing process, at the wafer stage, resulting in the detection of bad chips. The wafer is the surface, usually made of silicon, a chemical element, which microchips are built from. Our quality control tools help customers decide earlier than otherwise in the process whether to discard or keep the wafers, saving the customer time and money.

Listed below are MTI Instruments' semiconductor and solar metrology systems product offerings and technologies:

<b>Product</b>	<b>Description</b>
Proforma 300iSA	Semi-automated, non-contact full wafer surface scanning system for thickness, total thickness variation ("TTV"), bow, warp, site and global flatness
Proforma 300i	Manual, non-contact measurement of wafer thickness, TTV, and bow
PV 1000	In process tool for measuring thickness and bow of solar wafers

**Balancing Systems:** MTI Instruments manufactures computer-based portable balancing systems ("PBS") products that automatically collect and record aircraft engine vibration data, identify vibration or balance trouble in an engine, and calculate a solution to the problem on-wing, which means that customers do not have to disassemble the engine off the plane to perform this test and correct for the problem, resulting in a significant reduction of downtime. Major aircraft engine manufacturers and the U.S. Air Force, other military and commercial airlines, and gas turbine manufacturers use these products. MTI instruments also manufactures a product with similar characteristics for test cells. Test cells are dedicated engine facilities outfitted with instruments to test aircraft engines off-wing or when taken off aircrafts.

Listed below are selected MTI Instruments' Balancing Systems product offerings and technologies:

<b>Product</b>	<b>Description</b>
PBS-4100+ Portable Balancing System	Provides easy-to-follow solutions for engine vibration and trim balancing
PBS-4100R+ Test Cell Vibration Analysis and Trim Balance System	Advanced trim balancing and diagnostics for engine test cells
TSC-4800A Tachometer Signal Conditioner	Signal conditioner detects and conditions signals for monitoring, measuring, and indicating engine speeds

**Diagnostic Equipment:** MTI Instruments has developed its 1510 Calibrator, which is a portable signal generator. A signal, or function, generator is a product that delivers an electronic signal simulating other pieces of equipment or sensors to help the user easily isolate potential problems when testing and calibrating electronic equipment. While the product was originally designed to help customers calibrate PBS products in the field, MTI Instruments now markets this product worldwide to different markets.

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

MTI Instruments markets its products and services using selected and specific channels of distribution. In the Americas, MTI Instruments uses a combination of direct sales and representatives. Overseas, particularly in Europe and Asia, MTI Instruments uses distributors and agents specific to our targeted end markets and has our sales staff frequently visit distributors and customers in these territories to increase our exposure and sales. For axial turbo machinery, MTI Instruments primarily sells directly to end users.

MTI Instruments supplements sales efforts with marketing activities across different media including search engines, targeted newsletters, and purchased customer lists, and participates in trade shows related to our business in hopes to increase lead generation, resulting in new customer sales. The Company also maintains strong working relationships with our existing key customers to continually promote new product sales.

In addition, the Company works with existing OEMs and seeks to work with new OEMs to incorporate our products into their own products or retrofit existing components with our products. In most cases, these OEMs are looking for a semi-custom sensor using our products and technologies as the base for development. While the sales cycle of a new MTI Instruments' product at an OEM can be long, so is the potential for recurring revenue once an OEM adopts our product.

See our website at <https://www.mtiinstruments.com/products/> for more information regarding our business, products, and services.

#### **6) Issuer's Facilities**

We lease approximately 17,400 square feet of office, manufacturing and research and development space at 325 Washington Avenue Extension, Albany, NY 12205. The current lease agreement expires on November 30, 2024. We believe our facilities are generally well maintained and adequate for our current needs and for expansion, if required.

We lease a storage facility on a month-to-month basis from an independent third party.



## 7) Officers, Directors, and Control Persons

As of the period end date of this report, below is the information regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Frederick Jones	CEO and CFO	Voorheesville, NY	92,668	Common Stock	0.97%	_____
David C. Michaels	Chairman of the Board	Castleton, NY	80,012	Common Stock	0.84%	_____
Edward R. Hirshfield	Director	Woodcliff Lake, NJ	0	Common Stock	0.00%	_____
Matthew E. Lipman	Director	Brooklyn, NY	3,750,100	Common Stock	39.18%	See Control Persons below
Thomas J. Marusak	Director	Loudonville, NY	157,060	Common Stock	1.64%	_____
William P. Phelan	Director	Loudonville, NY	125,000	Common Stock	1.31%	_____
Michael Toporek	Director	New York, New York	3,750,000	Common Stock	39.18%	See Control Persons below
Brookstone Partners Acquisition XXIV, LLC	Director	New York, New York	3,750,000	Common Stock	39.18%	See Control Persons below

### **Control Persons:**

As the owner of approximately 39.2% of the outstanding shares of Common Stock of the Company, Brookstone Partners Acquisition XXIV, LLC, a Delaware limited liability company ("Brookstone XXIV"), may be deemed to be a Control Person of the Company.

Representatives of Brookstone XXIV have provided us the following information: As the Manager of Brookstone XXIV, Brookstone Partners I.A.C. may be deemed to beneficially own the shares of common stock owned directly by Brookstone. Michael Toporek is President of Brookstone Partners I.A.C. and Matthew Lipman is Secretary of Brookstone Partners I.A.C. and share voting and dispositive power over the shares of common stock owned by Brookstone XXIV. The address of each of Brookstone XXIV, Brookstone Partners I.A.C., Michael Toporek and Matthew Lipman is 232 Madison Avenue, Suite 600, New York, New York 10016.

## 8) Legal/Disciplinary History

A. None of the persons listed in 7) above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

The Company has been named as a party in the December 19, 2019 United States Environmental Protection Agency (EPA) Demand Letter regarding the Malta Rocket Fuel Area Superfund Site (Site) located in Malta and Stillwater, New York in connection with an alleged release of hazardous materials into the environment. The EPA is seeking reimbursement of response costs from all named parties in the amount of approximately \$358,000 plus interest in connection with the investigation and disposal activities associated with the various drum caches discovered at the Site, issuance of the Explanation of Significant Differences ("ESD") of the Site, and implementation of the work contemplated by the ESD. The Company considers the likelihood of a material adverse outcome to be remote and does not currently anticipate that any expense or liability it may incur as a result of these matters in the future will be material to the Company's financial condition.

## **9) Third Party Providers**

Below is a list of names, addresses, telephone numbers and email address of each of the following outside providers that advise our company on matters relating to operations, business development and disclosure:

### Securities and Legal Counsel

Name: Penny Somer-Greif  
Firm: Baker, Donelson, Caldwell & Berkowitz, PC  
Address 1: 100 Light Street  
Address 2: Baltimore, MD 21202  
Phone: 410.862.1141  
Email: [psomergreif@bakerdonelson.com](mailto:psomergreif@bakerdonelson.com)

Name: Brian P. Murphy  
Firm: Couch White LLP  
Address 1: 540 Broadway, 7<sup>th</sup> Floor  
Address 2: Albany, NY 12207  
Phone: 518.426.4600  
Email: [bmurphy@couchwhite.com](mailto:bmurphy@couchwhite.com)

Name: Daniel M. Sleasman  
Firm: Law Offices of Daniel M. Sleasman  
Address 1: One Crumitie Road  
Address 2: Albany, NY 12211  
Phone: 518.433.0518  
Email: [dmslaw12@gmail.com](mailto:dmslaw12@gmail.com)

Name: Tara Schleicher  
Firm: Foster Garvey  
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### Accountant or Auditor

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Investor Relations Consultant

Name: N/A

Firm: \_\_\_\_\_

Address 1: \_\_\_\_\_

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Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Other Service Providers: Any other service provider(s), including counsel, advisor(s) or consultant(s) **that assisted, advised, prepared or provided information with respect to this disclosure statement**, or provided assistance or services to the issuer during the reporting period.

Name: N/A

Firm: \_\_\_\_\_

Nature of Services: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

**10) Issuer Certification**

*Principal Executive Officer and Principal Financial Officer:*

I, Frederick Jones, certify that:

1. I have reviewed this Quarterly disclosure statement of Mechanical Technology, Incorporated;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 30, 2020

/s/ Frederick Jones  
CEO and CFO

**MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**INDEX**

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**Mechanical Technology, Incorporated and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**As of March 31, 2020 (Unaudited) and December 31, 2019**

(Dollars in thousands, except per share)

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 1,418	\$ 2,510
Equity investment	750	—
Accounts receivable – less allowances of \$0 in 2020 and 2019	973	745
Inventories	945	924
Prepaid expenses and other current assets	<u>57</u>	<u>56</u>
Total Current Assets	4,143	4,235
<b>Deferred income taxes, net</b>	395	395
<b>Property, plant and equipment, net</b>	161	174
<b>Operating lease right-of-use assets</b>	<u>905</u>	<u>947</u>
<b>Total Assets</b>	<u>\$ 5,604</u>	<u>\$ 5,751</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 266	\$ 210
Accrued liabilities	725	761
Operating lease liability	<u>174</u>	<u>171</u>
Total Current Liabilities	1,165	1,142
<b>Operating lease liability</b>	<u>731</u>	<u>776</u>
<b>Total Liabilities</b>	1,896	1,918
<b>Commitments and Contingencies (Note 8)</b>		
<b>Stockholders' Equity:</b>		
Common stock, par value \$0.01 per share, authorized 75,000,000; 10,586,170 issued in 2020 and 2019	106	106
Additional paid-in capital	137,242	137,230
Accumulated deficit	(119,876)	(119,739)
Common stock in treasury, at cost, 1,015,493 shares in both 2020 and 2019	<u>(13,764)</u>	<u>(13,764)</u>
Total Stockholders' Equity	<u>3,708</u>	<u>3,833</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 5,604</u>	<u>\$ 5,751</u>

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

**Mechanical Technology, Incorporated and Subsidiaries**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
**For the Three Months Ended March 31, 2020 and 2019**

(Dollars in thousands, except per share)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2020</u>	<u>2019</u>
Product revenue	\$ 1,583	\$ 1,646
Operating costs and expenses:		
Cost of product revenue	527	584
Research and product development expenses	403	305
Selling, general and administrative expenses	<u>795</u>	<u>676</u>
Operating (loss) income	(142)	81
Other income (expense), net	<u>2</u>	<u>6</u>
(Loss) income before income taxes	(140)	87
Income tax benefit	<u>3</u>	<u>—</u>
Net (loss) income	<u>\$ (137)</u>	<u>\$ 87</u>
(Loss) income per share (Basic)	\$ (.01)	\$ .01
(Loss) income per share (Diluted)	\$ (.01)	\$ .01
Weighted average shares outstanding (Basic)	9,570,677	9,480,574
Weighted average shares outstanding (Diluted)	9,639,607	9,550,991

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

**Mechanical Technology, Incorporated and Subsidiaries**  
**Condensed Consolidated Statements of Changes in Equity**  
**For the Year Ended December 31, 2019**  
**and the Three Months Ended March 31, 2020 (Unaudited)**

(Dollars in thousands,  
except per share)

	<u>Common Stock</u>				<u>Treasury Stock</u>		<b>Total Stockholders' Equity (Deficit)</b>
	<b>Shares</b>	<b>Amount</b>	<b>Additional Paid- in Capital</b>	<b>Accumulated Deficit</b>	<b>Shares</b>	<b>Amount</b>	
<b>January 1, 2019</b>	10,452,670	\$ 105	\$ 139,067	\$ (118,462 )	1,015,493	\$ (13,764 )	\$ 6,946
Net income	-	-	-	323	-	-	323
Stock based compensation	-	-	31	-	-	-	31
Issuance of shares – option exercises	133,500	1	73	-	-	-	74
Cash dividends	-	-	(1,941 )	(1,600 )	-	-	(3,541 )
<b>December 31, 2019</b>	<u>10,586,170</u>	<u>\$ 106</u>	<u>\$ 137,230</u>	<u>\$ (119,739 )</u>	<u>1,015,493</u>	<u>\$ (13,764 )</u>	<u>\$ 3,833</u>
Net loss	-	-	-	(137 )	-	-	(137 )
Stock based compensation	-	-	12	-	-	-	12
<b>March 31, 2020</b>	<u>10,586,170</u>	<u>\$ 106</u>	<u>\$ 137,242</u>	<u>\$ (119,876 )</u>	<u>1,015,493</u>	<u>\$ (13,764 )</u>	<u>\$ 3,708</u>

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

**Mechanical Technology, Incorporated and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
**For the Three Months Ended March 31, 2020 and 2019**

(Dollars in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Net (loss) income	\$ (137)	\$ 87
Adjustments to reconcile net (loss) income to net cash used by operating activities:		
Depreciation	22	23
Provision for bad debts	—	3
Stock based compensation	12	6
(Recovery) provision for excess and obsolete inventories	(4)	13
Changes in operating assets and liabilities:		
Accounts receivable	(228)	(141)
Inventories	(17)	58
Prepaid expenses and other current assets	(1)	(1)
Accounts payable	56	(152)
Accrued liabilities	(36)	(156)
Net cash used by operating activities	(333)	(260)
<b>Investing Activities</b>		
Purchases of equipment	(9)	(18)
Purchase of stock in equity investment	(750)	—
Net cash used in investing activities	(759)	(18)
<b>Financing Activities</b>		
Cash dividends on common stock	—	(3,541)
Proceeds from stock option exercises	—	74
Net cash used by financing activities	—	(3,467)
Decrease in cash	(1,092)	(3,745)
Cash – beginning of period	2,510	5,771
Cash – end of period	\$ 1,418	\$ 2,026

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



## Notes to Condensed Consolidated Financial Statements (Unaudited)

### 1. Nature of Operations

#### *Description of Business*

Mechanical Technology, Incorporated (MTI or the Company), a New York corporation, was incorporated in 1961. The Company's core business is conducted through MTI Instruments, Inc. (MTI Instruments), a wholly-owned subsidiary. The Company has also recently both formed EcoChain, Inc. ("EcoChain"), a wholly-owned subsidiary, to conduct a new line of business associated with cryptocurrency mining operations, and purchased Class A Preferred Shares of Soluna Technologies, Ltd. ("Soluna"), a Canadian company that develops vertically-integrated, utility-scale computing facilities focused on cryptocurrency mining and cutting-edge blockchain applications. The Company's operations are headquartered in Albany, New York, where it designs, manufactures, and markets its products.

MTI Instruments was incorporated in New York on March 8, 2000 and is a supplier of precision linear displacement solutions, vibration measurement and balancing systems, and wafer inspection tools. Our products consist of electronic gauging instruments for position, displacement and vibration application within the industrial manufacturing markets, as well as in the research, design and process development markets, and engine vibration analysis systems for both military and commercial aircraft. These tools, systems and solutions are developed for markets and applications that require the precise measurements and control of products, processes, and the development and implementation of automated manufacturing, assembly, and consistent operation of complex machinery.

EcoChain was incorporated in Delaware on January 8, 2020. EcoChain is establishing a new business line focused on cryptocurrency and the blockchain ecosystem. In connection with the creation of the new business line, EcoChain is developing a pilot cryptocurrency mining facility that it intends to integrate with the bitcoin blockchain network.

#### *Liquidity*

The Company has historically incurred significant losses primarily due to its past efforts to fund direct methanol fuel cell product development and commercialization programs and had a consolidated accumulated deficit of approximately \$119.9 million as of March 31, 2020. As of March 31, 2020, the Company had working capital of approximately \$3.0 million, no debt, no outstanding commitments for capital expenditures, and approximately \$1.4 million of cash available to fund our operations.

Based on the Company's projected cash requirements for operations and capital expenditures, its current available cash of approximately \$1.4 million and its projected 2020 cash flow pursuant to management's plans, management believes it will have adequate resources to fund operations and capital expenditures for the remainder of 2020 and through the end of the second quarter of 2021. If cash generated from operations is insufficient to satisfy the Company's operational working capital and capital expenditure requirements, the Company may be required to obtain credit facilities, if available, to fund these initiatives. The Company has no other formal commitments for funding future needs of the organization at this time and any additional financing during 2020 and through the second quarter of 2021, if required, may not be available to us on acceptable terms or at all.

### 2. Basis of Presentation

In the opinion of management, the Company's condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the periods presented in accordance with United States of America Generally Accepted Accounting Principles (U.S. GAAP). The results of operations for the interim periods presented are not necessarily indicative of results for the full year.

Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2019.

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2019 has been derived from the Company's audited consolidated financial statements. All other information has been derived from the Company's unaudited condensed consolidated financial statements for the three months ended March 31, 2020 and March 31, 2019.

### ***Principles of Consolidation***

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, MTI Instruments and EcoChain. All intercompany balances and transactions are eliminated in consolidation.

#### **3. Accounts Receivable**

Accounts receivables consist of the following at:

(Dollars in thousands)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
U.S. and State Government	\$ 34	\$ 57
Commercial	903	653
Allowance for doubtful accounts	—	—
Other	36	35
Total	\$ <u>973</u>	\$ <u>745</u>

For the three months ended March 31, 2020 and 2019, the largest commercial customer represented 13.5% and 20.7%, respectively, and the largest governmental agency represented 11.6% and 5.7%, respectively, of the Company's product revenue. As of March 31, 2020 and December 31, 2019, the largest commercial receivable represented 26.1% and 22.1%, respectively, and the largest governmental receivable represented 3.7% and 8.0%, respectively, of the Company's accounts receivable.

#### **4. Inventories**

Inventories consist of the following at:

(Dollars in thousands)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 273	\$ 302
Work in process	309	279
Raw materials	363	343
Total	\$ <u>945</u>	\$ <u>924</u>

#### **5. Property, Plant and Equipment**

Property, plant and equipment consist of the following at:

(Dollars in thousands)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Leasehold improvements	\$ 39	\$ 39
Computers and related software	1,029	1,026
Machinery and equipment	922	915
Office furniture and fixtures	40	40
	<u>2,030</u>	<u>2,020</u>
Less: Accumulated depreciation	1,869	1,846
	\$ <u>161</u>	\$ <u>174</u>

Depreciation expense was \$22 thousand and \$87 thousand for the three months ended March 31, 2020 and the year ended December 31, 2019, respectively.

#### **6. Income Taxes**

During the three months ended March 31, 2020, the Company's effective income tax rate was 0%. The projected annual effective tax rate is less than the Federal statutory rate of 21%, primarily due to the change in the valuation allowance, as well as changes to estimated taxable income for 2020 and permanent differences. For the three months ended March 31, 2019, the Company's effective income tax rate was 0%. Income tax benefit for the three months ended March 31, 2020 was \$3 thousand. There was no income tax expense for the three months ended March 31, 2019.

The Company provides for recognition of deferred tax assets if the realization of such assets is more likely than not to occur in accordance with accounting standards that address income taxes. Significant management judgment is required in determining the period in which the reversal of a valuation allowance should occur. The Company has considered all available evidence, both positive and negative, such as historical levels of income and future forecasts of taxable income amongst other items, in determining its valuation allowance. In addition, the Company's assessment requires us to schedule future taxable income in accordance with accounting standards that address income taxes to assess the appropriateness of a valuation allowance which further requires the exercise of significant management judgment.

The Company believes that the accounting estimate for the valuation of deferred tax assets is a critical accounting estimate, because judgment is required in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns. The Company based the estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. In the event that actual results differ from these estimates or the Company adjusts these estimates in future periods, the Company may need to adjust the recorded valuation allowance, which could materially impact our financial position and results of operations. The valuation allowance at March 31, 2020 and December 31, 2019 was \$10.4 million and \$10.3 million, respectively. We will continue to evaluate the ability to realize our deferred tax assets and related valuation allowance on a quarterly basis.

## **7. Stockholders' Equity**

### ***Common Stock***

The Company has one class of common stock, par value \$.01. Each share of the Company's common stock is entitled to one vote on all matters submitted to stockholders. As of March 31, 2020 and December 31, 2019, there were 9,570,677 shares of common stock issued and outstanding.

### ***Dividends***

Dividends are recorded when declared by the Company's Board of Directors. During 2019, the Company declared and paid a special dividend of \$3.4 million or \$0.37 per common share. A portion of dividends are charged against paid in capital because the Company does not have sufficient retained earnings.

### ***Reservation of Shares***

The Company had reserved common shares for future issuance as follows as of March 31, 2020:

Stock options outstanding	577,430
Common stock available for future equity awards or issuance of options	<u>19,375</u>
Number of common shares reserved	<u>596,805</u>

### ***Income (Loss) per Share***

The Company computes basic income (loss) per common share by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted income (loss) per share reflects the potential dilution, if any, computed by dividing income (loss) by the combination of dilutive common share equivalents, comprised of shares issuable under outstanding investment rights, warrants and the Company's share-based compensation plans, and the weighted average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money stock options, which are calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of a stock option and the amount of compensation cost, if any, for future service that the Company has not yet recognized are assumed to be used to repurchase shares in the current period.

Not included in the computation of earnings per share, assuming dilution, for the three months ended March 31, 2020, were options to purchase 577,430 shares of the Company's common stock. These potentially dilutive items were excluded because the Company incurred a loss during the periods and their inclusion would be anti-dilutive.

Not included in the computation of earnings per share, assuming dilution, for the three months ended March 31, 2019, were options to purchase 313,000 shares of the Company's common stock. These potentially dilutive items were excluded even though the average market price of the common stock exceeded the exercise prices for a portion of the options because the calculation of incremental shares resulted in an anti-dilutive effect.

## 8. Commitments and Contingencies

### Commitments:

#### Leases

The Company determines whether an arrangement is a lease at inception. The Company and its subsidiary have operating leases for certain manufacturing, laboratory, office facilities and certain equipment. The leases have remaining lease terms of less than one year to less than five years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of March 31, 2020 and December 31, 2019, the Company has no assets recorded under finance leases.

Lease expense for these leases is recognized on a straight-line basis over the lease term. Total lease costs were comprised of the following:

(Dollars in thousands)	<u>Three Months Ended March 31, 2020</u>	<u>Three Months Ended March 31, 2019</u>
Operating lease cost	\$ 56	\$ 56
Short-term lease cost	<u>—</u>	<u>—</u>
Total net lease cost	<u>\$ 56</u>	<u>\$ 56</u>

Short-term leases are leases having a term of twelve months or less. The Company recognizes short-term leases on a straight-line basis and does not record a related lease asset or liability for such leases.

Other information related to leases was as follows:

(Dollars in thousands, except lease term and discount rate)	<u>Three Months Ended March 31, 2020</u>	<u>Three Months Ended March 31, 2019</u>
Weighted Average Remaining Lease Term (in years):		
Operating leases	4.67	1
Weighted Average Discount Rate:		
Operating leases	5.85%	5.85%

#### Supplemental Cash Flows Information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 56	\$ 56
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Non-Cash Activity Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ —	\$ 199
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Maturities of lease liabilities are as follows as of March 31:

(Dollars in thousands)

	<u>2020</u>
2020	\$ 166
2021	222
2022	222
2023	222
2024	<u>204</u>
Total lease payments	1,036
Less: imputed interest	<u>(131)</u>
Total lease obligations	905
Less: current obligations	<u>174</u>
Long-term lease obligations	<u>\$ 731</u>

As of March 31, 2020, there were no additional operating lease commitments that had not yet commenced.

## ***Warranties***

Product warranty liabilities are included in “Accrued liabilities” in the Condensed Consolidated Balance Sheets. Below is a reconciliation of changes in product warranty liabilities:

(Dollars in thousands)	Three Months Ended March 31,	
	2020	2019
Balance, January 1	\$ 16	\$ 24
Accruals for warranties issued	4	4
Settlements made (in cash or in kind)	(1)	—
Balance, end of period	<u>\$ 19</u>	<u>\$ 28</u>

## ***Employment Agreement***

On May 5, 2017, the Company entered into an employment agreement with one employee. The agreement provides for an initial term ending December 31, 2018, and, unless either party provides written notice that the agreement will not be renewed, is renewed for an additional year on December 31, 2018 and each subsequent December 31; such non-renewal may be for any or for no stated reason. The agreement provides for certain payments upon termination of employment under certain circumstances. As of March 31, 2020, the Company’s potential minimum obligation to this employee was approximately \$223 thousand.

## **Contingencies:**

### ***Legal***

We are subject to legal proceedings, claims and liabilities which arise in the ordinary course of business. When applicable, we accrue for losses associated with legal claims when such losses are probable and can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change. Legal fees are charged to expense as they are incurred.

The Company has been named as a party in the December 19, 2019 United States Environmental Protection Agency (EPA) Demand Letter regarding the Malta Rocket Fuel Area Superfund Site (Site) located in Malta and Stillwater, New York in connection with an alleged release of hazardous materials into the environment. The EPA is seeking reimbursement of response costs from all named parties in the amount of approximately \$358,000 plus interest in connection with the investigation and disposal activities associated with the various drum caches discovered at the Site, issuance of the Explanation of Significant Differences (“ESD”) of the Site, and implementation of the work contemplated by the ESD. The Company considers the likelihood of a material adverse outcome to be remote and does not currently anticipate that any expense or liability it may incur as a result of these matters in the future will be material to the Company’s financial condition.

## **9. Related Party Transactions**

### ***MeOH Power, Inc.***

On December 18, 2013, MeOH Power, Inc. and the Company executed a Senior Demand Promissory Note (the Note) in the amount of \$380 thousand to secure the intercompany amounts due to the Company from MeOH Power, Inc. upon the deconsolidation of MeOH Power, Inc. Interest accrues on the Note at the Prime Rate in effect on the first business day of the month, as published in the Wall Street Journal. At the Company’s option, all or part of the principal and interest due on this Note may be converted to shares of common stock of MeOH Power, Inc. at a rate of \$0.07 per share. Interest began accruing on January 1, 2014. The Company recorded a full allowance against the Note. As of March 31, 2020 and December 31, 2019, \$315 thousand and \$312 thousand, respectively, of principal and interest are available to convert into shares of common stock of MeOH Power, Inc. Any adjustments to the allowance are recorded as miscellaneous expense during the period incurred.

### ***Legal Services***

During the three months ended March 31, 2020 and 2019, the Company incurred \$58 thousand and \$7 thousand, respectively, to Couch White, LLP for legal services associated with contract review. A partner at Couch White, LLP is an immediate family member of one of our Directors.

## *Soluna Transactions*

On January 8, 2020, the Company formed EcoChain. EcoChain is establishing a new business line focused on cryptocurrency and the blockchain ecosystem. In connection with the creation of the new business line, EcoChain is developing a pilot cryptocurrency mining facility that it intends to integrate with the bitcoin blockchain network. Pursuant to an Operating and Management Agreement dated January 13, 2020, by and between EcoChain and Soluna, a Canadian company that develops vertically-integrated, utility-scale computing facilities focused on cryptocurrency mining and cutting-edge blockchain applications. Soluna is assisting the Company in developing the pilot cryptocurrency mining facility, which Soluna will operate upon its completion. The Operating and Management Agreement requires, among other things, that Soluna provide developmental and operational services, as directed by EcoChain, with respect to the pilot cryptocurrency mining facility in exchange for EcoChain's payment to Soluna of a one-time fee of \$65 thousand and revenue-based success payments in the event EcoChain achieves profitability. Pursuant to the Operating and Management Agreement, during the developmental phase of the pilot cryptocurrency mining facility, Soluna will gather and analyze information with respect to EcoChain's cryptocurrency mining efforts and otherwise produce budgets, financial models, and technical and operational plans for delivery to EcoChain (the "Deliverables"), that can assist with the efficient construction of a pilot cryptocurrency mine. Following the conclusion of the developmental phase of the project and EcoChain's acceptance of the Deliverables on March 23, 2020, the agreement provides that Soluna, on behalf of EcoChain, will commence operations of the pilot cryptocurrency mine in a manner that will allow EcoChain to mine and sell cryptocurrency. EcoChain plans to sell for U.S. dollars all cryptocurrency it mines and will not be in the business of accumulating cryptocurrency on its balance sheet for speculative gains.

Simultaneously with the entering into of the Operating and Management Agreement, the Company made a strategic investment in Soluna by purchasing 158,730 Class A Preferred Shares of Soluna for an aggregate purchase price of \$500 thousand. After acceptance of the Deliverables on March 23, 2020, the Company purchased an additional 79,365 Class A Preferred Shares of Soluna for an aggregate purchase price of \$250 thousand. The Company also has the right, but not the obligation, to purchase additional equity securities of Soluna and its subsidiaries (including additional Class A Preferred Shares of Soluna) if Soluna secures certain levels or types of project financing with respect to its own wind power generation facilities. The Company has additionally entered into a Side Letter Agreement, dated January 13, 2020, with Soluna Technologies Investment I, LLC, a Delaware limited liability company that owns, on a fully diluted basis, 62.5% of Soluna and is controlled by a Brookstone Partners-affiliated director of the Company. The Side Letter Agreement provides for the transfer to the Company of additional Class A Preferred Shares of Soluna in the event Soluna issues additional equity below agreed-upon valuation thresholds.

Several of Soluna's equityholders are affiliated with Brookstone Partners, the investment firm that holds an equity interest in the Company through Brookstone Partners Acquisition XXIV, LLC. The Company's two Brookstone-affiliated directors also serve as directors and, in one case, as an officer, of Soluna and also have ownership interest in Soluna. In light of these relationships, the various transactions by and between the Company and EcoChain, on the one hand, and Soluna, on the other hand, were negotiated on behalf of the Company and EcoChain via an independent investment committee of the Company's board of directors and separate legal representation. The transactions were subsequently unanimously approved by both the independent investment committee and the full board of directors of the Company.

Two of our directors have various affiliations with Soluna.

Director Michael Toporek (i) owns 90% of the equity of Soluna Technologies Investment I, LLC, which owns 62.5% of Soluna and (ii) owns 100% of the equity of MJT Park Investors, Inc., which owns 3.2% of Soluna, in each case on a fully-diluted basis. Mr. Toporek does not own directly, or indirectly, equity interest in Tera Joule, LLC, which owns 3.2% of Soluna; however, as a result of his 100% ownership of Brookstone IAC, Inc., which is the manager of Tera Joule, LLC, he has dispositive power over the equity interests Tera Joule owns in Soluna.

Director Matthew E. Lipman serves as a director and as acting Secretary and Treasurer of Soluna. Mr. Lipman does not own directly, or indirectly, equity interest in Tera Joule, LLC, which owns 3.2% of Soluna; however, as a result of his 100% ownership of Brookstone IAC, Inc., which is the manager of Tera Joule, LLC, he has dispositive power over the equity interests Tera Joule owns in Soluna.

As a result, the approximate dollar value of the amount of Mr. Toporek's and Mr. Lipman's interest in the Company's transactions with Soluna are \$485 thousand and \$0, respectively.

The Company's investment in Soluna is carried at cost and is \$750 thousand as of March 31, 2020. The Company owns approximately 2.0% of Soluna's outstanding common stock as of March 31, 2020.

## 10. Stock Based Compensation

### *Restricted Stock*

On January 14, 2020, the Company awarded to members of the Company's Investment Committee and to the Company's CEO special one-time restricted stock awards totaling 68,930 shares of Common Stock (67,930 from the Company's 2012 Equity Incentive Plan and 1,000 from the Company's 2014 Equity Incentive Plan) valued at \$0.99 per share based on the closing market price of the Company's common stock on the date of grant. The shares would be restricted for one year, and have a two-year total vesting, with half vesting on the first anniversary of the award date and the remainder vesting on the second anniversary of the award date.

## 11. Effect of Recent Accounting Updates

### *Accounting Updates Not Yet Effective*

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (the FASB) in the form of accounting standard updates (ASUs) to the FASB's Accounting Standards Codification (ASC). The Company considered the applicability and impact of all ASUs. ASUs not mentioned below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

In June 2016, the FASB issued ASU 2016-13 (Financial Instruments - Credit Losses (Topic 326)) and its subsequent amendments to the initial guidance within ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11 and ASU 2020-02, respectively (collectively, Topic 326). Topic 326 changes how entities will measure credit losses for most financial assets and certain other instruments that are not accounted for at fair value through net income. This standard replaces the existing incurred credit loss model and establishes a single credit loss framework based on a current expected credit loss model for financial assets carried at amortized cost, including loans and held-to-maturity debt securities. The current expected loss model requires an entity to estimate credit losses expected over the life of the credit exposure upon initial recognition of that exposure when the financial asset is originated or acquired, which will generally result in earlier recognition of credit losses. This standard also requires expanded credit quality disclosures. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. This standard also simplifies the accounting model for purchased credit-impaired debt securities and loans. This standard will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2018-19 clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. ASU 2019-04 clarifies that equity instruments without readily determinable fair values for which an entity has elected the measurement alternative should be remeasured to fair value as of the date that an observable transaction occurred. ASU 2019-05 provides an option to irrevocably elect to measure certain individual financial assets at fair value instead of amortized cost. This standard should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. This standard will be effective for the Company for annual and interim reporting periods beginning on or after December 15, 2022, and while early adoption is permitted, the Company does not expect to elect that option. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements, including assessing and evaluating assumptions and models to estimate losses. Upon adoption of this standard on January 1, 2023, the Company will be required to record a cumulative effect adjustment to retained earnings for the impact as of the date of adoption. The impact will depend on the Company's portfolio composition and credit quality at the date of adoption, as well as forecasts at that time.

In December 2019, the FASB issued ASU 2019-12 (Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes). This standard removes exceptions to the general principles in Topic 740 for allocating tax expense between financial statement components, accounting basis differences stemming from an ownership change in foreign investments and interim period income tax accounting for year-to-date losses that exceed projected losses. The standard will be effective for the Company for annual reporting periods beginning after December 15, 2020 and interim periods within those fiscal years, and while early adoption is permitted, the Company does not expect to elect that option. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements. At this time, the Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01 (Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)). This standard clarifies certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the guidance in Topic 815, which could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. This standard improves current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. The standard will be effective for the Company for annual reporting periods beginning after December 15, 2020 and interim periods within those fiscal years, and while early adoption is permitted, the Company does not expect to elect that option. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements. At this time, the Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

### ***Accounting Updates Recently Adopted by the Company***

There have been no other significant changes in the Company's reported financial position or results of operations and cash flows as a result of its adoption of new accounting pronouncements or changes to its significant accounting policies that were disclosed in its consolidated financial statements for the fiscal year ended December 31, 2019.

### **12. Subsequent Events**

In accordance with U.S. GAAP, the Company has evaluated subsequent events for disclosure between the condensed consolidated balance sheet date of March 31, 2020 and April 30, 2020, the date the financial statements were available to be issued.