

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

Form 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

Strategic Environmental & Energy Resources, Inc.

(Exact name of registrant as specified in its charter)

Nevada

*(State or other jurisdiction of
Incorporation or organization)*

(Commission File No.)

02-0565834

(IRS Employee Identification Number)

**7801 Brighton Road
Commerce City, Colorado 80022**
(Address of Principal Executive Office)

303-295-6297
(Registrant's telephone number, including area code)

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

Securities to be registered pursuant to Section 12(g) of the Act:

Title of Class

COMMON STOCK, \$.001 par value

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerate filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

TABLE OF CONTENTS

<u>Item 1.</u>	<u>Business</u>	2
<u>Item 1A.</u>	<u>Risk Factors</u>	8
<u>Item 2.</u>	<u>Financial Information</u>	13
<u>Item 3.</u>	<u>Properties</u>	21
<u>Item 4.</u>	<u>Security Ownership of Certain Beneficial Owners and Management</u>	21
<u>Item 5.</u>	<u>Directors and Executive Officers</u>	23
<u>Item 6.</u>	<u>Executive Compensation</u>	24
<u>Item 7.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	26
<u>Item 8.</u>	<u>Legal Proceedings</u>	27
<u>Item 9.</u>	<u>Market Price of and Dividends On the Registrants Common Equity and Related Stockholder Matters</u>	28
<u>Item 10.</u>	<u>Recent Sales of Unregistered Securities</u>	28
<u>Item 11.</u>	<u>Description of Registrant's Securities to be Registered</u>	29
<u>Item 12.</u>	<u>Indemnification of Officers and Directors</u>	29
<u>Item 13.</u>	<u>Financial Statements and Supplementary Data</u>	30
<u>Item 14.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	30
<u>Item 15.</u>	<u>Financial Statements and Exhibits</u>	31

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10 contains certain forward-looking statements with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, plans and objectives of management. Statements in this Form 10 that are not historical facts are hereby identified as "forward-looking statements."

PART I

ITEM 1. BUSINESS

Overview

Strategic Environmental & Energy Resources, Inc. ("the Company" or "SEER") was originally organized under the laws of the State of Nevada on February 13, 2002 for the purpose of acquiring one or more businesses, under the name of Satellite Organizing Solutions, Inc ("SOZG"). In March 2008, SOZG consummated a reverse merger with a non-public operating company called Strategic Environmental & Energy Resources, Inc., also a Nevada Corporation. SOZG name was changed to Strategic Environmental & Energy Resources, Inc. SEER is dedicated to assembling complementary service and product businesses that provide safe, innovative, cost effective, and profitable solutions in the oil & gas, environmental, waste management and renewable energy industries. SEER currently operates four companies with three offices in the western and mid-western U.S. Through these operating companies, SEER provides products and services throughout the U.S. and has licensed and owned technologies with many customer installations throughout the U.S. Each of the four operating companies is discussed in more detail below.

The Company's domestic strategy is to grow internally through SEER's existing customer base and subsidiaries that have well established revenue streams and, simultaneously, establish long-term alliances with and/or acquire complementary domestic businesses in rapidly growing markets for environmental, water treatment and oil & gas services. At the same time, SEER intends to increase sales of new and patent-pending technologies into the growing markets of vapor/emission capture and control, renewable "green gas" capture and sale, Compressed Natural Gas ("CNG") fuel generation for fleet use, as well as medical and pharmaceutical waste destruction. Many of SEER's current operating companies share customer bases and each provides truly synergistic services and products.

The company now owns and manages four operating entities and one newly formed entity that has no operations to date.

Subsidiaries

REGS, LLC d/b/s Resource Environmental Group Services ("REGS"): **(operating since 1994)** provides general industrial cleaning services and waste management into many industry sectors but focuses on oil & gas production (upstream) (particularly water treatment services in the oil & gas fields) and refineries (downstream), but also services other sectors such as hospitals, universities and state/federal agencies.

Tactical Cleaning Company, LLC ("TCC"): **(operating since 2005)** provides cleaning services to the tanker rail car industry with offices in two states and a focus on both food-grade and petroleum based products, *i.e.*, fuel oil and asphalt.

MV, LLC ("MV"): **(operating since 2003)** MV is an engineering/technology oriented company that designs and sells odor, vapor, and emission control systems for use in oil and gas production, refining, and biogas conversion in agricultural, food and beverage and landfill applications.

Paragon Waste Solutions, LLC ("PWS"): (formed late 2010) PWS is a recently-formed operating company that is expected to deliver during the third quarter of 2013, the initial prototype unit intended to demonstrate its patent-pending technology, currently under review by the US patent Office, based on a "cold plasma" oxidation process. This process involves gasification of the solid waste and then a cold plasma oxidation process that makes possible the destruction of hazardous chemical and biological waste via a low temperature and low oxygen pyrolytic process. The patent application is currently under review by the US Patent Office. The term cold plasma refers to a low energy ionized gas that is generated by electrical discharges between two electrodes. PWS believes that this CoronaLux™ Technology, designed and intended for the "clean" destruction of hazardous chemical and biological waste (*i.e.*, hospital "red bag" waste) should eliminate the need for costly segregation, transportation, incineration or landfill (with their associated legacy liabilities). PWS is a 54% owned subsidiary.

Benefuels, LLC ("BeneFuels"): (formed February 2013) owned 85% by SEER is a newly formed division created to focus specifically on treating biogas for conversion to pipeline quality gas and/or CNG for fleet vehicles. BeneFuels had no operations as of May 31, 2013. We do not expect BeneFuels to commence operations until the fourth quarter of 2013.

Segment Information

The Company currently has identified four segments as follows:

		% of Annual Revenues	
		2012	2011
REGS	Industrial Cleaning	45%	35%
TCC	Rail Car Cleaning	34%	37%
MV	Environmental Solutions	21%	28%
PWS	Solid Waste	—	—

BeneFuels is not currently operating but when operations commence would be part of the Environmental Solutions segment.

As of December 31, 2012, we had two customers (Holly Frontier and Holly Energy Partners) with sales in excess of 10% of our revenue and combined were in excess of 27%. We did not have any customers with sales in excess of 10% of our revenue in 2011. The loss of either one of these customers could have a material adverse effect on our business.

Financial Condition

As shown in the accompanying consolidated financial statements (Exhibit 99.1), the Company has experienced recurring losses, and has accumulated a deficit of approximately \$11.6 million as of December 31, 2012 and for the years ended December 31, 2012, and 2011, we incurred net losses of approximately \$1.7 million and \$1.57 million, respectively. For the three months ended March 31, 2013 we incurred a loss of \$171,500. As of December 31, 2012 and 2011, our current liabilities exceeded our current assets by \$1.4 million and \$2.4 million, respectively, and our total liabilities exceeded our total assets by \$1.2 million and \$2 million, respectively. As of March 31, 2013 our current liabilities exceed our current assets by \$1.25 million.

Realization of a major portion of our assets as of December 31, 2012 and March 31, 2013, is dependent upon our continued operations. Accordingly, we have undertaken a number of specific steps to continue to operate as a going concern. In 2012, we raised approximately \$1.3 million through the sale of common stock and converted approximately \$.5 million in debt to equity. In addition, we have focused on developing organic growth in our operating companies and improving gross and net margins through increased attention to pricing, aggressive cost management and overhead reductions. We made additions to our senior management team to support these initiatives, and focused on streamlining our business model to improve profitability. We also increased our business development efforts in MV to address opportunities identified in expanding markets attributable to increased interest in energy conservation and emission control regulations. For the period January 1, 2013 through May 31, 2013, we raised approximately \$729,000 in equity financing through the sale of common stock and management plans to raise additional equity financing through the sale of common stock. There can be no assurance that the Company will achieve the desired result of net income and positive cash flow from operations in future years. Management believes that current working capital and proceeds from the sale of common stock in 2013 will be sufficient to allow the Company to maintain its operations through December 31, 2013 and into the foreseeable future.

EMERGING GROWTH COMPANY STATUS

The Company is an “emerging growth company” as defined in section 3(a) of the Exchange Act (as amended by the United States Jumpstart Our Business Startups Act (the “**JOBS Act**”), enacted on April 5, 2012), and the Company will continue to qualify as an “emerging growth company” until the earliest to occur of: (a) the last day of the fiscal year during which the Company has total annual gross revenues of US\$1,000,000,000 (as such amount is indexed for inflation every 5 years by the Securities and Exchange Commission (the “**SEC**”)) or more; (b) the last day of the fiscal year of the Company following the fifth anniversary of the date of the first sale of common equity securities of the Company pursuant to an effective registration statement under the United States Securities Act of 1933, as amended; (c) the date on which the Company has, during the previous 3-year period, issued more than US\$1,000,000,000 in non-convertible debt; or (d) the date on which the Company is deemed to be a ‘large accelerated filer’, as defined in Exchange Act Rule 12b-2.

The Company will continue to qualify as an emerging growth company until the last day of the fiscal year of the Company following the fifth anniversary of the date of the first sale of common equity securities of the Company pursuant to a registration statement under the United States *Securities Act of 1933*, as amended), unless it otherwise ceases to qualify as an emerging growth company.

Generally, a registrant that registers any class of its securities under section 12 of the Exchange Act is required to include in the second and all subsequent annual reports filed by it under the Exchange Act, a management report on internal control over financial reporting and, subject to an exemption available to registrants that meet the definition of a “smaller reporting company” in Exchange Act Rule 12b-2, an auditor attestation report on management’s assessment of internal control over financial reporting. However, for so long as the Company continues to qualify as an emerging growth company, it will be exempt from the requirement to include an auditor attestation report in its annual reports filed under the Exchange Act, even if it does not qualify as a “smaller reporting company”. In addition, section 103(a)(3) of the Sarbanes-Oxley Act of 2002 has been amended by the JOBS Act to provide that, among other things, auditors of an emerging growth company are exempt from any rules of the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the registrant (auditor discussion and analysis).

Any U.S. domestic issuer that is an emerging growth company is able to avail itself to the reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements, and to not present to its shareholders a nonbinding advisory vote on executive compensation, obtain approval of any golden parachute payments not previously approved, or present the relationship between executive compensation actually paid and our financial performance.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we are irrevocably electing not to avail ourselves of this extended transition period for complying with new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Industry

SEER, with its diverse services, technologies, and environmental solution offerings, participates in the worldwide markets of industrial cleaning, environmental compliance, renewable energy and waste minimization/management markets. There are ever-increasing regulations and statutory programs, state, federal and local, create and mandate the need for waste minimization and proper handling, storage, treatment and disposal of virtually all types of waste. These rules and regulations are increasingly governing air emissions and vapor control in virtually all types of industries.

The industrial waste management industry in North America was shaped first by the Resource Conservation and Recovery Act of 1976 (RCRA), which requires waste generators to, among other things, store and dispose of hazardous waste in accordance with specific regulations. Subsequent to the RCRA, growing national awareness of environmental issues, coupled with corporate and institutional awareness of environmental liabilities, have contributed to the growth of the industry and associated governing legislation on the state and federal levels.

Today, collection and disposal of solid and hazardous wastes are subject to local, state, and federal requirements and controls that regulate health, safety, the environment, zoning and land-use. Included in these regulations is the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), of the United States. CERCLA holds generators and transporters of hazardous substances, as well as past and present owners and operators of sites where there has been a hazardous release, strictly, jointly and severally liable for environmental cleanup costs resulting from the release or threatened release of hazardous materials.

The enactment of the federal *Clean Air Act of 1970* (CAA) resulted in a major shift in the federal government's role in air pollution control. This legislation authorized the development of comprehensive federal and state regulations to limit emissions from both stationary (industrial) sources and mobile sources. The Act has been amended and expanded in scope many times since its enactment and remains a major consideration for safely and responsibly conducting business in the U.S.

These and countless other similar regulatory programs mandate the need for environmental and industrial cleaning services and technologies such as those offered by SEER and its companies.

There are substantial barriers to entry in the waste management industry, including the high degree of expertise and training required, regulatory compliance, insurance, and licensing costs and procedures, strict federal, state, provincial and local permitting and oversight processes, and significant capital costs of equipment and qualified personnel.

Business Strategy

SEER's growth to date has been fueled by a combination of vertical integration, acquisitions, and organic growth. SEER acquired REGS, Tactical, and MV as wholly-owned subsidiaries. We intend to continue pursuing an aggressive strategy of acquisitive and organic growth while expanding our geographic footprint into other regions of the United States and possibly into foreign markets. Potential acquisitions may include businesses that are complementary to our core businesses or companies that provide a similar set of services in regions where the Company does not currently have operations.

Through long-term relationships with partners in the up-stream oil & gas production sector, SEER will pursue new sources of service revenue, particularly in the treatment of "frack" and produced water (production and flowback water from drilling and hydraulic fracturing operations) at water treatment facilities in some of the most productive oil & gas fields in the country.

Upon full development of certain of our patent-pending technologies, we intend to explore license relationships with larger, established companies to generate sustainable, revenue streams from both domestic and international applications.

Intellectual Property

MV was issued a patent in 2012 related to "Oil-Gas Vapor Collection, Storage, and Recovery System, etc." Patent No. US 8,206,124 B1. The patent will expire in 2029 unless otherwise extended. MV is in the process of expanding the scope and number of claims of this issued patent and has other pending applications arising out of and related to its odor control, vapor recovery, and renewable energy systems.

In 2013, PWS filed provisional and non-provisional applications arising out of and related to its waste disposal technology involving a pyrolytic first phase and a "cold plasma" second phase system referred to "plasma light," or CoronaLux™ technology. A pyrolytic process is basically the decomposition of any material in a very low oxygen atmosphere. The materials are decomposed with very little air (oxygen) being present, as compared to conventional burning or incineration. The patent application is currently under review by the US Patent Office. PWS is not dependent upon this patent for its business development, although the issuance of the patent would give PWS a competitive advantage.

Competition

The industrial services industry is highly competitive. Our competitors vary in size, geographical coverage and by the mix of services they offer. Our larger competitors include Philip Services, Clean Harbors, and Veolia Environmental Services. Additionally, we compete with a number of small and medium size companies. In the face of this competition we have been effective in growing our revenue due to the wide range of services we offer, a competitive pricing structure, our innovative and proprietary/patent pending technologies, a reputation for reliability, built over the nearly 20 years of business operations and the care we take in each customer project.

In all its businesses, the Company currently holds very small parts of very large and growing markets. MV competes by providing superior H₂S “scrubbing” solutions that result in more cost efficient removal of H₂S from process gas streams, with markedly lower cost media change out. H₂S, or hydrogen sulfide, is the naturally occurring gas resulting from the decomposition of vegetation and organic materials in soil and ground waters that creates the odor of “rotten eggs.” It is an offensive, unpleasant, and in high enough concentrations a toxic and deadly gas that must be removed from the gasses that escape during many industrial processes. REGS and Tactical Cleaning Company compete by offering superior customer response and lower total cost of service. PWS plans to compete by offering a unique on-site, on-demand waste destruction solution, eliminating the need for waste segregation, transportation, incineration, autoclaving and/or landfilling; in turn, eliminating all of the associated costs and legacy liabilities associated with current options for medical waste handling. We believe that the patent-pending CoronaLux™ technology results in a radically superior option in the medical waste management sector and ultimate emissions cleaner than other solutions available in the market.

Environmental Matters and Regulation

Significant federal environmental laws affecting us are the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund Act", the Clean Air Act, the Clean Water Act, and the Toxic Substances Control Act ("TSCA").

RCRA. RCRA is the principal federal statute governing hazardous waste generation, treatment, transportation, storage and disposal. Pursuant to RCRA, the U.S. Environmental Protection Agency (the "EPA") has established a comprehensive "cradle-to-grave" system for the management of a wide range of materials identified as hazardous or solid waste. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA have been delegated authority by the EPA to administer their facility permitting programs in lieu of the EPA's program. Every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit from the EPA or an authorized state agency, unless a specific exemption exists, and must comply with certain operating requirements.

The Superfund Act. The Superfund Act is the primary federal statute regulating the cleanup of inactive hazardous substance sites and imposing liability for cleanup on the responsible parties. It also provides for immediate response and removal actions coordinated by the EPA, of the release of hazardous substances into the environment, and authorizes the government to respond to the release or threatened release of hazardous substances or to order responsible persons to perform any necessary cleanup. The statute provides for strict, and in certain cases, joint and several liability for these responses and other related costs, and for liability for the cost of damages to natural resources, to the parties involved in the generation, transportation and disposal of such hazardous substances. Under the statute, we may be deemed liable as a generator or transporter of a hazardous substance which is released into the environment, or as the owner or operator of a facility from which there is a release of a hazardous substance into the environment.

The Clean Air Act. The Clean Air Act was passed by Congress to control the emissions of pollutants into the air and requires permits to be obtained for certain sources of toxic air pollutants such as vinyl chloride, or criteria pollutants, such as carbon monoxide. In 1990, Congress amended the Clean Air Act to require further reductions of air pollutants with specific targets for non-attainment areas in order to meet certain ambient air quality standards. These amendments also require the EPA to promulgate regulations, which (i) control emissions of 189 hazardous air pollutants; (ii) create uniform operating permits for major industrial facilities similar to RCRA operating permits; (iii) mandate the phase-out of ozone depleting chemicals; and (iv) provide for enhanced enforcement.

Clean Water Act. This legislation prohibits discharges into the waters of the United States without governmental authorization and regulates the discharge of pollutants into surface waters and sewers from a variety of sources, including disposal sites and treatment facilities.

Toxic Substances Control Act. TSCA established a national program for the management of substances classified as PCBs, which include waste PCBs as well as RCRA wastes contaminated with PCBs. We conduct field services (remediation) activities that are regulated under provisions of the TSCA.

Other Federal Laws. In addition to regulations specifically directed at the transportation, storage, and disposal facilities, there are a number of regulations that may "pass-through" to the facilities based on the acceptance of regulated waste from affected client facilities. Each facility that accepts affected waste must comply with the regulations for that waste, facility or industry. In our transportation operations, we are regulated by the U.S. Department of Transportation, the Federal Railroad Administration, the Federal Aviation Administration and the U.S. Coast Guard, as well as by the regulatory agencies of each state in which we operate or through which our vehicles pass. Health and safety standards under the Occupational Safety and Health Act, or "OSHA", are applicable to all of our operations.

Pursuant to the EPA's authorization of their RCRA equivalent programs, a number of states have regulatory programs governing the operations and permitting of hazardous waste facilities. Our facilities are regulated pursuant to state statutes, including those addressing clean water and clean air. Our facilities are also subject to local siting, zoning and land use restrictions. Although our facilities occasionally have been cited for regulatory violations, we believe we are in substantial compliance with all federal, state and local laws regulating our business.

Income Taxes

The Company has not filed federal and state tax returns since inception primarily due to financial constraints. The tax periods for the years ending December 31, 2008 through 2012 are open to examination by federal and state authorities. The Company has not been contacted by federal and state taxing authorities regarding these open tax periods although there can be no assurance they will not commence investigative procedures. The Company has engaged tax consultants and expects its federal and state tax returns for the open periods to be completed and filed in 2013. Since we have had significant operating losses for the open years we do not believe that taxes owed, if any, would be material.

Insurance

To cover potential risks associated with the variety of services that the operating companies provide, we maintain adequate insurance coverages, including: 1) Casualty Insurance providing coverage for Commercial General Liability, Automotive Liability and Professional Liability Insurance in the amounts of \$1 million each, respectively, per year; 2) Contractor's Pollution Liability Insurance, which has limits of \$1 million per occurrence and \$1 million in the aggregate; 3) Transportation Liability Insurance with a \$1 million per occurrence; and, 4) An Excess Umbrella Liability Policy of \$4 million per occurrence and \$4 million aggregate limit overall.

Health, Safety and Compliance

Preserving the health and safety of our employees and the communities in which we operate, as well as remaining in compliance with local, state and federal rules and regulations are the highest priorities for us and our companies. We strive to maintain the highest professional standards in our compliance and health and safety activities. To achieve this objective, we have an in-house, full-time, health & safety officer and emphasize comprehensive training programs for new employees as well as ongoing mandatory refresher programs, and safety bonus programs for existing employees. These programs are administered at both the corporate and field levels on a daily basis. Our efforts to ensure the health and safety of employees have been formally recognized by our customers as well as by the Colorado Department of Labor and Employment.

Research and Development

During the year 2011, the Company spent \$2,000 in research and development, increasing that spending to \$416,000 in 2012 to develop its medical waste management technology in its Paragon subsidiary. Due to financial constraints, no research and development could be funded prior to 2012. The Company has allocated funding of additional research and development of its medical waste management technology in 2013. None of our research and development costs are borne directly by any customers.

Employees

As of December 31, 2012, we employed approximately 63 full time non-union and salaried employees. Use of There is some seasonality to our business which requires us to use day laborers. As of May 31, 2013 we employ approximately 66 full time non-union and salaried employees and approximately 8 contract employees.

Public Information

Persons interested in obtaining information on the Company may read and copy any materials that we file with the Commission at the SEC's Public Reference Room at 100 F Street, NE., Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission at <http://www.sec.gov>.

ITEM 1A - RISK FACTORS

An investment in our securities involves certain risk factors, including those described below. Investors should carefully consider these risk factors along with information included or referred to in this report as well as other SEC filings before investing in our securities.

Risks Relating to Our Business

Our substantial level of indebtedness could adversely affect our financial condition and ability to fulfill our obligations.

As of December 31, 2012, the Company had approximately \$791,700 in notes payable and capitalized lease obligations; federal withholding tax liability, including interest and penalties of \$1,080,800, trade accounts payable of \$1,323,300, billings in excess of revenue on uncompleted projects of \$327,400, and \$499,700 in accrued liabilities. Our level of indebtedness may adversely affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate purposes; result in a default under the financial and operating covenants contained in our debt instruments; and make us more vulnerable to an economic downturn that our competitors with less debt. If we are unable to generate sufficient cash flow from operations in the future to service our debt and fee obligations, we may be required to refinance all or a portion of our existing debt and letter of credit facilities, or to obtain additional financing and facilities. However, we may not be able to obtain any such refinancing or additional facilities on favorable terms or at all.

Our business and results of operations would be adversely affected if we are unable to secure reasonably priced insurance that is required for our operations.

Because our business sometimes involves the handling and disposal of hazardous materials, we are required to maintain insurance coverage that can be expensive. Our ability to continue conducting business could be adversely affected if we should become unable to secure sufficient insurance coverage, surety bonds and financial assurances at reasonable cost to meet our business and regulatory requirements. The availability of insurance could be affected by factors outside of our control as well as the insurers' or sureties' assessment of our risk.

The environmental services industry in which we participate is subject to significant economic and business risks.

Our future operating results may be affected by such factors as our ability to win new business and remain competitive in the face of price competition from competitors who are often larger and better capitalized than us; maintain and/or build market share in an industry that has experienced downsizing and consolidation; reduce costs without negatively impacting operations; minimize downtime and disruptions of operations; weather economic downturns or recessionary conditions.

A significant portion of our business is derived as a result of events and circumstances over which we have no control.

Certain services that we provide are impacted by events such as accidental spills of hazardous materials, increasingly stringent environmental regulations governing hazardous waste handling, and seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities. We do not control such factors and, as a result, our revenue and income can vary significantly from quarter to quarter and from year to year. Prior financial performance for certain periods may not be a reliable indicator of future performance for comparable periods in subsequent years.

Seasonality makes it harder for us to manage our business and for investors to evaluate our performance.

Our operations may be affected by seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' needs for remedial and other services that we provide. This seasonality in our business makes it harder for us to manage our business and for investors to evaluate our performance.

Because our quarterly and annual operating results are difficult to predict and may fluctuate, the market price for our stock may be volatile.

Our operating results have fluctuated significantly in the past and may continue to fluctuate significantly in the future. Fluctuations in operating results may result in volatility of the price of our common stock. These quarterly and annual fluctuations may result from a number of factors, including the size of new contracts and when we are able to recognize the related revenue; our rate of progress under our contracts; the timing of customer and market acceptance of our products and service offerings; budgeting cycles of our customers; the mix of products and services sold; changes in demand for our products and services; level and timing of expenses for product development and sales, general and administrative expenses; competition; changes in our strategy; general economic conditions.

Personnel costs are a significant component of our budgeted expense levels and, therefore, our expenses are, to a degree, variable based upon our expectations regarding future revenue. Our revenue is difficult to forecast because the market for our products and services is rapidly changing, and our sales cycle and the size and timing of significant contracts varies substantially among customers. Accordingly, we may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in revenue. Any significant shortfall from anticipated levels of demand for our products and services could adversely affect our business, financial condition, results of operations and cash flows.

Based on these factors, we believe our future quarterly and annual operating results may vary significantly from quarter to quarter and year to year. As a result, quarter-to-quarter and year-to-year comparisons of operating results are not necessarily meaningful nor do they indicate what our future performance will be. Furthermore, we believe that in future reporting periods if our operating results fall below the expectations of public market analysts or investors, it is possible that the market price of our common stock could go down.

Our results of operations could be negatively impacted if we are unable to manage our liquidity.

Our cash forecast indicates that we will have sufficient liquidity to cover anticipated operating costs as well as debt service payments for at least the next twelve months, but this could be negatively impacted if we are unable to invoice and collect from our customers in a timely manner, if our revenue levels fall below forecast, or expenses exceed what we projected, or an unexpected adverse event, or combination of events occurs. Therefore, if the timing of cash generated from operations is insufficient to satisfy our liquidity requirements, we may require access to additional funds to support our business objectives through another debt restructuring, a credit facility or possibly the issuance of additional equity. Additional financing may not be available at all or, if available, may not be obtainable on terms that are favorable to us and not dilutive.

We depend on a limited number of significant customers for a substantial portion of our revenues, and the loss of one or more of these customers could adversely affect our business.

In the past, and currently, we earn a significant portion of our revenue from a relatively small number of customers. Although this has been mitigated somewhat by the expansion of our product, service and customer base through expansion into broader markets, the loss of any significant customer, delays in delivery or acceptance of any of our products by a customer, delays in the performance of services for a customer, or delays in collection of customer receivables could harm our business and operating results.

Our business depends largely on our ability to attract and retain talented employees.

Our ability to manage future expansion, if any, effectively will require us to attract, train, motivate and manage new employees successfully, to integrate new management and employees into our overall operations and to continue to improve our operations, financial and management systems. We may not be able to retain personnel or to hire additional personnel on a timely basis, if at all. Because of the complexity and training required in certain of our services, a significant time lag exists between the hiring date of technical and sales personnel and the time when they become fully productive. Our failure to retain personnel or to hire qualified personnel on a timely basis could adversely affect our business by impacting our ability to service certain customers and to secure new contracts.

We are subject to extensive environmental regulations that may increase our costs and potential liabilities.

The operations of all companies in the environmental services industry are subject to federal, state, provincial and local environmental requirements. Although increasing environmental regulation often presents new business opportunities for us, it also results in increased operating and compliance costs. Efforts to conduct our operations in compliance with all applicable laws and regulations, including environmental rules and regulations, require programs to promote compliance, such as training employees and customers, purchasing health and safety equipment, and in some cases hiring outside consultants. Even with these programs, we and other companies in the environmental services industry are faced with governmental enforcement proceedings, which can result in fines or other sanctions and require expenditures for remedial work on waste management facilities and contaminated sites. Certain of these laws impose strict and, under certain circumstances, joint and several liability for cleanup of releases of regulated materials, and also liability for related natural resource damages.

At some time in the future we may be required to pay fines or penalties due to regulatory enforcement proceedings and such fines or penalties could have a negative impact on our earnings. Additionally, regulatory authorities have the power to suspend or revoke permits or licenses needed for our operations, which may affect our customers' willingness to do business with us and/or our ability to conduct business. This, in turn, would impact our revenue and profitability. To date, we have never had any of our operating permits revoked, suspended or non-renewed involuntarily, although it is possible that could occur in the future.

Changes in environmental regulations or entry into related businesses may require us to make significant capital expenditures.

Changes in environmental regulations or our entry into new businesses can require us to make significant capital expenditures. Periodically the government revises rules and regulations regarding the handling and disposal of hazardous waste that requires us and other companies in the environmental services industry to invest in new equipment, training or other areas in order to remain in compliance. Additionally, because we intend to expand our business through the acquisition of complementary businesses, we anticipate the need raised additional capital to support such acquisitions. Future environmental regulations and acquisitions could cause us to make significant additional capital expenditures and adversely affect our results of operations and cash flow.

If our internal growth objectives prove to be inaccurate, our results of operations could be adversely affected.

While we believe that increasing environmental regulations and our growing product and services portfolio provide us with ample growth opportunities, it is possible that we will not be able to achieve our internal growth objectives due to potentialities such as a lack of growth capital, intense competition, regulatory issues, loss of permits and licenses, and other factors. Likewise, while we also intend to grow through acquisition, it is possible that we will be unable to grow this way due to lack of adequate financing, lack of viable acquisition candidates, competition for such acquisitions and other factors. To the extent that our growth objectives prove to be significantly different than actual results, our results of operations could be adversely affected.

Disruptions from terrorist activities or military actions may have an adverse effect on our business.

The continued threat of terrorism within the U.S. and acts of war may cause significant disruption to commerce throughout the world. Our business and results of operations could be materially and adversely affected to the extent that such disruptions result in delays or cancellations of customer orders, delays in collecting cash, a general decrease in corporate spending, or our inability to effectively market, manufacture or ship our products. We are unable to predict whether war and the threat of terrorism or the responses thereto will result in any long-term commercial disruptions or if such activities or responses will have any long-term material adverse effect on our business, results of operations, financial condition or cash flows.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

The JOBS Act permits "emerging growth companies" like us to rely on some of the reduced disclosure requirements that are already available to companies having a public float of less than \$75 million, for as long as we qualify as an emerging growth company. During that period, we are permitted to omit the auditor's attestation on internal control over financial reporting that would otherwise be required by the Sarbanes-Oxley Act. Companies with a public float of \$75 million or more must otherwise procure such an attestation beginning with their second annual report after their initial public offering. For as long as we qualify as an emerging growth company, we are also excluded from the requirement to submit "say-on-pay", "say-on-pay frequency" and "say-on-parachute" votes to our stockholders and may avail ourselves of reduced executive compensation disclosure compared to larger companies. In addition, as described in the following risk factor, as an emerging growth company we can take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies.

Until such time as we cease to qualify as an emerging growth company, investors may find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

At such time as we cease to qualify as an "emerging growth company" under the JOBS Act, the costs and demands placed upon management will increase.

We will continue to be deemed an emerging growth company until the earliest of (i) the last day of the fiscal year during which we had total annual gross revenues of \$1,000,000,000 (as indexed for inflation), (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of common stock under a registration statement under the Securities Act ; (iii) the date on which we have, during the previous 3-year period, issued more than \$1,000,000,000 in non-convertible debt; or (iv) the date on which we are deemed to be a 'large accelerated filer' as defined by the SEC, which would generally occur upon our attaining a public float of at least \$700 million. Once we lose emerging growth company status, we expect the costs and demands placed upon management to increase, as we would have to comply with additional disclosure and accounting requirements, particularly if our public float should exceed \$75 million.

We will incur significant costs as a result of becoming a reporting public company, and our management will be required to devote substantial time to new compliance requirements, including establishing and maintaining internal controls over financial reporting, and we may be exposed to potential risks if we are unable to comply with these requirements.

As a reporting public company, we will incur significant legal, accounting and other expenses under the Sarbanes-Oxley Act of 2002, together with rules implemented by the Securities and Exchange Commission and applicable market regulators. These rules impose various requirements on public companies, including requiring certain corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Compliance with Section 404 may require that we incur substantial accounting expenses and expend significant management efforts. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, the market price of our stock could decline if investors and others lose confidence in the reliability of our financial statements and we could be subject to sanctions or investigations by the SEC or other applicable regulatory authorities

We do business in a highly competitive industry and compete with companies that have substantially more resources than we do.

The industrial services industry is highly competitive. Several of the companies with which we compete are larger, offer more services and products, have better access to growth capital, have larger sales and marketing departments and larger workforces and other advantages that may make it difficult for us to win new business when in competition with them.

Our stock is considered a "penny stock," and is therefore considered risky.

OTC Bulletin Board and Pink Sheet stocks, and especially those being offered for less than \$5.00 per share, are often known as "penny stocks" and are subject to various regulations involving disclosures to be given to you prior to the purchase of any penny stocks. Penny stocks are low priced securities that do not have a very high trading volume. Consequently, the price of the stock is often times volatile and you may not be able to buy or sell the stock when you want. With certain exceptions, brokers selling our stock must adhere to regulations, which include the following:

- Brokers must provide you with a risk disclosure document relating to the penny stock market.
- Brokers must disclose price quotations and other information relating to the penny stock market.
- Brokers must disclose any compensation they receive from the sale of our stock.
- Brokers must provide a disclosure of any compensation paid to any associated persons in connection with transactions relating to our stock.
- Brokers must provide you with quarterly account statements.
- Brokers may not sell any of our stock that is held in escrow or trust accounts.
- Prior to selling our stock, brokers must approve your account for buying and selling penny stocks.
- Brokers must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction.

These additional sales practices and disclosure requirements could impede the sale of our securities. In addition, the liquidity for our securities may be adversely affected, with related adverse effects on the price of our securities.

We have not paid and do not expect in the foreseeable future to pay dividends on our common stock.

We have not paid and do not anticipate paying for the foreseeable future any dividends on our common stock. We intend to reinvest future earnings, if any, into the operation and expansion of our business and payment of our outstanding debt.

Certain directors and officers own substantial amounts of our common stock and, as a group, will have the ability to exercise substantial influence over matters submitted to our stockholders for approval.

As of December 31, 2012, Michael J. Cardillo, founder, director and president of our REGS, LLC subsidiary, and J John Combs III, president, CEO and director of SEER, beneficially held approximately 33.4% of our outstanding common stock. As a result, our directors and officers may be able to exercise substantial influence over matters submitted to our stockholders for approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. These stockholders may also delay or prevent a change of control even if such a change of control would benefit our other stockholders. The significant concentration of stock ownership might cause the trading price of our common stock to decline if investors were to perceive that conflicts of interest may exist or arise over any such potential transactions. Potential future sales of common stock by our directors and executive officers, and our other principal stockholders, may cause our stock price to fall.

General risk statement.

Based on all of the foregoing, we believe it is possible for future revenue, expenses and operating results to vary significantly from quarter to quarter and year to year. As a result, quarter-to-quarter and year-to-year comparisons of operating results are not necessarily meaningful or indicative of future performance. Furthermore, we believe that it is possible that in any given quarter or fiscal year our operating results could differ from the expectations of public market analysts or investors. In such event or in the event that adverse conditions prevail, or are perceived to prevail, with respect to our business or generally, the market price of our common stock would likely decline.

ITEM 2. FINANCIAL INFORMATION

Selected Financial Data

The selected historical consolidated financial data set forth below for each of the years in the two-year period ended December 31, 2012 and 2011 has been derived from our audited consolidated financial statements contained in Exhibit 99.1 to this Report on Form 10. The selected historical consolidated financial data set forth below as of March 31, 2013 and for the three months ended March 31, 2013 and 2012 has been derived from our unaudited consolidated interim financial statements contained in Exhibit 99.1 to this Report on Form 10. The following selected financial data should be read in conjunction with “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations”, the consolidated financial statements and the notes thereto and other financial information included elsewhere in this Report on Form 10.

	Three Months Ended March 31,		Years Ended December 31,	
	2013	2012	2012	2011
Consolidated Statements of Operations Data:				
Revenues	\$ 2,568,800	\$ 1,102,800	\$ 6,841,400	\$ 6,568,100
Operating loss	(216,600)	(343,000)	(1,621,300)	(1,250,300)
Net loss	(239,900)	(416,500)	(1,689,100)	(1,569,900)
Non controlling interest	(68,400)	—	(199,700)	—
Net loss attributable to SEER common stockholders	\$ (171,500)	\$ (416,500)	\$ (1,489,400)	\$ (1,569,900)
Net loss per share, basic and diluted	\$ (.01)	\$ (.02)	\$ (.05)	\$ (.06)
Weighted average shares outstanding – basic and diluted	41,281,000	27,498,100	32,963,000	26,056,100
		As of March 31,	As of December 31,	
		2013	2012	2011
Consolidated Balance Sheet Data:				
Total assets		\$ 3,251,000	\$ 2,799,700	\$ 2,111,400
Total debt		\$ 4,213,900	\$ 4,022,400	\$ 4,153,400
Total stockholder’s deficit		\$ (962,900)	\$ (1,222,700)	\$ (2,042,000)

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist in understanding our business and the results of our operations. It should be read in conjunction with the Consolidated Financial Statements and the related footnotes and "Risk Factors" that appear elsewhere in this Report. Certain statements in this Report constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, among others, uncertainties relating to general economic and business conditions; industry trends; changes in demand for our products and services; uncertainties relating to customer plans and commitments and the timing of orders received from customers; announcements or changes in our pricing policies or that of our competitors; unanticipated delays in the development, market acceptance or installation of our products and services; changes in government regulations; availability of management and other key personnel; availability, terms and deployment of capital; relationships with third-party equipment suppliers; and worldwide political stability and economic growth. The words "believe," "expect," "anticipate," "intend" and "plan" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. Unless the context requires otherwise, when we refer to "we," "us" and "our," we are describing SEER and its consolidated subsidiaries on a consolidated basis.

Overview

SEER was formed as a publicly traded company in early 2008 through a reverse merger. SEER is dedicated to assembling complementary service and product businesses that provide safe, innovative, cost effective, and profitable solutions in the oil & gas, environmental, waste management and renewable energy industries. SEER currently operates four companies with three offices in the western and mid-western U.S. These companies have licensed and owned technologies with field use installations throughout the U.S.

The Company's domestic strategy is to grow internally through SEER's existing customer base and subsidiaries that have well established revenue streams and, simultaneously, establish long-term alliances with and/or acquire complementary domestic businesses in rapidly growing markets for environmental, water treatment and oil & gas services. At the same time, SEER intends to increase sales of new and patent-pending technologies into the fast growing markets of vapor/emission capture and control, renewable "green gas" capture and sale, CNG fuel generation, as well as medical and pharmaceutical waste destruction. Many of SEER's current operating companies share customer bases and each provides truly synergistic services and products.

Financial Condition

At March 31, 2013 we had negative working capital of \$1.25 million compared to negative working capital of \$1.4 million at December 31, 2012. At December 31, 2012, we had approximately \$1.4 million in negative working capital, which represents a decrease (an improvement) of approximately \$1 million from negative working capital at December 31, 2011 of \$2.1 million. The decreases in negative working capital are primarily the result of the use of proceeds from equity financing to reduce payables and finance the loss from operations.

As shown in the accompanying consolidated financial statements, the Company has experienced recurring losses, and has accumulated a deficit of approximately \$11.77 million as of March 31, 2013, \$11.6 million as of December 31, 2012 and for the years ended December 31, 2012, and 2011, we incurred net losses of approximately \$1.7 million and \$1.57 million, respectively. For the three months ended March 31, 2013 we incurred a loss of \$239,900. As of March 31, 2013, our current liabilities exceed our current assets by \$1.25 million. As of December 31, 2012 and 2011, our current liabilities exceeded our current assets by \$1.4 million and \$2.4 million, respectively, and our total liabilities exceeded our total assets by \$1.2 million and \$2 million, respectively.

Realization of a major portion of our assets as of March 31, 2013 and December 31, 2012, is dependent upon our continued operations. Accordingly, we have undertaken a number of specific steps to continue to operate as a going concern. During the quarter ended March 31, 2013 we raised approximately \$494,000 from the sale of common stock. In 2012, we raised approximately \$1.3 million through the sale of common stock and converted approximately \$.7 million in debt to equity. In addition, we have focused on developing organic growth in our operating companies and improving gross and net margins through increased attention to pricing, aggressive cost management and overhead reductions. We made additions to our senior management team to support these initiatives, and focused on streamlining our business model to improve profitability. We also increased our business development efforts in MV to address opportunities identified in expanding markets attributable to increased interest in energy conservation and emission control regulations. For the period January 1, 2013 through April 26, 2013, we raised approximately \$516,000 in equity financing through the sale of common stock and management plans to raise additional equity financing through the sale of common stock. There can be no assurance that the Company will achieve the desired result of net income and positive cash flow from operations in future years. Management believes that current working capital and proceeds from the sale of common stock in 2013 will be sufficient to allow the Company to maintain its operations through December 31, 2013 and into the foreseeable future.

Results of Operations

Results of Operations for the year ended December 31, 2012 compared to the Year Ended December 31, 2011

Total revenues were \$6.9 million and \$6.6 million for the years ended December 31, 2012 and 2011, respectively. The net increase of approximately \$300,000 or 4.5% in revenues comparing the year ended December 31, 2012 to the year ended December 31, 2011 is primarily attributable to the increase in revenues from our industrial cleaning segment of approximately \$743,000 offset by a reduction in revenues from our environmental solutions segment of approximately \$349,000. The reduction in revenue from our environmental solutions segment is the result of fewer projects than in 2011. The increase in revenues from our industrial cleaning segment was due to the cyclical nature of tank cleaning in the refining industry and recovering from an interruption of service from a major client who had a change of ownership in 2011. This change in ownership impacted revenues negatively in late 2011 and early 2012.

Operating costs, which include cost of products, cost of services and selling, general and administrative (SG&A) expenses, was \$8.5 million for the year ended December 31, 2012 compared to \$7.8 million for the year ended December 31, 2011. The decline in product cost in our environmental solutions segment in 2012 is directly attributable to the decrease in product revenue in 2012 compared to 2011. The increase in service costs in our industrial cleaning and rail car cleaning segments from 2011 to 2012 is directly attributable to an increase in service income from 2011 to 2012. As noted above revenues from our industrial cleaning segment increased approximately \$743,000 but was offset by a reduction in revenues from our environmental solutions segment of approximately \$349,000. In addition, certain efficiencies are achieved as revenues increase so we see an improved service margin (service revenue-service costs) in 2012 compared to 2011. As a result of a net increase in service revenues we are able to better utilize our staff more fully with significantly less down or non-billable time. SG&A expense increased from approximately \$3.4 million in 2011 to approximately \$4.1 million in 2012. Stock issued for services, a component of SG&A, increased from \$96,000 in 2011 to \$512,000 in 2012. In addition, salaries and wages, the single largest component of SG&A, increased from \$1.1 million in 2011 to \$1.2 million in 2012. Research and development was \$412,000 in 2012 compared to \$2,000 in 2011 and is entirely attributable to the R&D spending in 2012 in the medical waste segment.

Other expense was \$67,800 in 2012 and \$338,600 in 2011. Other expense in 2011 was primarily comprised of interest expense of \$188,000, penalties and fees of \$105,000 and loss on disposition of equipment of \$63,000. In 2012, other expense was primarily comprised of interest expense of \$304,000, penalties and fees of \$26,000, offset by a gain on debt conversion of \$306,000. There was no loss on disposition of equipment in 2012.

There is no provision for income taxes for both the year ended December 31, 2012 and 2011, due to our net losses for both periods.

Net loss for the year ended December 31, 2012 was \$1.69 million compared to a net loss of \$1.57 million for the year ended December 31, 2011. The net loss attributable to SEER after deducting \$199,600 for the non-controlling interest was \$1.49 million for 2012 as compared to \$1.57 million for 2011. There was no non-controlling interest in 2011. Despite the \$273,000 increase in revenues over 2011, that increased revenue was offset by SG&A costs as noted above.

Changes in Cash Flow

Operating Activities

Net cash used by operating activities during the year ended December 31, 2012 was \$1.45 million compared to \$74,800 net cash used by operating activities during the year ended December 31, 2011. Cash used by operating activities is driven by our net loss and adjusted by non-cash items and changes in operating assets and liabilities. Non-cash adjustments primarily include depreciation, amortization of intangible assets and stock based compensation expense. In 2011, net non-cash adjustments totaled \$1,046,000 and in 2012, net non-cash adjustments totaled \$830,000. In 2012, the net effect of changes in operating assets and liabilities was a reduction of cash by approximately \$587,000, primarily due to an increase in accounts receivable of \$816,400 from 2011 to 2012, an increase in restricted cash of \$220,000 in 2012 compared to none in 2011 offset by a reduction in costs in excess of billings on uncompleted contracts of \$130,400, an increase of \$156,400 in accrued liabilities and related party notes payable and accrued interest and an increase of \$289,400 in billings in excess of revenue on uncompleted contracts. This increase in accounts receivable is primarily due to a substantial increase in revenues in the 4th quarter of 2012 compared to the 4th quarter of 2011. The restricted cash in 2012 were funds set aside for payment to the IRS for past due payroll taxes. The increase in accrued liabilities and related party notes payable and accrued interest in 2012 was primarily increases in deferred compensation and accrued bonuses. In 2012 virtually all costs on long term contracts had been billed to customers in accordance with the terms of the contracts whereas in 2011 contract costs could not yet be billed in accordance with the terms of the contract. Billings in excess of revenue on uncompleted contracts increased in 2012 compared to 2011 primarily due to the timing of the entering into long term contracts and the terms of the contracts which usually allowed us to bill customers in advance of us incurring costs. The reduction of payroll taxes in 2012 was primarily due to the payments that were made to the IRS whereas in 2011 due to cash constraints not all payroll taxes were paid timely. In 2011, the effect of the changes in operating assets and liabilities was an increase in cash of approximately \$489,000 mainly attributable by an increase in accounts payable of \$342,000.

Investing activities

Net cash used in investing activities is primarily attributable to capital expenditures. Our capital expenditures were \$77,000 and \$101,000 for the years ended December 31, 2012 and 2011, respectively.

Financing Activities

Net cash provided by financing activities was \$1.5 million for 2012 compared to \$176,000 for 2011. The significant increase in 2012 was attributable to proceeds from the sale of common stock of \$1.3 million, proceeds from debt financing of \$575,000 offset by \$309,000 in payments on notes payable and capital lease obligations, \$69,000 in payments on related party notes payable in 2012 compared to 2011 proceeds from the sale of common stock of \$199,000, proceeds from notes payable of \$105,000, proceeds of \$61,000 from related party notes payable, offset by \$173,000 in payments on notes payable and capital lease obligations and \$16,000 in payments on related party notes payable.

Results of Operations for the Three Months ended March 31, 2013 compared to the Three Months Ended March 31, 2012

Total revenues were \$2.57 million and \$1.10 million for the three months ended March 31, 2013 and 2012, respectively. The increase of approximately \$1.47 million or 134% in revenues comparing the quarter ended March 31, 2013 to the quarter ended March 31, 2012 is primarily attributable to the increase in revenues from our industrial cleaning and environmental solutions segments. Our environmental solutions segment revenue increased by approximately \$696,000 comparing 2013 to 2012 as a result of additional projects. Our industrial cleaning segment revenues increased \$766,000 comparing 2013 to 2012, and the increase is attributable to the cyclical nature of tank cleaning in the refining industry and a recovery from an interruption of service from a major client who had a change of ownership in late 2011. The change in ownership had a negative impact of revenues in early 2012.

Operating costs, which include cost of products, cost of services and selling, general and administrative (SG&A) expenses, was \$2.78 million for the quarter ended March 31, 2013 compared to \$1.45 million for the quarter ended March 31, 2012. The increase from the quarter ended March 31, 2012 to 2013 was primarily attributable the 134% increase in revenues which resulted in an increase of \$875,000, or 119%, in product and service costs. Service costs as a percentage of service revenues was fairly consistent comparing 2013 to 2012. Product costs as a percentage of product revenues improved significantly comparing 2013 to 2012. This improvement is primarily due to operational efficiencies that are achieved with an increase in revenues. The industrial cleaning segment maintains a minimum number of workers, due to an expertise that is required, that are available for projects. In early 2012, these industrial cleaning crews were not utilized to their fullest resulting in idle costs. In addition SG&A expense increased from approximately \$465,000 to approximately \$1,175,000. PWS was a newly formed entity and SG&A costs were \$149,000, which includes \$93,000 in research and development, for the quarter ended March 31, 2013 compared to \$0 for the quarter ended March 31, 2012. In addition, salaries and wages, the single largest component of SG&A, increased from \$289,000 in Q1 2012 to \$400,000 in Q1 2013.

Other expense, net was \$23,300 for the quarter ended March 31, 2013 compared to \$73,500 for the quarter ended March 31, 2012. Other expense is primarily comprised of interest expense. The primary reason for the decrease in interest expense is the reduction in interest bearing debt by approximately \$700,000.

There is no provision for income taxes for both the quarter ended March 31, 2013 and 2012, due to our net losses for both periods.

Net loss for the quarter ended March 31, 2013 was \$239,900 compared to a net loss of \$416,500 for the quarter ended March 31, 2012. The net loss attributable to SEER after deducting \$68,400 for the non-controlling interest was \$171,500 for the quarter ended March 31, 2013 as compared to \$416,500 for the quarter ended March 31, 2012.

Changes in Cash Flow

Operating Activities

Net cash used by operating activities for the quarter ended March 31, 2013 was \$201,700 compared to net cash used by operating activities for the quarter ended March 31, 2012 of \$280,500. The reduction in the net cash used in operating activities is the result of our decrease in our net loss. Cash used by operating activities is driven by our net loss and adjusted by non-cash items. Non-cash adjustments primarily include depreciation, amortization of intangible assets and stock based compensation expense. Additionally, the timing of cash receipts and cash disbursements affects our operating assets and cash balances.

Investing activities

Net cash used in investing activities is primarily attributable to capital expenditures. Our capital expenditures were \$191,800 and \$22,600 for the quarter ended March 31, 2013 and 2012, respectively.

Financing Activities

Net cash provided by financing activities was \$453,300 for the quarter ended March 31, 2013 compared to \$270,000 for quarter ended March 31, 2012. The increase is mainly attributable to an increase in proceeds from the sale of common stock for the quarter ended March 31, 2013 compared to the quarter ended March 31, 2012.

Critical Accounting Policies, Judgments and Estimates

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make a number of estimates and assumptions related to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of intangible assets; valuation allowances and reserves for receivables, inventory and deferred income taxes; revenue recognition related to contracts accounted for under the percentage of completion method; share-based compensation; and loss contingencies, including those related to litigation. Actual results could differ from those estimates.

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are recorded at the invoiced amounts less an allowance for doubtful accounts and do not bear interest. The allowance for doubtful accounts is based on our estimate of the amount of probable credit losses in our accounts receivable. We determine the allowance for doubtful accounts based upon an aging of accounts receivable, historical experience and management judgment. Accounts receivable balances are reviewed individually for collectability, and balances are charged off against the allowance when we determine that the potential for recovery is remote. An allowance for doubtful accounts of approximately \$92,000 and \$300,000 has been reserved as of December 31, 2012 and 2011, respectively.

We are exposed to credit risk in the normal course of business, primarily related to accounts receivable. Our customers operate primarily in the oil production and refining, rail transport, biogas generating and wastewater treatment industries in the United States. Accordingly, we are affected by the economic conditions in these industries as well as general economic conditions in the United States. To limit credit risk, management periodically reviews and evaluates the financial condition of its customers and maintains an allowance for doubtful accounts. As of December 31, 2012, we do not believe that we have significant credit risk.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including accounts receivable and accounts payable, are carried at cost, which approximates their fair value due to their short-term maturities. We believe that the carrying value of notes payable with third parties, including their current portion, approximate their fair value, as those instruments carry market interest rates based on our current financial condition and liquidity. We believe the amounts due to related parties also approximate their fair value, as their carried interest rates are consistent with those of our notes payable with third parties.

Long-lived Assets

We evaluate the carrying value of long-lived assets for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset is considered to be impaired when the anticipated undiscounted future cash flows of an asset group are estimated to be less than its carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows. No impairment was determined as of December 31, 2012 and 2011.

Revenue Recognition

We recognize revenue related to contract projects and services when all of the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. Our revenue is primarily comprised of services related to industrial cleaning and railcar cleaning, which we recognize as services are rendered.

Product revenue generated from projects, which include the manufacturing of products, for removal and treatment of hazardous vapor and gasses is accounted for under the percentage-of-completion method for projects with durations in excess of three months and the completed-contract method for all other projects. Total estimated revenue includes all of the following: (1) the basic contract price (2) contract options and (3) change orders. Once contract performance is underway, we may experience changes in conditions, client requirements, specifications, designs, materials and expectations regarding the period of performance. Such changes are "change orders" and may be initiated by us or by our clients. In many cases, agreement with the client as to the terms of change orders is reached prior to work commencing; however, sometimes circumstances require that work progress without obtaining client agreement. Revenue related to change orders is recognized as costs are incurred if it is probable that costs will be recovered by changing the contract price.. The Company does not incur pre-contract costs.

For contracts accounted for under the percentage-of-completion method, we include in current assets and current liabilities amounts related to construction contracts realizable and payable. Costs and estimated earnings in excess of billings on uncompleted contracts represent the excess of contract costs and profits recognized to date over billings to date, and are recognized as a current asset. Billings in excess of costs and estimated earnings on uncompleted contracts represents the excess of billings to date over the amount of contract costs and profits recognized to date, and are recognized as a current liability.

Stock-based Compensation

We account for stock-based awards at fair value on the date of grant, and recognize compensation over the service period that they are expected to vest. We estimate the fair value of stock options and stock purchase warrants using the Black-Scholes option pricing model. The estimated value of the portion of a stock-based award that is ultimately expected to vest, taking into consideration estimated forfeitures, is recognized as expense over the requisite service periods. The estimate of stock awards that will ultimately vest requires judgment, and to the extent that actual forfeitures differ from estimated forfeitures, such differences are accounted for as a cumulative adjustment to compensation expenses and recorded in the period that estimates are revised.

Recently issued accounting pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all new or revised ASU's.

In December 2011, the FASB issued an amendment to the accounting guidance for disclosure of offsetting assets and liabilities and related arrangements. The amendment expands the disclosure requirements in that entities will be required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The amendment is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013, and shall be applied retrospectively. We do not expect the adoption of this accounting pronouncement to have a material impact on our financial statements when implemented.

In July 2012, the FASB issued guidance which amends the guidance on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the new guidance, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not impaired, the entity would not need to calculate the fair value of the asset. The guidance is effective for the Company for our annual impairment test for fiscal 2014. The adoption of this guidance is not expected to have a significant impact on our consolidated financial position, results of operations, or cash flows.

In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-04, "Technical Corrections and Improvements" in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," ("ASU 2013-02"). ASU 2013-02 adds new disclosure requirements for items reclassified out of accumulated other comprehensive income ("AOCI"). ASU 2013-02 intends to help the Company improve the transparency of changes in other comprehensive income ("OCI") and items reclassified out of AOCI in the Company's financial statements. ASU 2013-02 does not amend any existing requirements for reporting net income or OCI in the Company's financial statements. ASU 2013-02 is effective for annual and interim reporting periods beginning after December 15, 2012. Adoption of this guidance did not have a significant impact on the determination or reporting of the Company's financial results.

In March 2013, the FASB issued ASU 2013-05, “Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity,” (“ASU 2013-05”). The objective of ASU 2013-05 is to clarify the applicable guidance for the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective for annual and interim reporting periods beginning after December 15, 2013 with early adoption permitted. The Company is currently evaluating the impact that the adoption will have on the determination or reporting of its financial results.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our consolidated financial position, consolidated results of operations, or consolidated cash flows due to adverse changes in financial and commodity market prices and rates. As of December 31, 2012 we do not believe we are exposed to significant market risks due to changes in U.S. interest rates or foreign currency exchange rates as measured against the U.S. dollar.

ITEM 3. PROPERTIES

<u>Location</u>	<u>Owned/Leased</u>	<u>Function</u>	<u>Building(s) Sq. Footage</u>	<u>Total Acreage</u>
Commerce City, CO	Leased	Headquarters, operations	10,000	1.5
Denver, CO	Leased	TC2 Rail car cleaning	1,200	1.5
Golden, CO	Leased	MV operations	2,000	n/a
El Dorado, KS	Leased	TC2 Rail car Cleaning	2,200	5.0

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The number of shares beneficially owned includes shares of Common Stock with respect to which the persons named below have either investment or voting power. A person is also deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of that security within 60 days through the exercise of an option or through the conversion of another security. Except as noted, each beneficial owner has sole investment and voting power with respect to the Common Stock.

Common Stock not outstanding that is subject to options or other convertible securities or rights is deemed to be outstanding for the purpose of computing the percentage of Common Stock beneficially owned by the person holding such options or other convertible securities or rights, but is not deemed to be outstanding for the purpose of computing the percentage of Common Stock beneficially owned by any other person.

The following table sets forth information regarding the beneficial ownership of Strategic Environmental & Energy Resources' common stock as of March 31, 2013, by (i) each person known to beneficially own more than 5% of the common stock of the Company, (ii) each of the Company's executive officers, (iii) each member of the Board of Directors of the Company and (iv) all of the executive officers and Board members as a group. As of May 31, 2013, approximately 43,145,434 shares of our Common Stock were issued and outstanding.

Name and Address of Beneficial Owners	Number of Shares Beneficially Owned (1)	Percentage of Class
Joseph John Combs CEO, President, Chairman 7801 Brighton Road, Commerce City, CO 80022	5,378,473(2)	12.4%
Michael Cardillo President, REGS 7801 Brighton Road, Commerce City, CO 80022	4,997,474(3)	11.5%
John Jenkins Executive Vice President and Director of SEER and President of MV LLC 7801 Brighton Road, Commerce City, CO 80022	169,000(4)	0.4%
Monty R. Lamirato Acting Chief Financial Officer 7801 Brighton Road, Commerce City, CO 80022	—	—
Chris Dieterich Director and Secretary 7801 Brighton Road, Commerce City, CO 80022	7,493(5)	*
Fortunato Villamagna President, PWS 7801 Brighton Road, Commerce City, CO 80022	1,370,000(6)	3.16%
Clyde Berg 10050 Bandlely Drive Cupertino, CA 95014-2102	3,115,000(7)	7.04%
Ahmed Al Neama JASMIN AL-ASFOOR TOWER 3RD FL MIRQAB KUWAIT CITY KUWAIT	2,400,000(8)	5.56%
Nigel Hunter JASMIN AL-ASFOOR TOWER 3RD FL MIRQAB KUWAIT CITY KUWAIT	2,250,000(9)	5.21%
All Officers and Directors as a Group (6 persons)	11,992,439	27.0%

* Less than one percent.

- (1) “Beneficial ownership” is defined in the regulations promulgated by the U.S. Securities and Exchange Commission as having or sharing, directly or indirectly (1) voting power, which includes the power to vote or to direct the voting, or (2) investment power, which includes the power to dispose or to direct the disposition, of shares of the common stock of an issuer. The definition of beneficial ownership includes shares underlying options or warrants to purchase common stock, or other securities convertible into common stock, that currently are exercisable or convertible or that will become exercisable or convertible within 60 days. Unless otherwise indicated, the beneficial owner has sole voting and investment power.
- (2) Consists of 5,106,315 shares owned by Mr. Combs and options to purchase 272,158 shares of common stock, which are currently exercisable.
- (3) Consists of 4,725,316 shares owned by M. Cardillo and options to purchase 272,158 shares of common stock, which are currently exercisable
- (4) Consists of options to purchase 144,000 shares of common stock and warrant to purchase 25,000 shares of common stock, both of which are currently exercisable.
- (5) Consists of options to purchase 7,493 shares of common stock, which are currently exercisable
- (6) Consists of 1,120,000 shares owned by Black Stone Management Services, Inc. LLC, owned 100 % by Mr. Villamagna and warrants to purchase 250,000 shares of common stock, which are currently exercisable.
- (7) Consists of 1,990,000 shares owned by Mr. Berg and warrants to purchase 1,125,000 shares of common stock, which are currently

exercisable

- (8) Consists of 2,400,000 shares owned by Mr. Al-Neama
- (9) Consists of 2,25,000 shares owned by Mr. Hunter

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information concerning the individuals that are currently serving as executive officers and/or members of the board of directors of SEER. Each of the biographies of the directors listed below also contains information regarding such person's service as a director, business experience, director positions with other public companies held currently or at any time during the past five years, and the experience, qualifications, attributes and skills that the board of directors considered in selecting each of them to serve as a director of SEER.

Joseph John Combs III, Esq., 55, CEO, Chairman, and President. Mr. Combs, a SEER Founder, is currently Chairman of the Board of Directors, and CEO. He also serves as General Counsel. Mr. Combs has been Vice President of REGS since 2004, was the founder and President of Tactical Cleaning in 2005, and remains its President. Before joining the Company he owned and operated the law firm of Combs & Associates from 1989 to 2003. Prior to that he was an associate in the law firm of Berman & Blanchard in Los Angeles from 1987 to 1989, and an associate in the law firm of Parker, Milliken, Clark, O'hara & Samuelian, in Los Angeles from 1983 to 1987. His experience in private practice has included corporate maintenance, international finance, and business litigation. Over the last 30 years he has served as an officer and director of various sized corporations, both public and private, and is currently a Director and Officer of Armada Water Assets, Inc. He received his B.A. from the University of Colorado, with honors, and a *Juris Doctorate* from Duke University School of Law in 1983. Mr. Combs has managerial and investing experience in a broad range of businesses as well experience serving on the boards of directors and committees of both public and private entities. As of this date, he receives an Annual Salary of \$165,000, effective January 1, 2013.

John Jenkins, 62, Executive Vice President and Director of SEER and President of MV LLC. Since January 2011 he has served and continues to serve as a member of the Company's Board of Directors as well as Company's Executive Vice President, and President of MV LLC, one of the Company's wholly owned operating entities. For the five years immediately prior to his engagement by the Company, he served as a consultant to a number of small technology companies, providing support for operating and strategy development as well as corporate governance. John obtained his B.S. in Mechanical Engineering from the University of Washington in 1973 and a *Juris Doctorate* from the University of Denver in 1977. Mr. Jenkins has managerial and investing experience in a broad range of businesses as well experience serving on the boards of directors and committees of both public and private entities. His current compensation includes an Annual Salary of \$100,000, effective January 1, 2013, and participation in an incentive compensation program.

Christopher H. Dieterich, 65, Secretary and Director. Chris is the founder and managing partner of Dieterich & Associates, a litigation and commercial law firm based in Los Angeles, California, providing legal services to entrepreneurial and emerging technology companies during the past 33 years. His firm specializes in venture capital and private equity financings, as well as in SEC compliance issues for public companies. He obtained his undergraduate engineering degree from Virginia Tech, graduate engineering degree from UC Berkeley (1970) and graduated from the joint Law and Economics program at UCLA in 1979, after serving six years in the US Air Force as a flight instructor in advanced jets. He has been an officer and director of the Company since 2008, currently working on expanding the reach of the Paragon CoronaLux systems. Mr. Dieterich has managerial and investing experience in a broad range of businesses as well experience serving on the boards of directors and committees of both public and private entities. He receives no salary from the Company.

Monty Lamirato, 57, Acting Chief Financial Officer Mr. Lamirato has been our Acting Chief Financial Officer since joining the Company as a consultant on March 1, 2013. Prior to joining the Company, Mr. Lamirato has been a consulting Chief Financial Officer from April 2009 and served as Chief Financial Officer of ARC Group Worldwide, Inc., a provider of wireless network components, from August 2001 to March 2009, as the VP Finance for GS2.Net, Inc, an application service provider, from November 2000 to May 2001, and from June 1999 to October 2000 he served as VP Finance for an e-commerce retailer. Mr. Lamirato has been a certified public accountant in the State of Colorado since 1978.

By the end of 2013, the Company intends to increase the size of the Board and add independent directors.

ITEM 6. EXECUTIVE COMPENSATION

The above section sets forth information concerning total compensation earned or paid to officers of the Company for services rendered during the fiscal year ended on that date. There are no written employment agreements or contracts with any named executives.

Name and Title	Fiscal Year	Base Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total Compensation
J. John Combs III President/CEO	2012	\$ 125,000	—	—	\$ 13,500	—	—	—	\$ 138,500
	2011	\$ 125,000	—	—	—	—	—	—	\$ 125,000
Chris Dieterich Secretary, Director	2012	—	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—
John Jenkins Executive Vice President, Director	2012	\$ 72,000	—	—	\$ 10,800	—	—	—	\$ 82,800
	2011	\$ 72,000	—	—	—	—	—	—	\$ 72,000
Fortunato Villamagna President, Paragon Waste Systems	2012	\$ 150,000	—	—	—	—	—	—	\$ 150,000
	2011	—	—	—	—	—	—	—	—
Mike Cardillo President, REGS LLC	2012	\$ 125,000	—	—	\$ 13,500	—	—	—	\$ 138,500
	2011	\$ 125,000	—	—	—	—	—	—	\$ 125,000

Grants of Plan-Based Awards

Name and Principal Position	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Award	Grant Date Fair Value of Awards
J. John Combs III, CEO, President	3/31/10	—	92,250	\$ 1.00	\$ 52,600
	1/1/2012	—	300,000	\$.50	\$ 13,500
John Jenkins, Executive VP, Director	1/1/2012	—	240,000	\$.50	\$ 10,800
Chris Dieterich, Secretary, Director	—	—	—	—	—
Fortunato Villamagna, President PWS	—	—	—	—	—
Mike Cardillo, President REGS	3/31/2010	—	92,250	\$ 1.00	\$ 52,600
	1/1/2012	—	300,000	\$.50	\$ 13,500

The Company has not adopted a qualified incentive plan. No options were exercised by the executive officers during the years ended December 31, 2012 and 2011.

Outstanding Equity Awards at Fiscal Year-End December 31, 2012

Name	Option Awards			Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price \$(c)	
J John Combs III, CEO, President	227,250(b)	165,000(b)	\$.64	12/31/15
John Jenkins, Executive VP, Director	108,000(a)	132,000(a)	\$.50	12/31/15
Chris Dieterich, Secretary, Director	—	—	—	—
Fortunato Villamagna, President PWS	—	—	—	—
Mike Cardillo, President REGS	227,250(b)	165,000(b)	\$.64	12/31/15

(a) These options were issued on January 1, 2012 and 15% vest on January 1, 2012, 15% vest on June 30, 2012, 15% vest on December 31, 2012, 15 % vest on June 30, 2013, 15% vest on December 31, 2013, 15% vest on June 30, 2014 and 10% vest on December 31, 2014.

(b) 276,500 options were issued on March 31, 2010 but retroactive to January 1, 2009, of which 92,250 are exercisable until December 31, 2013. 300,000 options were issued on January 1, 2012 and 15% vest on January 1, 2012, 15% vest on June 30, 2012, 15% vest on December 31, 2012, 15 % vest on June 30, 2013, 15% vest on December 31, 2013, 15% vest on June 30, 2014 and 10% vest on December 31, 2014.

(c) Represents weighted average exercise price.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

For general securities representation, the companies utilize the services of Dieterich & Associates. In 2012, total fees paid to that firm were approximately \$8,795.00. Fees paid are reviewed by the other directors and compared against law firms offering similar securities expertise on an annual basis.

In 2010, the Company and Black Stone Management Services, LLC ("Black Stone") formed PWS whereby 1,000,000 membership units were issued, the Company acquired 60% (600,000) of the membership units in PWS and Black Stone acquired 40% (400,000) of the membership units in PWS, respectively. Fortunato Villamagna, who serves as President of our subsidiary PWS, is a managing member and Chairman of Black Stone. In June 2012, the Company and Blackstone each allocated 10% of their respective membership units in PWS to two individuals, one of which is Mr. Combs, CEO/President of the Company and one which is Mr. Cardillo, a shareholder of the Company and President of a REGS. There was no value to the units at the time of the allocation. As of December 31, 2012 the Company owns 54% of the membership units, Black Stone 36% of the membership units and two related party individuals, noted above, each own 5% each of the membership units.

In August, 2011, we acquired certain waste destruction technology intellectual property (the "IP") from Black Stone in exchange for 1,000,000 shares of our common stock valued at \$100,000. As noted above Mr. Villamagna, who serves as President of our subsidiary PWS, is a managing member and Chairman of Black Stone. We estimated the useful life of the IP at ten years, which was consistent with the useful life of other technology included in our intangible assets, and management's initial assessment of the potential marketability of the IP.

Notes payable, related parties

In February 2011, we executed a secured, promissory note with one of our officers, Mr. John Jenkins, in the amount of \$50,000 (the "2011 Officer Note"). The 2011 Officer Note is secured by certain assets in MV and bears interest at 8% per annum and was originally due on August 15, 2011. It is currently due on demand. As additional consideration, we issued to the officer a five-year warrant to purchase 25,000 shares of our common stock at an exercise price of \$0.60 per share. We valued the warrant at approximately \$6,000 using the Black-Scholes model and recorded this amount as a debt discount. The debt discount was fully amortized during 2011.

Notes payable, related parties and accrued interest due to certain related parties as of March 31, 2013 and December 31, 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Note payable dated February 2004, bearing interest at 8% per annum, originally due January 2008; assigned to CEO, Mr. Combs, by a third party in 2010; due on demand, in default	\$ 97,000	\$ 97,000
Note payable due to Mr. Cardillo, President of our subsidiary, REGS, interest at 8% per annum, originally due February 2009, in default	2,300	4,200
2011 Officer Note (see description above), in default	50,000	50,000
Accrued interest	<u>42,100</u>	<u>39,200</u>
	<u>\$ 191,400</u>	<u>\$ 190,400</u>

Director Independence

As of this filing, none of the directors is considered independent. In 2013, the company intends to identify and elect two or more independent directors.

Board Meetings and committees; annual meeting attendance

There were two board meetings held in 2012, both of which were fully attended by the three directors.

There is no Nominating Committee for directors, which the Company considers reasonable, as there is no direct compensation to directors who are not also officers, and there is no liability insurance available for errors and omissions, should they occur. Therefore, the Company has found it extremely difficult to attract independent directors.

Audit Committee

In 2013, the Company intends to form an audit committee to oversee all matters related to the Company's financial activities and reporting requirements.

Audit Committee Financial Expert

None

Compensation Committee

In 2013, the Company intends to form a compensation committee to oversee all matters related to the Company's compensation plans and packages.

Promoters and Certain Control Persons

During the Private Placement of 2011, the Company issued 320,000 shares to Corporate Capital Group, as brokerage fees, and an additional 320,000 warrants having a three-year exercise period and a strike price of \$0.50 per share. This compensation was valued at \$15,000.

ITEM 8. LEGAL PROCEEDINGS

We are and may be involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of business. Although it is not possible to predict with certainty the outcome of these unresolved actions, we do not believe, based on current knowledge, that any legal proceeding or claim is likely to have a material adverse effect on our financial position, results of operations or cash flows.

In 2009 and 2010, the Company became delinquent for unpaid federal employer and employee payroll taxes and accrued interest and penalties related to the unpaid payroll taxes. Additionally, we had amounts outstanding for certain unpaid state payroll taxes and accrued interest and penalties applicable to 2012 and 2011. All interest and penalties related to the delinquent federal and state payroll taxes are included in the section labeled "other income and expenses" in the consolidated statement of operations.

In September 2011, we received approval from the IRS to begin paying our outstanding federal payroll tax and related interest and penalties liabilities totaling approximately \$971,000, for the aforementioned years in installments (the "Installment Plan"). Under the Installment Plan, we were required to pay minimum monthly installments of \$12,500 commencing September 2011, which increased to \$25,000 per month in September 2012, until the liability is paid in full. Through the duration of the Installment Plan, the IRS continues to charge penalties and interest at statutory rates. If the conditions of the Installment Plan are not met, the IRS may cancel it and may demand the outstanding liability to be repaid through a levy on income, bank accounts or other assets, or by seizing certain of our assets. Additionally, the IRS has filed a notice of federal tax lien against certain of our assets to satisfy the obligation. The IRS is to release this lien if and when we pay the full amount due. As of December 31, 2012 and 2011, the outstanding balance due to the IRS was \$1,045,400, and \$1,103,500, respectively. Two of the officers' of the Company also have liability exposure for a portion of the taxes if the Company does not pay them.

As of December 31, 2012 and 2011, the amounts due for past due state payroll taxes, interest and penalties, was \$35,400, and \$32,100, respectively.

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information for Common Stock

There is currently no public trading market for our common stock. Since January 22, 2008, our common stock has been listed on the Pink Sheets under the symbol "SENR." The following table sets forth the range of high and low bid prices since the debut of public trading in our shares. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions.

	For the Years Ended December 31,			
	2011		2012	
	High	Low	High	Low
First Quarter	\$ 1.15	\$.90	\$.90	\$.40
Second Quarter	\$.90	\$.06	\$.58	\$.40
Third Quarter	\$.90	\$.15	\$.52	\$.10
Fourth Quarter	\$.90	\$.15	\$.45	\$.34

	For the Quarter Ended March 31, 2013			
	High	Low	High	Low
First Quarter	\$.75	\$.41		

Stockholders

As of March 31, 2013, there were approximately 108 shareholders holding 42,245,300 common shares issued and outstanding. There are no preferred shares issued or outstanding.

Dividends

We have not declared or paid a cash dividend on our common stock. We currently intend to retain future earnings, if any, to finance the growth and development of our business and, therefore, do not anticipate paying cash dividends in the foreseeable future.

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES

2010

During 2010 the Company issued 1,165,000 shares of common stock in connection with the sale of common stock to accredited investors receiving gross proceeds of \$558,500.

In 2010, the Company issued 40,000 shares of common stock for services valued at \$17,200.

In 2010, the Company issued 400,000 shares of common stock upon conversion of a note payable and accrued interest into common stock. The common stock was valued at \$172,388.

2011

During 2011 the Company issued 920,000 shares of common stock in connection with the sale of common stock to accredited investors receiving gross proceeds of \$199,000.

In 2011, the Company issued 240,700 shares of common stock upon conversion of a note payable into common stock. The common stock was valued at \$103,500.

In 2011, the Company issued 460,000 shares of common stock for services valued at \$46,400.

In 2011, the Company issued 1,000,000 shares of common stock for the purchase of an asset valued at \$100,000.

In 2011, the Company issued 100,000 in connection with the extension of a non-binding agreement valued at \$50,000.

In 2011 we issued 115,301 warrants for services valued at \$19,900.

In 2011, the Company granted 132,000 options to purchase common stock at an exercise price of \$1.00 per share. The options vest over three years.

2012

During 2012 the Company issued 6,225,000 shares of common stock in connection with the sale of common stock to accredited investors receiving gross proceeds of \$1,315,000

In 2012, the Company issued 350,000 share of common stock, valued at \$56,000, in connection with the sale of convertible debt to accredited investors. Pursuant to the terms of the convertible debt, 1,790,500 shares of common stock, valued at \$358,100, were issued upon conversion of principal and unpaid interest into common stock

In 2012, the Company issued 900,000 shares of common stock upon conversion of a note payable into common stock. The common stock was valued at \$148,500.

In 2012, the Company issued 3,100,000 shares of common stock for services valued at \$511,500.

In 2012, the Company issued 500,000 shares of common stock in connection with a common stock subscription.

In 2012, the Company granted 1,800,000 options to purchase common stock to officers and employees at an exercise price of \$.50 per share. These options vest over the period January 1, 2012 to December 31, 2014.

2013

During period January 1, 2013 through May 31, 2013 the Company issued 2,916,000 shares of common stock in connection with the sale of common stock to accredited investors receiving gross proceeds of \$729,000.

The issuance of these shares of our common stock described above was pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended and related state private offering exemptions. All of the investors were Accredited Investors as defined in the Securities Act who took their shares for investments purposes without a view to distribution and had access to information concerning the company and its business prospects, as required by the Securities Act.

In addition, there was no general solicitation or advertising for the purchase of these shares. All certificates for these shares issued pursuant to Section 4(2) contain a restrictive legend. Finally, our stock transfer agent has been instructed not to transfer any of such shares, unless such shares are registered for resale or there is an exemption with respect to their transfer.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

Common Shares

The Company's authorized capital stock consists of 70,000,000 shares of Common Stock with a \$.001 par value, and 5,000,000 shares of Preferred Stock. As of May 31, 2013, the Company has approximately 43,145,434 shares of its Common Stock outstanding. No Preferred Stock has been issued.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Corporation Laws of the State of Nevada and the Company's Bylaws provide for indemnification of our Directors for expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of having been our Director(s) or Officer(s), or of such other corporation, except, in relation to matter as to which any such Director or Officer or former Director or Officer or person shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Exhibit 99.1 Financial Statements.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS

a) Financial Statements

The following financial statements are included as Exhibit 99.1 and are hereby incorporated by reference:

Audited Financial Statements

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2012 and 2011	F-2
Consolidated Statements of Operations for the Years Ended December 31, 2012 and 2011	F-3
Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2012 and 2011	F-4
Consolidated Statements of Cash Flows for the Years Ended December 31, 2012 and 2011	F-5
Notes to Consolidated Financial Statements	F-7

Interim Unaudited Consolidated Financial Statements

	<u>Page</u>
Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012	F-27
Consolidated Statements of Operations for the Three Months Ended March 31, 2013 and 2012	F-28
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012	F-29
Notes to Consolidated Financial Statements	F-30

(b) Exhibits

The following documents are filed as exhibits to this Registration Statement:

- 3.1 Articles of Incorporation, dated February 13, 2002 (1)
 - 3.2 Amendment to the Articles of Incorporation, dated December 19, 2007, changing the name and effecting a reverse (1)
 - 3.3 Bylaws of the corporation, effective February 13, 2002 (1)
 - 4.1 [\\$225,000 Convertible Note of the Corporation, issued February 14, 2012](#)
 - 4.2 Form of Warrant, having a 3-year life with \$0.50 exercise price (1)
 - 4.3 Form of Warrant, having a 5-year life with \$0.50 exercise price (1)

 - 10.1 Agreement for acquisition of MV, dated June 13, 2008 (1)
 - 10.2 Agreement for acquisition of intellectual property from Black Stone Management Services, LLC, dated August 10, 2011 (1)
 - 10.3 Agreement for Merger with Satellite Organizing Solutions, Inc. (1)
 - 14.1 Code of Ethics (1)
 - 21.1 Subsidiaries of Registrant (1)
 - 31.1 [Certification of Principal Executive Officer](#)
 - 31.2 [Certification of Principal Financial Officer](#)
 - 32.1 [Certification of Principal Executive Officer \(Section 1350\)](#)
 - 32.2 [Certification of Principal Financial Officer \(Section 1350\)](#)
 - 99.1 [Financial Statements](#)
- (1) Incorporated by reference to the Company's Report on Form 10 filed May 21, 2013.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 26, 2013

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.

By /s/ J. John Combs
J. John Combs
Chief Executive Officer with Responsibility to sign on behalf of Registrant as a Duly authorized officer and principal executive officer

By /s/ Monty Lamirato
Monty Lamirato
Acting Chief Financial Officer with responsibility to sign on behalf of Registrant as a duly authorized officer and principal financial officer

Exhibit 4.1

FORM OF CONVERTIBLE SECURED PROMISSORY NOTE

US\$225,000 February 14, 2012

FOR VALUE RECEIVED, Strategic Environmental & Energy Resources, Inc., a Nevada corporation with offices at 7801 Brighton Road, Commerce City, Colorado 80022 (“SEER”), and MV, LLC a Colorado limited liability company and wholly owned subsidiary of SEER with offices at 701 Pine Ridge Road, Suite 5, Golden, Colorado 80403 (“MV”, and together with SEER, the “Makers”), hereby promise, jointly and severally, to pay to the order of Advanced Technology Materials, Inc., a Delaware corporation with offices at 7 Commerce Drive, Danbury, Connecticut 06810 (the “Holder”), the principal sum of TWO HUNDRED TWENTY-FIVE THOUSAND AND 00/100 UNITED STATES DOLLARS (US\$225,000), plus interest thereon as hereinafter provided, in immediately available funds. The principal sum and interest thereon under this Convertible Secured Promissory Note (this “Note”) shall be payable as described below. This Note is issued pursuant to that certain Loan Agreement dated as of February 14, 2012 by and among the Makers and the Holder (the “Loan Agreement”).

1. Payment of Interest and Principal on Note. The original principal amount of this Note is Two Hundred Twenty-Five Thousand Dollars (US\$225,000), which amount shall accrue interest at a fixed rate equal to five percent (5.0%) per annum (“Interest Rate”). This Note shall be convertible as set forth in Section 2 below. If this Note is not converted pursuant to Section 2, principal in the amount of One Hundred Twelve Thousand Five Hundred Dollars (US\$112,500) and any accrued interest thereon (the “Pay-Off Amount”) shall be due and payable ON DEMAND at the request of the Holder at any time on or after December 31, 2014. Following and during the continuance of any Event of Default (as defined below), interest on the Pay-Off Amount shall accrue at a fixed rate of interest equal to three hundred (300) basis points above the Interest Rate. Principal and interest payments shall be made to the Holder at the address set forth in the opening paragraph of this Note, or at such place as the Holder shall have notified the Makers in writing. Notwithstanding anything to the contrary contained herein, in no event shall the amount payable by the Makers as interest or other charges on this Note exceed the highest lawful rate permissible under any law applicable hereto. If any payment under this Note shall be specified to be made on a day which is not a business day, it shall be made on the next succeeding day which is a business day. For purposes of this Note, a “business day” shall mean any day except Saturday, Sunday or other day on which banks are authorized to close in the State of Connecticut or the State of Colorado.

2. Conversion.

(a) At any time and upon the Holder’s option, all or a portion of the aggregate amount of principal and accrued interest outstanding under this Note (the “Converted Amount”) may be voluntarily converted (a “Voluntary Conversion”) into that number of fully paid and non-assessable shares of common stock of SEER determined by dividing the Converted Amount by \$0.50 per share of common stock.

(b) Upon conversion, the Holder shall surrender this Note at the office of SEER or of its transfer agent. Thereupon, SEER or its transfer agent shall issue and deliver to the Holder the number of shares of common stock of SEER into which the Converted Amount was convertible on the date on which such Voluntary Conversion occurred, including, as applicable, any replacement note in respect of any amount outstanding under this Note that is not subject to the Voluntary Conversion. SEER shall not be obligated to issue the shares of its common stock issuable upon such Voluntary Conversion or, as applicable, any replacement note, unless this Note is either delivered to SEER or any such transfer agent or the Holder notifies SEER or any such transfer agent that this Note has been lost, stolen or destroyed and executes an agreement reasonably satisfactory to SEER to indemnify SEER from any loss incurred by it in connection therewith.

(c) No fractional shares shall be issued. In lieu of such fractional shares, SEER shall pay the cash value of such fraction.

3. Events of Default. The occurrence of any of the following shall constitute an “Event of Default” under this Note: (a) the failure of the Makers to make any payment of principal or interest within three (3) business days after the same becomes due and payable hereunder; (b)(i) the filing of a petition by or against a Maker under any provision of the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time, or under any similar law relating to bankruptcy, insolvency or other relief for debtors and such proceeding or case shall continue undismissed or unstayed and in effect for a period of at least sixty (60) consecutive days; (ii) the consent of a Maker to the appointment of a receiver, trustee, custodian or liquidator of or for all or any part of the assets or property of such Maker; or (iii) the making of a general assignment by a Maker for the benefit of its creditors; (c) the sale by a Maker of all or substantially all of its assets or an acquisition of a controlling interest in such Maker (through merger, sale of stock or otherwise) by any third party or parties (other than to the Holder); or (d) the breach by either Maker of any representation, warranty, covenant or agreement set forth in this Note, the Loan Agreement or the Security Agreement (as defined below).

4 . Security Interest. THIS NOTE IS SECURED BY A SECURITY INTEREST IN THE COLLATERAL, AS DEFINED AND FURTHER DESCRIBED IN THAT CERTAIN SECURITY AGREEMENT DATED AS OF FEBRUARY 14, 2012 BY AND AMONG THE PARTIES HERETO (THE “SECURITY AGREEMENT”), WHICH SECURITY INTEREST IS AND SHALL REMAIN SENIOR TO ALL OTHER SECURITY INTERESTS OF THE MAKER IN RESPECT OF THE COLLATERAL (OTHER THAN PERMITTED LIENS, AS DEFINED IN THE SECURITY AGREEMENT).

5 . Rights and Remedies. If an Event of Default shall have occurred and be continuing, the Holder may, at its option, declare the principal of and the accrued and unpaid interest on this Note to be immediately due and payable, and thereupon the same shall become so due and payable, without presentment, demand, protest or notice, all of which are hereby waived by the Makers. No course of dealing or delay on the part of the Holder in exercising any right shall operate as a waiver thereof or otherwise prejudice the right of the Holder. No remedy conferred hereby shall be exclusive of any other remedy referred to herein or now or hereafter available at law, in equity, by statute, other agreement or instrument, or otherwise. EACH MAKER ACKNOWLEDGES THAT THE LOAN EVIDENCED BY THIS NOTE IS A COMMERCIAL TRANSACTION AND WAIVES RIGHTS TO NOTICE AND HEARING AS ALLOWED UNDER ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE HOLDER MAY DESIRE TO USE.

6 . Costs and Expenses. Upon the occurrence of any Event of Default, the Makers shall pay all reasonable out-of-pocket costs and expenses incurred by the Holder (including court costs and reasonable attorneys' fees) in preserving, protecting, maintaining or enforcing the Holder's rights and remedies hereunder, including all costs and expenses of collection.

7 . Prepayment. This Note may be prepaid in whole by Debtors upon prior written notice to Holder (a "Notice of Prepayment"). Upon Holder's receipt of a Notice of Prepayment, Holder shall have ten (10) business days to exercise its right to Voluntary Conversion. If Holder fails to exercise such right, Debtors may prepay all outstanding interest and principal under this Note without penalty.

8 . Cancellation. Upon the payment and/or conversion of the entire principal amount of this Note and the payment and/or conversion of the accrued interest thereon in accordance with the terms herein, this Note shall be canceled.

9. Miscellaneous.

(a) Amendment and Waiver. Except as otherwise expressly provided herein, neither this Note nor any term hereof may be amended, waived, discharged or terminated, except by a written instrument signed by the Makers and the Holder.

(b) Successors and Assigns. This Note shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the parties hereto as contemplated herein, and any successors to the Makers by way of merger or otherwise shall specifically agree to be bound by the terms hereof as a condition of such successor.

(c) Electronic Signature. For purposes of this Note, a document (or signature page thereto) signed and transmitted by facsimile machine or other electronic means is to be treated as an original document. The signature of any party on any such document, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party, any facsimile or other electronic signature is to be re-executed in original form by the parties which executed the facsimile or other electronic signature. No party may raise the use of a facsimile machine or other electronic means, or the fact that any signature was transmitted through the use of a facsimile machine or other electronic means, as a defense to the enforcement of this Note.

(d) Notices. All notices and other communications given or made pursuant to this Note shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (i) personal delivery to the party to be notified; (ii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iii) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to each party as follows:

If to the Makers:

Strategic Environmental & Energy Resources, Inc.
7801 Brighton Road
Commerce City, CO 80022
Facsimile No: 303-295-6498
Attention: J John Combs III, President & CEO

MV, LLC
701 Pine Ridge Road, Suite 5
Golden, CO 80403
Facsimile No: 303-277-9724
Attention: John Jenkins

If to the Holder:

Advanced Technology Materials, Inc.
7 Commerce Drive
Danbury, CT 06810
203-797-2544
Attention: Patrick Shima, Deputy Chief Legal Officer & Assistant Secretary

with a copy to:

Wiggin and Dana LLP
2 Stamford Plaza
281 Tresser Boulevard
Stamford, CT 06901
Facsimile No: 203-363-7676
Attention: Mark Kaduboski, Esq.

(e) Governing Law and Jurisdiction. Except for Section 2 and all other provisions regarding Voluntary Conversion, which shall be governed by and construed in accordance with the laws of the State of Nevada (without regard to conflicts of law principles that would result in the application of any law other than the law of the State of Nevada), this Note shall be governed by and construed in accordance with the laws of the State of Colorado (without regard to conflicts of law principles that would result in the application of any law other than the law of the State of Colorado). The parties agree to submit to the jurisdiction of the courts of the State of Connecticut in any proceeding involving this Note.

(f) Headings or Captions. The headings or captions of the various Sections of this Note are intended for convenient reference only and neither form a part hereof nor are to be relied upon to interpret or modify any of the provisions of this Note.

(g) Severability. In case any one or more of the provisions contained in this Note, should be determined to be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein, or therein, shall not be in any way affected or impaired thereby.

(h) WAIVERS OF JURY TRIAL. THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS NOTE OR UNDER ANY AGREEMENT, INSTRUMENT OR OTHER DOCUMENT CONTEMPLATED HEREBY OR RELATED HERETO AND IN ANY ACTION DIRECTLY OR INDIRECTLY RELATED TO OR CONNECTED WITH THE OBLIGATIONS UNDER THIS NOTE, OR ANY CONDUCT RELATING TO THE ADMINISTRATION OR ENFORCEMENT OF THE OBLIGATIONS OR ARISING FROM THE DEBTOR/CREDITOR RELATIONSHIP OF THE MAKERS AND THE HOLDER. EACH MAKER ACKNOWLEDGES THAT THIS WAIVER MAY DEPRIVE IT OF AN IMPORTANT RIGHT AND THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE BY SUCH MAKER AFTER CONSULTATION WITH ITS LEGAL COUNSEL.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Note on the date first set forth above.

MAKERS:

**STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES,
INC.**

By: /s/ John Combs

Name: John Combs

Title: CEO

MV, LLC

By: /s/ John Jenkins

Name: John Jenkins

Title: President

AGREED & ACCEPTED:

HOLDER:

ADVANCED TECHNOLOGY MATERIALS, INC.

By: /s/ Douglas A Newgold

Name: Douglas A. Newgold

Title: **Chairman, CEO**

SECURITY AGREEMENT

This **SECURITY AGREEMENT** (this "Security Agreement") is made as of February 14, 2012 by and among Strategic Environmental & Energy Resources, Inc., a Nevada corporation with offices at 7801 Brighton Road, Commerce City, Colorado 80022 ("SEER"), MV, LLC, a Colorado limited liability company and a wholly owned subsidiary of SEER with offices at 701 Pine Ridge Road, Suite 5, Golden, Colorado 80403 ("MV", and together with SEER, "Debtors"), and Advanced Technology Materials, Inc., a Delaware corporation with offices at 7 Commerce Drive, Danbury, Connecticut 06810 ("Secured Party").

WHEREAS, Debtors and Secured Party have entered into a Loan Agreement dated as of the date hereof (the "Loan Agreement") in connection with a loan in the aggregate original principal amount of Four Hundred Fifty Thousand Dollars (\$450,000) made by Secured Party to Debtors (the "Loan");

WHEREAS, Debtors have issued to Secured Party a convertible secured promissory note dated as of the date hereof in the original principal amount of Two Hundred Twenty-Five Thousand Dollars (\$225,000) (the "Initial Note");

WHEREAS, Debtors may, in accordance with the provisions of the Loan Agreement, issue to Secured Party an additional convertible secured promissory note (the "Additional Note", and together with the Initial Note, the "Notes"); and

WHEREAS, in connection with the issuance of the Notes and pursuant to the terms of the Loan Agreement, Debtors are required to grant a first priority security interest in the Collateral (as defined below) to Secured Party in order to secure the repayment of all indebtedness of Debtors to Secured Party arising under the Loan Agreement and each of the Notes.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Debtors and Secured Party agree as follows:

1. GRANT OF SECURITY INTEREST.

a) Debtors hereby unconditionally and irrevocably grant to Secured Party a present and continuing first priority security interest (herein referred to as the "Security Interest") in the Collateral, to the extent a security interest therein can be created under the UCC (as defined below), to secure Debtors' payment of the Obligations (as defined below) to Secured Party.

b) The Security Interest granted by Debtors in the Collateral shall (i) remain in full force and effect until the earlier to occur of (A) full payment of all of the Obligations in immediately available funds in accordance with the Loan Agreement and the Notes or (B) conversion of the entire amount of principal and accrued interest outstanding under all Notes issued by Debtors to Secured Party into shares of the common stock of SEER in accordance with the provisions of the Notes, (ii) be binding upon any transferee of each Debtor's interest in the Collateral, and (iii) inure to the benefit of, and be enforceable by, Secured Party, and its successors, transferees and assigns.

2) **DEFINITIONS.** FOR THE PURPOSES OF THIS SECURITY AGREEMENT, THE FOLLOWING TERMS SHALL HAVE THE MEANINGS ASSIGNED TO THEM BELOW.

- a) Unless otherwise specifically defined herein, all terms shall have the meanings set forth in the Uniform Commercial Code as adopted and in effect in the State of Colorado (the “UCC”).
- b) “Bankruptcy Code” shall mean Title 11 of the United States Code, as in effect from time to time.
- c) “Capital Lease” shall mean a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.
- d) “Collateral” shall mean all property of Debtors listed and described on Exhibit A attached hereto, and any and all accessions and additions thereto, and any and all replacements and proceeds (including proceeds of insurance policies payable by reason of loss or damage to the foregoing).
- e) “Event of Default” shall have the meaning for such term set forth in the Notes.
- f) “GAAP” shall mean generally accepted accounting principles in the United States.
- g) “Indebtedness” shall mean (i) all obligations of each Debtor for borrowed money, (ii) all obligations of each Debtor evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers’ acceptances, or other financial products, (iii) all obligations of each Debtor as a lessee under Capital Leases, (iv) all obligations or liabilities of others secured by a Lien on any asset of each Debtor, irrespective of whether such obligation or liability is assumed, (v) all obligations of each Debtor to pay the deferred purchase price of assets (other than trade payables incurred in the ordinary course of business and repayable in accordance with customary trade practices), (vi) all obligations of each Debtor owing under its Hedge Agreements (which amount shall be calculated based on the amount that would be payable by such Debtor if the Hedge Agreement were terminated on the date of determination), and (vii) any obligation of each Debtor guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed (other than endorsements of instruments for deposit or collection in the ordinary course of business), co-made, discounted, or sold with recourse) any obligation of any other person that constitutes Indebtedness under any of clauses (i) through (vi) above.
- h) “Hedge Agreements” shall mean a “swap agreement” as that term is defined in Section 101(53B)(A) of the Bankruptcy Code.

i) "Lien" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, easement, lien (statutory or other), security interest, or other security arrangement and any other preference, priority, or preferential arrangement of any kind or nature whatsoever, including any conditional sale contract or other title retention agreement, the interest of a lessor under a Capital Lease and any synthetic or other financing lease having substantially the same economic effect as any of the foregoing.

j) "Obligations" shall mean the obligations of Debtors:

(I) TO PAY TO SECURED PARTY ALL AMOUNTS DUE TO SECURED PARTY UNDER THE LOAN AGREEMENT AND THE NOTES;

(II) TO REPAY TO SECURED PARTY ALL AMOUNTS THAT MAY BE ADVANCED BY SECURED PARTY ON BEHALF OF DEBTORS, INCLUDING ADVANCES FOR PRINCIPAL OR INTEREST PAYMENTS TO PRIOR SECURED PARTIES, OR LIENORS, OR FOR TAXES, LEVIES, INSURANCE, RENT, REPAIRS TO OR MAINTENANCE OR STORAGE OF ANY OF THE COLLATERAL, OR ANY OTHER AMOUNTS EXPENDED IN CONNECTION WITH ANY PROPERTY SECURING ALL OR ANY PORTION OF THE OBLIGATIONS; AND/OR

(III) TO REIMBURSE SECURED PARTY, ON DEMAND, FOR ALL OF SECURED PARTY'S EXPENSES AND COSTS, INCLUDING THE REASONABLE FEES AND EXPENSES OF ITS COUNSEL, ACCOUNTANTS, CONSULTANTS AND OTHER ADVISORS, IN CONNECTION WITH ANY AMENDMENT, MODIFICATION OR ENFORCEMENT OF THIS SECURITY AGREEMENT AND THE DOCUMENTS REQUIRED HEREUNDER, INCLUDING ANY COMMERCIALY REASONABLE ACTION TO PERFECT OR PROTECT SECURED PARTY'S INTERESTS IN THE COLLATERAL, OR ANY PROCEEDING BROUGHT OR THREATENED TO ENFORCE PAYMENT OF ANY OF THE OBLIGATIONS REFERRED TO IN THE FOREGOING CLAUSES (I) AND (II) AND THIS CLAUSE (III).

(k) “Permitted Liens” shall mean (i) Liens granted to, or for the benefit of, Secured Party to secure the Obligations, (ii) Liens for unpaid taxes, fees, assessments or other governmental charges or levies, either (A) not delinquent or (B) do not have priority over Secured Party’s Security Interest and are subject to a Permitted Protest, (iii) purchase money Liens or the interests of lessors under Capital Leases to the extent that such Liens or interests secure Permitted Purchase Money Indebtedness and so long as (A) such Lien attaches only to the asset purchased or acquired and the proceeds thereof and (B) such Lien only secures the Indebtedness that was incurred to acquire the asset purchased or acquired, (iv) pledges or deposits of money securing statutory obligations under unemployment insurance, social security or public liability laws or similar legislation, (v) mechanics’ or similar Liens arising in the ordinary course of business, provided that the same are satisfied in the ordinary course of business and not in connection with the borrowing of money and (A) are for sums not yet delinquent or (B) are being contested by or pursuant to a Permitted Protest, (vi) carriers’, warehousemen’s, suppliers’ or other similar possessory Liens arising in the ordinary course of business and not in connection with the borrowing of money and (A) are for sums not yet delinquent or (B) are being contested by or pursuant to a Permitted Protest, (vii) Liens on amounts deposited with the owner or lessor of premises leased and operated by a Debtor or any of its subsidiaries in the ordinary course of business to secure the performance by such Debtor or such subsidiary of its obligations under the terms of the lease of such premises, (viii) judgment Liens arising solely as a result of the existence of judgments, orders, or awards, (ix) customary rights of setoff or bankers’ Liens upon deposits of cash in favor of banks or other depository institutions, solely to the extent incurred in connection with the maintenance of such deposit accounts in the ordinary course of business, (x) the interests of lessors under operating leases and non-exclusive licensors under license agreements entered into in the ordinary course of business; *provided* that the same do not interfere in any material respect with the business of a Debtor or its subsidiaries or materially detract from the value of the relevant assets of a Debtor or its subsidiaries, (xi) Liens which arise under Article 4 of the UCC in any applicable jurisdictions on items in collection and documents and proceeds related thereto, (xii) precautionary filings of financing statements under the UCC of any applicable jurisdictions in respect of operating leases or consignments entered into by a Debtor or its subsidiaries in the ordinary course of business, and (xiii) any other Liens expressly agreed to in writing by Secured Party; *provided, however*, that in no event shall the aggregate amount of any Permitted Liens described in clauses (ii) – (xii) exceed \$25,000.

(l) “Permitted Protest” shall mean the right of a Debtor to protest any Lien (other than any Lien that secures the Obligations), taxes (other than payroll taxes or taxes that are the subject of a United States federal tax lien), or rental payment, provided that (i) a reserve with respect to such obligation is established on such Debtor’s books and records in such amount as is required under GAAP, (ii) such protest is instituted promptly and prosecuted diligently by such Debtor in good faith, and (iii) while any such protest is pending, it could not reasonably be expected that there will be a material impairment of the enforceability, validity, or priority of any of the Liens granted to Secured Party hereunder, the Notes or under the Loan Agreement.

(m) “Permitted Purchase Money Indebtedness” shall mean, as of any date of determination, Purchase Money Indebtedness incurred after the Initial Closing Date (as defined in the Loan Agreement) in an aggregate principal amount outstanding at any one time not in excess of \$25,000.

(n) “Purchase Money Indebtedness” shall mean Indebtedness (other than the Obligations, but including that portion of the obligations under a Capital Lease that is required to be capitalized in accordance with GAAP), incurred at the time of, or within twenty (20) days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof.

Capitalized terms used in this Security Agreement without being defined herein shall have the meanings respectively ascribed to them in Loan Agreement or the Notes, as applicable. As used herein, “person” shall refer to any individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity of whatever nature, whether public or private.

3. DEBTORS' REPRESENTATIONS AND WARRANTIES. EACH DEBTOR HEREBY REPRESENTS AND WARRANTS THAT:

- (a) Each Debtor's exact legal name is as set forth in the first paragraph of this Security Agreement. Each Debtor is duly organized, validly existing and in good standing under the laws of the state in which it is organized and is duly qualified and in good standing in every other jurisdiction wherein such qualification is necessary. Each Debtor has all requisite power and authority to transact the business that it now transacts and to own or to hold under lease the properties that it purports to own or hold. The execution, delivery and performance of this Security Agreement, the Loan Agreement and any promissory note or agreement evidencing the Obligations (including the Notes) or any of them has been duly authorized by all requisite stockholder, director, member and/or manager actions, does not violate any provision of such Debtor's certificate of incorporation, certificate of formation, bylaws or operating agreement, as the case may be, each as amended to date, or of any law, statute, ordinance or regulation binding upon such Debtor, and does not result in a breach of any terms or conditions of any other contract or agreement to which such Debtor is a party or by which it is bound or in the acceleration of any other obligations of such Debtor. Each Debtor's tax identification number and organizational identification number, if any, are identified on Schedule 3(a).
- (b) All of the Collateral and all of each Debtor's books and records pertaining thereto are located and maintained at such Debtor's address set forth in the preamble of this Security Agreement or at the offices of its legal counsel.
- (c) Except to the extent the Security Interest in the Collateral cannot be perfected by the filing of a financing statement under the UCC, all such filings and other actions necessary or desirable to perfect and protect such Security Interest have been duly taken or will have been taken upon the filing of a financing statement sufficiently describing the Collateral and listing Debtors, as the debtor, and Secured Party, as the secured party, in the State of Colorado. Upon making such filings, Secured Party shall have a first priority perfected Security Interest in the Collateral, to the extent such Security Interest can be perfected by such filings, subject only to Permitted Liens.
- (d) Except for the Security Interest herein granted, Debtors are, as of the date of this Security Agreement, the owners of all of the Collateral free from any Liens (other than Permitted Liens) and no financing statement covering any of the Collateral or any proceeding thereof is on file in any public office.
- (e) No person has furnished services or materials with respect to the Collateral and no other event has occurred that could give rise to a Lien in or on the Collateral, except for the Security Interest granted herein.

4. COVENANTS OF DEBTORS. EACH DEBTOR HEREBY AGREES AND COVENANTS THAT:

- (a) Each Debtor will defend the Collateral against all claims and demands of all persons (other than Secured Party) and it will maintain and protect its rights in the Collateral (including by taking and making any and all reasonably necessary actions and filings concerning the Collateral, provided that with respect to Collateral owned by a third party which is licensed by such Debtor, it will maintain and protect its rights in such Collateral to the maximum extent permitted under the relevant license agreement and at law. Each Debtor will keep the Collateral free from any Lien, except for Permitted Liens and the Security Interest granted to Secured Party herein, and in good order and repair; and it will not waste or destroy or abandon the Collateral or any part thereof, nor conduct any actions or fail to conduct any actions which may be deemed as a Debtor abandoning any Collateral, nor will it in any manner sell or transfer the Collateral, except in the ordinary course of such Debtor's business, without the prior written consent of Secured Party; provided that nothing herein shall prohibit the disposal by a Debtor of obsolete or worn-out property and property no longer used or useful in its business.
- (b) Each Debtor will execute and deliver to Secured Party, at such times and in such form and containing such terms as Secured Party may require, evidences of all or any part of the Obligations and such certificates of title and other instruments as Secured Party may deem necessary or desirable to protect, perfect and preserve the Security Interest in the Collateral created herein. Debtors will pay all costs incurred by Secured Party in connection with the perfection, continued protection, and preservation of its interest in the Collateral. Furthermore, each Debtor irrevocably appoints Secured Party as its attorney-in-fact, and empowers Secured Party as its attorney-in-fact, to make, execute and deliver any of the instruments or documents provided for in this Security Agreement in its name and on its behalf, such appointment to be coupled with an interest.
- (c) Each Debtor will at all times maintain and preserve in full force and effect its existence (including being in good standing in its state of incorporation/formation) and all rights and franchises, licenses and permits material to its business.
- (d) Debtors shall be responsible for all risk of loss or of damage to the Collateral.
- (e) Debtors shall at all times maintain insurance on the Collateral, wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by those engaged in the same or similar businesses. All such policies of insurance shall be with responsible and reputable insurance companies and in amounts comparable to those currently maintained by Debtors.
- (f) Debtors will pay promptly when due all taxes and assessments upon the Collateral or upon any note or notes evidencing the Obligations, except to the extent same are the subject of a Permitted Protest.

- (g) Debtors will not use or maintain the Collateral in any manner prohibited by any terms of any insurance policies covering such Collateral, or any State, federal or local law or ordinance, or in any manner that may give rise to third parties' rights against the Collateral.
- (h) Nether Debtor will change its name, the location of its office, of the Collateral or of the records pertaining thereto, or its jurisdiction of incorporation/formation from such Debtor's state of incorporation or certificate of formation, as the case may be, or will amend its certificate of incorporation or formation, as the case may be, or become a party to any merger, consolidation or business acquisition or sale, without giving Secured Party at least thirty (30) days' prior written notice in which it sets forth the changed or amended information or actions to be taken and the date on which such change or action shall be effective.
- (i) Neither Debtor will create, incur, assume, or suffer to exist, directly or indirectly, any Lien with respect to the Collateral or any income or profits therefrom, except as permitted hereby or by the Loan Agreement or Notes, and except for Permitted Liens.
- (j) Debtors will immediately deliver to Secured Party any and all certificates of title to any Collateral for which such certificates are issued, and any Collateral consisting of instruments or tangible chattel paper.
- (k) From time to time, Debtors will execute and deliver, or will cause to be executed and delivered, to Secured Party such additional documents and will provide such additional information as Secured Party may reasonably request to carry out the terms hereof.
- (l) Neither Debtor will assert against Secured Party any claim or defense that it may have against any seller of Collateral or any other person with respect to the Collateral with the exception of a claim relating to Secured Party's title to the Collateral.
- (m) Each Debtor agrees to indemnify Secured Party from and against all claims, lawsuits and liabilities (including reasonable attorneys' fees) growing out of or resulting from this Security Agreement (including enforcement of this Security Agreement), the Notes, the Loan Agreement or such Debtor's use, operation, ownership or possession of the Collateral, except claims, losses or liabilities resulting from the gross negligence or willful misconduct of the party seeking indemnification as determined by a final non-appealable order of a court of competent jurisdiction. This provision shall survive the termination of this Security Agreement, the Notes and the Loan Agreement and the repayment of the Obligations.
- (n) Debtors will immediately notify Secured Party of any event causing material loss, theft, damage or destruction of the Collateral and the amount thereof.

5. SECURED PARTY'S RIGHTS.

- (a) Secured Party may at any time and from time to time, at Debtors' expense, file financing statements, continuation statements and amendments thereto that describe the Collateral, or words of similar effect and that contain any other information required by the UCC for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether each Debtor is an organization, the type of organization and any tax and/or organization identification number issued to such Debtor. Each Debtor agrees to furnish any such information to Secured Party promptly upon request. Each Debtor specifically authorizes Secured Party to file such financing statements, continuations or amendments, and any such financing statements, continuation statements or amendments may be filed at any time in any jurisdiction as necessary. Each Debtor hereby irrevocably appoints Secured Party, through any of its chosen agents or designees, as such Debtor's attorney-in-fact, coupled with an interest, for the purposes hereof.
- (b) Upon the occurrence of an Event of Default, each Debtor shall at any time and from time to time, at such Debtor's expense, take such steps as Secured Party may reasonably request for Secured Party (i) to obtain an acknowledgment, in form and substance satisfactory to Secured Party, of any bailee having possession of any of the Collateral that the bailee holds such Collateral for Secured Party, (ii) to obtain possession of all or any portion of the Collateral in order to perfect its Security Interest therein in addition to the filing of a financing statement and (iii) otherwise to ensure the continued perfection and priority of Secured Party's Security Interest in any of the Collateral and of the preservation of its rights therein.
- (c) At any time at least ten (10) days after notice to Debtors, Secured Party may at its option discharge taxes which are then due and payable, Liens at any time levied against or placed on the Collateral (other than Permitted Liens), pay for insurance on the Collateral, unless any such taxes or Liens are being contested in good faith and a Debtor has reserved adequate amounts on its books for the discharge of such taxes or Liens; and Secured Party may, at its option, pay for the maintenance, preservation and collection of the Collateral. Each Debtor agrees to reimburse Secured Party on demand (accompanied by invoices or other appropriate documentation supporting the amount of such demand) for any payments made or any expenses incurred by Secured Party pursuant to this Section (including reasonable attorneys' fees), and such amounts extended pursuant to this Section shall be added to the Obligations.

(d) Each Debtor hereby irrevocably constitutes and appoints Secured Party and any authorized officer thereof with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Debtor and in the name of such Debtor or in its own name, from time to time in Secured Party's discretion, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, each Debtor hereby gives Secured Party the power and right, on behalf of such Debtor, without notice to or assent by such Debtor, to do the following: to pay or discharge taxes and encumbrances levied or placed on the Collateral in accordance with Section 5(c), to effect any repairs or any insurance called for by the terms of this Security Agreement and to pay all or any part of the premiums therefor and the costs thereof; and upon the occurrence of any Event of Default, (i) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to Secured Party or as Secured Party shall direct; (ii) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (iii) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (iv) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (v) to defend any suit, action or proceeding brought against such Debtor with respect to any Collateral; (vi) to settle, compromise or adjust any suit, action or proceeding described in clause (v) above and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; and (vii) to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and such Debtor's expense, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's encumbrances thereon and to effect the intent of this Security Agreement, all as fully and effectively as such Debtor might do. Each Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable as long as any Obligations remain outstanding.

6. **DEBTORS' RIGHTS.** DEBTORS MAY HAVE POSSESSION OF THE COLLATERAL AND MAY USE IT IN ANY LAWFUL MANNER THAT DOES NOT BREACH THE TERMS AND CONDITIONS OF THIS SECURITY AGREEMENT OR ANY OTHER AGREEMENT BETWEEN IT AND SECURED PARTY UNLESS OR UNTIL AN EVENT OF DEFAULT SHALL OCCUR.

7. **REMEDIES ON DEFAULT.**

- (a) If an Event of Default shall occur, Secured Party may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Secured Party, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon Debtors or any other person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of Secured Party or elsewhere upon such terms and conditions as Secured Party may deem advisable and at such prices as Secured Party may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in Debtors, which right or equity is hereby waived or released. Secured Party is also hereby granted a license or other right to use, without liability for royalties or any other charge, the Debtor's intellectual property, including but not limited to, any labels, patents, trademarks, trade names, URLs, domain names, industrial designs, copyrights, and advertising matter, whether owned by the Debtor or with respect to which the Debtor has rights under license, sublicense, or other agreements (including any intellectual property license), as it pertains to the Collateral, in preparing for sale, advertising for sale and selling any Collateral, and the Debtor's rights under all licenses and all franchise agreements shall inure to the benefit of Secured Party. Debtors further agree, at Secured Party's request, to assemble the Collateral and make it available to Secured Party at places, which Secured Party shall reasonably select, whether at a Debtor's premises or elsewhere. Secured Party shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of Secured Party hereunder, including reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as Secured Party may elect, and only after such application and after the payment by Secured Party of any other amount required by any provision of law, including the UCC, need Secured Party account for the surplus, if any, to Debtors. To the extent permitted by applicable law, each Debtor waives all claims, damages and demands it may acquire against Secured Party arising out of the exercise by Secured Party of any of its rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition. Each Debtor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by Secured Party to collect such deficiency
- (b) Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under the UCC or otherwise, shall be to deal with it in the same manner as Secured Party deals with similar property for its own account. Neither Secured Party nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of Debtors or otherwise.
- (c) In the event that Secured Party seeks to take possession of any or all Collateral by court process, each Debtor hereby irrevocably waives any bonds and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession, and waives any demand for possession prior to the commencement of any suit or action to recover with respect thereto and waives the right to demand a jury in any action in which Secured Party is a party.

8. **NON-WAIVER.** WAIVER OF OR ACQUIESCENCE IN ANY DEFAULT OR EVENT OF DEFAULT OR FAILURE OF SECURED PARTY TO INSIST UPON STRICT PERFORMANCE BY DEBTORS OF ANY WARRANTIES OR AGREEMENTS IN THIS SECURITY AGREEMENT SHALL NOT CONSTITUTE A WAIVER OF ANY SUBSEQUENT OR OTHER DEFAULT, EVENT OF DEFAULT OR FAILURE.
9. **MARSHALING.** SECURED PARTY SHALL NOT BE REQUIRED TO MARSHAL ANY PRESENT OR FUTURE COLLATERAL SECURITY (INCLUDING BUT NOT LIMITED TO THE COLLATERAL) FOR, OR OTHER ASSURANCES OF PAYMENT OF, THE OBLIGATIONS OR ANY OF THEM OR TO RESORT TO SUCH COLLATERAL SECURITY OR OTHER ASSURANCES OF PAYMENT IN ANY PARTICULAR ORDER, AND ALL OF ITS RIGHTS AND REMEDIES HEREUNDER AND IN RESPECT OF SUCH COLLATERAL SECURITY AND OTHER ASSURANCES OF PAYMENT SHALL BE CUMULATIVE AND IN ADDITION TO ALL OTHER RIGHTS AND REMEDIES, HOWEVER EXISTING OR ARISING. TO THE EXTENT THAT IT LAWFULLY MAY, EACH DEBTOR HEREBY AGREES THAT IT WILL NOT INVOKE ANY LAW RELATING TO THE MARSHALING OF COLLATERAL WHICH MIGHT CAUSE DELAY IN OR IMPEDE THE ENFORCEMENT OF SECURED PARTY'S RIGHTS AND REMEDIES UNDER THIS SECURITY AGREEMENT OR THE LOAN AGREEMENT OR UNDER ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT CREATING OR EVIDENCING ANY OF THE OBLIGATIONS OR UNDER WHICH ANY OF THE OBLIGATIONS IS OUTSTANDING OR BY WHICH ANY OF THE OBLIGATIONS IS SECURED OR PAYMENT THEREOF IS OTHERWISE ASSURED, AND, TO THE EXTENT THAT IT LAWFULLY MAY, EACH DEBTOR HEREBY IRREVOCABLY WAIVES THE BENEFITS OF ALL SUCH LAWS.
10. **ATTORNEYS' FEES, ETC.** UPON ANY DEFAULT OR EVENT OF DEFAULT, SECURED PARTY'S REASONABLE ATTORNEYS' FEES AND OTHER EXPENSES FOR PURSUING, SEARCHING FOR, RECEIVING, TAKING, KEEPING, STORING, ADVERTISING AND SELLING THE COLLATERAL SHALL BE CHARGEABLE TO DEBTORS.
11. **OTHER RIGHTS.** IN ADDITION TO ALL RIGHTS AND REMEDIES HEREIN, UPON ANY DEFAULT OR EVENT OF DEFAULT, SECURED PARTY SHALL HAVE SUCH OTHER RIGHTS AND REMEDIES AS ARE SET FORTH IN THE UCC, THE CONNECTICUT GENERAL STATUTES, AS AMENDED, AND APPLICABLE LAW.
12. **COMMERCIAL TRANSACTIONS.** DEBTORS ACKNOWLEDGE THAT THE TRANSACTIONS TO WHICH THIS SECURITY AGREEMENT RELATES ARE COMMERCIAL TRANSACTIONS. DEBTORS FURTHER WAIVE, TO THE GREATEST EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL PRESENT AND FUTURE VALUATION, APPRAISEMENT, EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS. DEBTORS FURTHER WAIVE ANY REQUIREMENT THAT SECURED PARTY OBTAIN A BOND OR OTHER SIMILAR DEVICE IN CONNECTION WITH THE EXERCISE OF ANY REMEDY OR THE ENFORCEMENT OF ANY RIGHT HEREUNDER.

13. **WAIVER OF JURY TRIAL.** THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS SECURITY AGREEMENT OR UNDER ANY AGREEMENT, INSTRUMENT OR OTHER DOCUMENT CONTEMPLATED HEREBY OR RELATED HERETO AND IN ANY ACTION DIRECTLY OR INDIRECTLY RELATED TO OR CONNECTED WITH THE OBLIGATIONS OR THIS SECURITY AGREEMENT, OR ANY CONDUCT RELATING TO THE ADMINISTRATION OR ENFORCEMENT OF THE OBLIGATIONS OR ARISING FROM THE DEBTOR/CREDITOR RELATIONSHIP OF DEBTORS AND SECURED PARTY. EACH DEBTOR ACKNOWLEDGES THAT THIS WAIVER MAY DEPRIVE IT OF AN IMPORTANT RIGHT AND THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE BY SUCH DEBTOR AFTER CONSULTATION WITH ITS LEGAL COUNSEL.
14. **ENFORCEMENT BY SECURED PARTY.** SECURED PARTY SHALL HAVE THE RIGHT AT ALL TIMES TO ENFORCE THE PROVISIONS OF THIS SECURITY AGREEMENT AND ALL OTHER AGREEMENTS, DOCUMENTS AND INSTRUMENTS REQUIRED HEREUNDER IN STRICT ACCORDANCE WITH THEIR TERMS, NOTWITHSTANDING ANY CONDUCT OR CUSTOM ON THE PART OF SECURED PARTY IN REFRAINING FROM DOING SO AT ANY TIME OR TIMES. THE FAILURE OF SECURED PARTY AT ANY TIME TO ENFORCE ANY RIGHTS UNDER SUCH PROVISIONS STRICTLY IN ACCORDANCE WITH THE SAME SHALL NOT BE CONSTRUED AS HAVING CREATED A CUSTOM IN ANY WAY OR MANNER CONTRARY TO THE SPECIFIC PROVISIONS OF THIS SECURITY AGREEMENT OR AS HAVING IN ANY WAY OR MANNER MODIFIED OR WAIVED THE SAME. ALL RIGHTS AND REMEDIES OF SECURED PARTY ARE CUMULATIVE AND THE EXERCISE OF ANY ONE RIGHT OR REMEDY SHALL NOT BE DEEMED TO WAIVE OR RELEASE ANY OTHER RIGHT OR REMEDY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SECURED PARTY SHALL HAVE THE RIGHT TO EXERCISE ANY AVAILABLE REMEDY TO RECOVER ANY AMOUNT DUE AND PAYABLE HEREUNDER WITHOUT REGARD TO WHETHER ANY OTHER AMOUNT IS DUE AND PAYABLE.
15. **NOTICES.** ALL NOTICES AND OTHER COMMUNICATIONS GIVEN OR MADE PURSUANT TO THIS SECURITY AGREEMENT SHALL BE IN WRITING AND SHALL BE DEEMED EFFECTIVELY GIVEN UPON THE EARLIER OF ACTUAL RECEIPT OR: (A) PERSONAL DELIVERY TO THE PARTY TO BE NOTIFIED; (B) FIVE (5) DAYS AFTER HAVING BEEN SENT BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, POSTAGE PREPAID; OR (C) ONE (1) BUSINESS DAY AFTER DEPOSIT WITH A NATIONALLY RECOGNIZED OVERNIGHT COURIER, FREIGHT PREPAID, SPECIFYING NEXT BUSINESS DAY DELIVERY, WITH WRITTEN VERIFICATION OF RECEIPT. ALL COMMUNICATIONS SHALL BE SENT TO EACH PARTY AS FOLLOWS:

If to Debtors:

Strategic Environmental & Energy Resources, Inc.
7801 Brighton Road
Commerce City, CO 80022
Facsimile No: 303-295-6498
Attention: J John Combs III, President & CEO

MV, LLC
701 Pine Ridge Road, Suite 5
Golden, CO 80403
Facsimile No: 303-277-9724
Attention: John Jenkins

If to the Secured Party:

Advanced Technology Materials, Inc.
7 Commerce Drive
Danbury, CT 06810
203-797-2544
Attention: Patrick Shima, Deputy Chief Legal Officer & Assistant Secretary

with a copy to:

Wiggin and Dana LLP
2 Stamford Plaza
281 Tresser Boulevard
Stamford, CT 06901
Facsimile No: 203-363-7676
Attention: Mark Kaduboski, Esq.

16. **MISCELLANEOUS.**

- a) **Assignment.** In connection with a transfer by Secured Party of all of its right, title and interest in and to the Notes, Secured Party may assign, transfer and deliver its interest in the Collateral and thereby vest in the assignee all rights and powers given to Secured Party under this Security Agreement and Secured Party shall thereafter be relieved and fully discharged from any liability or responsibility to Debtors in respect to this Security Agreement. In the event of such an assignment, neither Debtor shall assert against the assignee any claims, defense or set-off which it may then or thereafter have against Secured Party.
- b) **Successors and Assigns.** This Security Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the parties hereto as contemplated herein, and any successor to either Debtor by way of merger or otherwise shall specifically agree to be bound by the terms hereof as a condition of such successor.
- c) **No Waiver.** No waiver by Secured Party of any default or Event of Default shall constitute a waiver of any other default or Event of Default, or of the same default or Event of Default on a future occasion, and Secured Party's rights hereunder are cumulative and not alternative.
- d) **Governing Law and Jurisdiction.** This Security Agreement and the Security Interest created hereby shall be governed by and construed in accordance with the laws of the State of Colorado, without regard to conflicts of law principles that would result in the application of any law other than the law of the State of Colorado. The parties agree to submit to the jurisdiction of the courts of the State of Connecticut in any proceeding involving this Security Agreement.
- e) **Survival.** The representations, warranties covenants and agreements made herein shall survive the execution and delivery of this Security Agreement.
- f) **Revival and Reinstatement of Obligations.** If the incurrence or payment of the Obligations by the Debtors or the transfer to Secured Party of any property should for any reason subsequently be asserted, or declared, to be void or voidable under any state or federal law relating to creditor's rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payment of money or transfer of property (each, a "**Voidable Transfer**"), and Secured Party is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Secured Party is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys' fees of Secured Party related thereto, the liability of each Debtor and Secured Party's Security Interest in the Collateral automatically shall be revised, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

- g) Waiver of Debtors' Rights. Each Debtor hereby waives demand, presentment and notice of nonpayment with respect to any note or contract representing all or any part of the Obligations (including without limitation the Notes and the Loan Agreement).
- h) Headings or Captions. The headings or captions of the various Sections and other divisions of this Security Agreement are intended for convenient reference only and neither form a part hereof nor are to be relied upon to interpret or modify any of the provisions of this Security Agreement.
- i) Severability. In case any one or more of the provisions contained in this Security Agreement, or any of the documents or agreements contemplated hereby, should be determined to be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein, or therein, shall not be in any way affected or impaired thereby.
- j) Counterparts; Electronic Signature. This Security Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement (notwithstanding that all of the parties are not signatories to the original or the same counterpart, or that signature pages from different counterparts are combined), and it shall not be necessary when making proof of this Security Agreement or any counterpart thereof to account for any other counterpart, and the signature of any party to any counterpart shall be deemed to be a signature to and may be appended to any other counterpart. For purposes of this Security Agreement, a document (or signature page thereto) signed and transmitted by facsimile machine or other electronic means is to be treated as an original document. The signature of any party on any such document, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party, any facsimile or other electronic signature is to be re-executed in original form by the parties which executed the facsimile or other electronic signature. No party may raise the use of a facsimile machine or other electronic means, or the fact that any signature was transmitted through the use of a facsimile machine or other electronic means, as a defense to the enforcement of this Security Agreement.
- k) Amendment and Waiver. Except as otherwise expressly provided herein, neither this Security Agreement nor any term hereof may be amended, waived, discharged or terminated, except by a written instrument signed by Debtors and Secured Party.

- 1) Internal References. In this Security Agreement, unless a clear intention appears otherwise: (i) the singular number includes the plural number and vice versa; (ii) reference to any person includes such person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Security Agreement, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (iii) reference to any gender includes each other gender; (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (v) reference to any law means such law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder; (vi) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Security Agreement as a whole and not to any particular section or other provision hereof; (vii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (viii) "or" is used in the inclusive sense of "and/or"; (ix) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; (x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, schedules or amendments thereto; and (xi) section references shall be deemed to refer to all subsections thereof, unless otherwise expressly indicated.

[Signature page follows.]

IN WITNESS WHEREOF, the foregoing Security Agreement is signed and delivered on the date first set forth above.

DEBTORS:

**STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES,
INC.**

By: /s/ John Combs

Name: John Combs

Title: CEO

MV, LLC

By: /s/ John Jenkins

Name: John Jenkins

Title: President MVLLC

SECURED PARTY:

ADVANCED TECHNOLOGY MATERIALS, INC.

By: /s/ Douglas A. Newgold

Name: Douglas A. Newgold

Title: Chairman, CEO ATMI, Inc

EXHIBIT A

COLLATERAL

All of Debtors' right, title and interest in and to all of Debtors' property, whether real or personal, tangible or intangible, and purchased or otherwise acquired, directly or indirectly, with the proceeds of the Loan or otherwise used or useful in connection with the Development Project, whether now owned or existing or hereafter acquired or arising.

Schedule 3(a)

Strategic Environmental & Energy Resources, Inc.

Tax ID Number: 90-0712777

Organizational ID Number: C3894-02 (Nevada)

MV, LLC

Tax ID Number: 76-0728628

Organizational ID Number: 200311066273 (Colorado)

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, J. John Combs, certify that:

1. I have reviewed this Form 10 for the year ended December 31, 2012, of Strategic Environmental & Energy Resources, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated Subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: June 26, 2013

/s/ J. John Combs

J. John Combs

Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Monty Lamirato, certify that:

1. I have reviewed this Form 10 for the year ended December 31, 2012, of Strategic Environmental & Energy Resources, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
 - (e) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated Subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (f) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (g) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (h) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: June 26, 2013

/s/ Monty Lamirato
Monty Lamirato
Acting Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Registration Statement of Strategic Environmental & Energy Resources, Inc. (the "Company") on Form 10 for the annual period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. John Combs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

/s/ J. John Combs

J. John Combs
President and Chief Executive Officer
June 26, 2013

EXHIBIT 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Registration Statement of Strategic Environmental & Energy Resources, Inc. (the "Company") on Form 10 for the annual period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Monty Lamirato, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

/s/ Monty Lamirato

Monty Lamirato
Acting Chief Financial Officer
June 26, 2013

Exhibit 99.1 Financial Statements

Annual Audited Consolidated Financial Statements

Page

[Report of Independent Registered Public Accounting Firm](#)

F-1

[Consolidated Balance Sheets as of December 31, 2012 and 2011](#)

F-2

[Consolidated Statements of Operations for the Years Ended December 31, 2012 and 2011](#)

F-3

[Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2012 and 2011](#)

F-4

[Consolidated Statements of Cash Flows for the Years Ended December 31, 2012 and 2011](#)

F-5

[Notes to Consolidated Financial Statements](#)

F-7

Interim Unaudited Condensed Consolidated Financial Statements

Page

[Condensed Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012](#)

F-27

[Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2013 and 2012-Unaudited](#)

F-28

[Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012-Unaudited](#)

F-29

[Notes to Unaudited Condensed Consolidated Financial Statements](#)

F-30

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Strategic Environmental & Energy Resources, Inc.

We have audited the accompanying consolidated balance sheets of Strategic Environmental & Energy Resources, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. Strategic Environmental & Energy Resources, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Strategic Environmental & Energy Resources, Inc. as of December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

L J Solding Associates, LLC

Deer Park, Illinois

May 7, 2013

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2012	2011
ASSETS		
Current assets:		
Cash	\$ 70,400	\$ 81,100
Cash – restricted	220,000	
Accounts receivable, net of allowance for doubtful accounts of \$92,900 and \$299,700, respectively	1,173,800	478,100
Costs and estimated earnings in excess billings on uncompleted contracts	35,500	165,900
Inventory	46,000	2,200
Prepaid expenses and other assets	41,600	41,600
Total current assets	1,587,300	768,900
Property and equipment, net	752,100	796,800
Intangible assets, net	450,900	536,000
Other assets	9,400	9,700
TOTAL ASSETS	\$ 2,799,700	\$ 2,111,400
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,323,300	\$ 1,418,900
Accrued liabilities	499,100	469,200
Billings in excess of costs and estimated earnings on uncompleted contracts	327,400	38,000
Current portion of payroll taxes payable	335,400	232,000
Current portion of notes payable and capital lease obligations	319,800	766,800
Notes payable - related parties, including accrued interest	190,400	255,800
Total current liabilities	2,995,400	3,180,700
Payroll taxes payable, net of current portion	745,400	903,600
Notes payable and capital lease obligations, net of current portion	281,600	69,100
Total liabilities	4,022,400	4,153,400
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized; -0- shares issued	—	—
Common stock; \$.001 par value; 70,000,000 shares authorized; 40,349,400 and 27,484,000 shares issued and outstanding 2012 and 2011, respectively	40,300	27,500
Additional paid-in capital	10,632,200	8,036,600
Stock subscription receivable	(100,000)	—
Accumulated deficit	(11,595,500)	(10,106,100)
Non-controlling interest	(199,700)	—
Total stockholders' deficit	(1,222,700)	(2,042,000)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 2,799,700	\$ 2,111,400

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

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31,	
	2012	2011
Revenue:		
Products	\$ 1,439,800	\$ 1,788,200
Services	5,401,600	4,779,900
Total revenue	<u>6,841,400</u>	<u>6,568,100</u>
Operating expenses:		
Products costs	1,037,800	1,239,000
Services costs	3,297,700	3,208,100
Selling, general and administrative expenses	4,127,200	3,352,300
Total operating expenses	<u>8,462,700</u>	<u>7,799,400</u>
Gain (loss) on sale of property and equipment	—	(63,200)
Loss from operations	<u>(1,621,300)</u>	<u>(1,294,500)</u>
Other income (expenses):		
Interest income	1,300	—
Interest expense	(303,900)	(188,100)
Penalties and late fees	(26,200)	(104,600)
Gain (loss) on conversion of debt to equity	305,800	40,900
Other	(44,800)	(23,600)
Total non-operating expenses, net	<u>(67,800)</u>	<u>(275,400)</u>
Net loss	(1,689,100)	(1,569,900)
Less: Net loss attributable to non-controlling interest	(199,700)	—
Net loss attributable to SEER common stockholders	<u>\$ (1,489,400)</u>	<u>\$ (1,569,900)</u>
Net loss per share, basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>
Weighted average shares outstanding – basic and diluted	<u>32,963,000</u>	<u>26,056,100</u>

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

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Accumulated Deficit	Non- controlling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balances, January 1, 2011	—	—	24,763,300	\$ 24,800	\$ 7,336,400	\$ —	\$ (8,536,200)	\$ —	\$ (1,175,000)
Sale of common stock and warrants, net of fees			920,000	900	198,100		—		199,000
Issuance of common stock for services			460,000	500	45,900		—		46,400
Issuance of common stock for extension of non-binding agreement			100,000	100	49,900		—		50,000
Issuance of warrants for services					19,900		—		19,900
Stock-based compensation					171,100		—		171,100
Conversion of note payable into common stock			240,700	200	103,300		—		103,500
Issuance of common stock for purchase of asset			1,000,000	1,000	99,000		—		100,000
Debt discount on notes payable					13,000		—		13,000
Net loss							(1,569,900)		(1,569,900)
Balances, December 31, 2011	—	—	27,484,000	27,500	8,036,600	—	(10,106,100)	—	(2,042,000)
Sale of common stock and warrants, net of fees			6,225,000	6,200	1,308,800		—		1,315,000
Sale of common stock and warrants with bridge loans			350,000	300			—		300
Debt discount related to bridge loans					93,900		—		93,900
Conversion of bridge loans and related interest into common stock			1,790,400	1,800	356,200		—		358,000
Conversion of note payable into common stock			900,000	900	147,600		—		148,500
Issuance of common stock for note receivable			500,000	500	99,500	(100,000)	—		—
Issuance of common stock for services			3,100,000	3,100	508,400		—		511,500
Vesting of warrants for services					21,200		—		21,200
Stock-based compensation					60,000		—		60,000
Net loss							(1,489,400)	(199,700)	(1,689,100)
Balances, December 31, 2012	—	—	40,349,400	\$ 40,300	\$10,632,200	\$ (100,000)	\$ (11,595,500)	\$ (199,700)	\$ (1,222,700)

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

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (1,689,100)	\$ (1,569,900)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts receivable	115,600	330,200
Depreciation and amortization	327,900	399,400
Stock-based compensation expense	592,800	287,400
Loss on sale of property and equipment	—	63,200
Gain on extinguishment of debt	(305,800)	(40,900)
Amortization of debt discount	99,900	7,200
Changes in operating assets and liabilities:		
Cash – restricted	(220,000)	—
Accounts receivable	(816,400)	113,300
Costs in Excess of billings on uncompleted contracts	130,400	(24,000)
Inventory	(43,800)	9,000
Prepaid expenses and other assets	300	84,100
Accounts payable	(28,700)	342,200
Accrued liabilities and related party notes payable accrued interest	156,400	71,900
Billings in excess of revenue on uncompleted contracts	289,400	(170,100)
Payroll taxes payable	(54,700)	22,200
Net cash used in operating activities	<u>(1,445,800)</u>	<u>(74,800)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(76,900)	(100,600)
Proceeds the sale of property and equipment	—	7,500
Net cash used in investing activities	<u>(76,900)</u>	<u>(93,100)</u>
Cash flows from financing activities:		
Proceeds from notes payable	575,000	105,000
Payments of notes payments and capital lease obligations	(308,500)	(173,300)
Proceeds from related party notes payable	—	61,400
Payments of related party notes payable and accrued interest	(69,500)	(15,900)
Proceeds from the sale of common stock and warrants, net of expenses	1,315,000	199,000
Net cash provided by financing activities	<u>1,512,000</u>	<u>176,200</u>
Net increase (decrease) in cash	(10,700)	8,300
Cash at the beginning of year	81,100	72,800
Cash at the end of year	<u>\$ 70,400</u>	<u>\$ 81,100</u>

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS - Continued

Supplemental disclosures of cash flow information:

Cash paid for interest	\$ 74,500	\$ 35,800
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Supplemental disclosure of noncash financing and investing activities:

Accounts receivable offset against notes payable	\$ 5,000	\$ —
Conversion of accounts payable and accrued expenses to notes payable	\$ 66,900	\$ —
Conversion of accrued interest to note payable	\$ —	\$ 3,000
Conversion of notes payable and accrued interest to common stock	\$ 812,400	\$ 144,500
Discount on note payable	\$ 99,900	\$ 5,700
Disposition of property, equipment, other assets and accounts payable under settlement agreement	\$ —	\$ 154,800
Purchase of assets under capital leases	\$ 121,300	\$ 10,200
Purchase of intangible assets for common stock	\$ —	\$ 100,000
Transfer of prepaid asset to equipment	\$ —	\$ 1,800

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

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND FINANCIAL CONDITION

Organization

Strategic Environmental & Energy Resources, Inc. ("SEER", "we" or the "Company"), a Nevada corporation, is a provider of industrial products and services in the environmental, energy, and rail transportation sectors. SEER has three wholly-owned operating subsidiaries which provide industrial services to companies in the petroleum, industrial, manufacturing, and medical industries: REGS, LLC (d/b/a Resource Environmental Group Services ("REGS")) provides mobile cleaning services to refineries and other entities in Colorado, Wyoming, Oklahoma, Kansas and Utah and also operates a site in Utah, on behalf of another company, to treat frac water resulting from oil and gas exploration; Tactical Cleaning Company, LLC ("TCC") provides cleaning services to railcar tankers from its sites in Colorado and Kansas; MV, LLC ("MV"), located in Colorado, designs and builds emission and odor control units for refineries, municipalities and other corporate entities; and two majority-owned subsidiaries, Paragon Waste Solutions, LLC ("PWS") a newly formed operating company, owned 54% by SEER (see Note 7) that is developing specific opportunities to deploy and commercialize certain patent-pending technologies for a cold plasma oxidation process that makes possible the clean destruction of hazardous chemical and biological waste (*i.e.*, hospital red bag waste) without traditional incineration with harmful emissions and BeneFuels, LLC ("BeneFuels"), formed in February 2013, owned 85% by SEER and was formed to focus specifically on treating biogas for conversion to pipeline quality gas and/or CNG for fleet vehicles. BeneFuels had no operations as of May 7, 2013.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of SEER, its wholly-owned subsidiaries, REGS, TCC and MV and its majority-owned subsidiaries PWS and BeneFuels, since their respective acquisition or formation dates. All material intercompany accounts, transactions, and profits have been eliminated in consolidation.

Basis of Presentation - Liquidity

As shown in the accompanying consolidated financial statements, the Company has experienced recurring losses, and has accumulated a deficit of approximately \$11.6 million as of December 31, 2012 and for the years ended December 31, 2012, and 2011, we incurred net losses of approximately \$1.7 million and \$1.57 million, respectively. As of December 31, 2012 and 2011, our current liabilities exceeded our current assets by \$1.4 million and \$2.4 million, respectively, and our total liabilities exceeded our total assets by \$1.2 million and \$2 million, respectively.

Realization of a major portion of our assets as of December 31, 2012, is dependent upon our continued operations. Accordingly, we have undertaken a number of specific steps to continue to operate as a going concern. In 2012, we raised approximately \$1.3 million through the sale of common stock and converted approximately \$.5 million in debt to equity. In addition, we have focused on developing organic growth in our operating companies and improving gross and net margins through increased attention to pricing, aggressive cost management and overhead reductions. We made additions to our senior management team to support these initiatives, and focused on streamlining our business model to improve profitability. We also increased our business development efforts in MV to address opportunities identified in expanding markets attributable to increased interest in energy conservation and emission control regulations. For the period January 1, 2013 through April 26, 2013, we raised approximately \$516,000 in equity financing through the sale of common stock and management plans to raise additional equity financing through the sale of common stock. There can be no assurance that the Company will achieve the desired result of net income and positive cash flow from operations in future years. Management believes that current working capital and proceeds from the sale of common stock in 2013 will be sufficient to allow the Company to maintain its operations through December 31, 2013 and into the foreseeable future.

Reclassifications

Certain reclassifications have been made in the 2011 consolidated financial statements to conform to the 2012 presentation.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make a number of estimates and assumptions related to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of intangible assets; valuation allowances and reserves for receivables and inventory and deferred income taxes; revenue recognition related to contracts accounted for under the percentage of completion method; share-based compensation; and loss contingencies, including those related to litigation. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider all highly liquid debt investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. Periodically, we maintain deposits in financial institutions in excess of federally insured limits. As of December 31, 2012 and 2011, we did not hold any assets that would be deemed to be cash equivalents.

Restricted Cash

At December 31, 2012, the company had \$220,000 of self-imposed restricted cash that was maintained by its attorney in a special trust account created for the purpose of making payments to the IRS in accordance with an installment plan (see Note 8).

Accounts Receivable and Concentration of Credit Risk

Accounts receivable are recorded at the invoiced amounts less an allowance for doubtful accounts. The allowance for doubtful accounts is based on our estimate of the amount of probable credit losses in our accounts receivable. We determine the allowance for doubtful accounts based upon an aging of accounts receivable, historical experience and management judgment. Accounts receivable balances are periodically reviewed for collectability, and balances are charged off against the allowance when we determine that the potential for recovery is remote. An allowance for doubtful accounts of approximately \$92,900 and \$299,700 has been reserved as of December 31, 2012 and 2011, respectively.

We are exposed to credit risk in the normal course of business, primarily related to accounts receivable. Our customers operate primarily in the oil production and refining, rail transport, biogas generating and wastewater treatment industries in the United States. Accordingly, we are affected by the economic conditions in these industries as well as general economic conditions in the United States. To limit credit risk, management periodically reviews and evaluates the financial condition of its customers and maintains an allowance for doubtful accounts. As of December 31, 2012, we do not believe that we have significant credit risk.

As of December 31, 2012, we had one customer who comprised approximately 38% of our accounts receivable. As of December 31, 2011, we had one customer who comprised 38%, respectively, of our accounts receivable.

As of December 31, 2012, we had two customers with sales in excess of 10% of our revenue and combined were in excess of 27%. We did not have any customers with sales in excess of 10% of our revenue in 2011.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including accounts receivable and accounts payable, are carried at cost, which approximates their fair value due to their short-term maturities. We believe that the carrying value of notes payable with third parties, including their current portion, approximate their fair value, as those instruments carry market interest rates based on our current financial condition and liquidity. We believe the amounts due to related parties also approximate their fair value, as their carried interest rates are consistent with those of our notes payable with third parties.

Fair Value

As defined in authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date ("exit price"). To estimate fair value, the Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable.

The authoritative guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1" measurements) and the lowest priority to unobservable inputs ("Level 3" measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Observable inputs such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Other inputs that are observable, directly or indirectly, such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs for which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

In instances in which multiple levels of inputs are used to measure fair value, hierarchy classification is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Inventory

Inventory is stated at the lower of cost or market, generally using the specific identification method. Our inventory is primarily comprised of accumulated costs related to MV contracts. These costs represent recoverable costs incurred for production, including materials, engineering time billed as incurred and allocable operating overhead. Inventories are reviewed periodically and items considered to be slow-moving or obsolete are reduced to estimated net realizable value through an appropriate reserve. At December 31, 2012 and 2011, there was no inventory reserve.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Expenditures for replacements, renewals and betterments are capitalized. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of generally five to seven years for equipment, five to ten years for vehicles and three years for computer related assets. Assets are depreciated starting at the time they are placed into service. A portion of depreciation expense is charged to cost of product revenue on the consolidated statement of operations.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment, continued

Leasehold improvements are amortized using the straight-line method over the shorter of the lease term (including reasonably assured renewal periods), which range from three to seven years, or their estimated useful life.

Intangible Assets

Intangible assets with estimable useful lives are amortized using the straight-line method over their respective estimated useful lives versus their estimated residual values, and are reviewed for impairment annually, or whenever events or circumstances indicate their carrying amount may not be recoverable. We conduct our annual impairment test on December 31 of each year. The Company has evaluated its intangibles for impairment and has determined that intangibles were not impaired.

Long-lived Assets

We evaluate the carrying value of long-lived assets for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset is considered to be impaired when the anticipated undiscounted future cash flows of an asset group are estimated to be less than its carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows. No impairment was determined as of December 31, 2012 and 2011.

Revenue Recognition

We recognize revenue related to contract projects and services when all of the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. Our revenue is primarily comprised of services related to industrial cleaning and railcar cleaning, which we recognize as services are rendered.

Product revenue generated from projects, which include the manufacturing of products, for removal and treatment of hazardous vapor and gasses is accounted for under the percentage-of-completion method for projects with durations in excess of three months and the completed-contract method for all other projects. Total estimated revenue includes all of the following: (1) the basic contract price (2) contract options and (3) change orders. Once contract performance is underway, we may experience changes in conditions, client requirements, specifications, designs, materials and expectations regarding the period of performance. Such changes are "change orders" and may be initiated by us or by our clients. In many cases, agreement with the client as to the terms of change orders is reached prior to work commencing; however, sometimes circumstances require that work progress without obtaining client agreement. Revenue related to change orders is recognized as costs are incurred if it is probable that costs will be recovered by changing the contract price. The Company does not incur pre-contract costs.

For contracts accounted for under the percentage-of-completion method, we include in current assets and current liabilities amounts related to construction contracts realizable and payable. Costs and estimated earnings in excess of billings on uncompleted contracts represent the excess of contract costs and profits recognized to date over billings to date, and are recognized as a current asset. Billings in excess of costs and estimated earnings on uncompleted contracts represents the excess of billings to date over the amount of contract costs and profits recognized to date, and are recognized as a current liability.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Stock-based Compensation

We account for stock-based awards at fair value on the date of grant, and recognize compensation over the service period that they are expected to vest. We estimate the fair value of stock options and stock purchase warrants using the Black-Scholes option pricing model. The estimated value of the portion of a stock-based award that is ultimately expected to vest, taking into consideration estimated forfeitures, is recognized as expense over the requisite service periods. The estimate of stock awards that will ultimately vest requires judgment, and to the extent that actual forfeitures differ from estimated forfeitures, such differences are accounted for as a cumulative adjustment to compensation expenses and recorded in the period that estimates are revised.

Research and Development

Research and development costs are charged to expense as incurred. Such expenses were \$416,000 and \$2,000, respectively, for the years ended December 31, 2012 and 2011.

Income Taxes

The Company accounts for income taxes pursuant to *Accounting Standards Codification* ("ASC") 740, *Income Taxes*, which utilizes the asset and liability method of computing deferred income taxes. The objective of this method is to establish deferred tax assets and liabilities for any temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The current and deferred tax provision is allocated among the members of the consolidated group on the separate income tax return basis.

ASC 740 also provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a "more-likely-than-not" recognition threshold at the effective date to be recognized. During the years ended December 31, 2012 and 2011 the Company recognized no adjustments for uncertain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. No interest and penalties related to uncertain tax positions were recognized at December 31, 2012 and 2011. The Company expects no material changes to unrecognized tax positions within the next twelve months.

The Company has not filed federal and state tax returns since inception primarily due to financial constraints. The tax periods for the years ending December 31, 2008 through 2012 are open to examination by federal and state authorities. The Company has not been contacted by federal and state taxing authorities regarding these open tax periods although there can be no assurance they will not commence investigative procedures. Since we have had significant operating losses for the open years we do not believe that taxes owed, if any, would be material.

Recently issued accounting pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all new or revised ASU's.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Recently issued accounting pronouncements, continued

In December 2011, the FASB issued an amendment to the accounting guidance for disclosure of offsetting assets and liabilities and related arrangements. The amendment expands the disclosure requirements in that entities will be required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The amendment is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013, and shall be applied retrospectively. We do not expect the adoption of this accounting pronouncement to have a material impact on our financial statements when implemented.

In July 2012, the Financial Accounting Standards Board (“FASB”) issued guidance which amends the guidance on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the new guidance, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not impaired, the entity would not need to calculate the fair value of the asset. The guidance is effective for the Company for our annual impairment test for fiscal 2014. The adoption of this guidance is not expected to have a significant impact on our consolidated financial position, results of operations, or cash flows.

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, “Technical Corrections and Improvements” in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In March 2013, the FASB issued ASU 2013-05, “Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity,” (“ASU 2013-05”). The objective of ASU 2013-05 is to clarify the applicable guidance for the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective for annual and interim reporting periods beginning after December 15, 2013 with early adoption permitted. The Company is currently evaluating the impact that the adoption will have on the determination or reporting of its financial results.

Risks From Concentrations Not Noted Elsewhere

In 2012, 66% of the revenues of TCC were derived from two customers.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following:

	December 31,	
	2012	2011
Field and shop equipment	\$ 1,051,900	\$ 1,081,200
Vehicles	382,500	421,600
Furniture and office equipment	24,500	31,000
Leasehold improvements	55,500	55,500
	<u>1,514,400</u>	<u>1,589,300</u>
Less: accumulated depreciation and amortization	(762,300)	(792,500)
Property and equipment, net	<u>\$ 752,100</u>	<u>\$ 796,800</u>

Depreciation expense and amortization of leasehold improvements for the years ended December 31, 2012 and 2011, was \$242,800 and \$295,400, respectively.

Property and equipment included the following amounts for leases that have been capitalized at December 31:

	2012	2011
Field and shop equipment	\$ 148,500	\$ 27,200
Less: accumulated amortization	(29,500)	(13,100)
	<u>\$ 119,000</u>	<u>\$ 14,100</u>

NOTE 4 – INTANGIBLE ASSETS

Intangible assets were comprised of the following:

	December 31, 2012		
	Gross carrying amount	Accumulated amortization	Net carrying value
Customer list	\$ 42,500	\$ (27,800)	\$ 14,700
Technology	712,100	(294,700)	417,400
Trade name	54,600	(35,800)	18,800
	<u>\$ 809,200</u>	<u>\$ (358,300)</u>	<u>\$ 450,900</u>
	December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying value
Customer list	\$ 42,500	\$ (21,800)	\$ 20,700
Technology	712,100	(223,500)	488,600
Trade name	54,600	(27,900)	26,700
	<u>\$ 809,200</u>	<u>\$ (273,200)</u>	<u>\$ 536,000</u>

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 4 – INTANGIBLE ASSETS, continued

The estimated useful lives of the intangible assets range from seven to ten years. Amortization expense was \$85,100 and \$104,000 for the years ended December 31, 2012 and 2011, respectively. The estimated aggregate amortization expense for each of the next five years is as follows:

2013	\$ 85,100
2014	85,100
2015	77,000
2016	71,200
2017	71,200
Thereafter	61,300
	<u>\$ 450,900</u>

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities were comprised of the following:

	December 31,	
	2012	2011
Accrued compensation and related taxes	\$ 385,100	\$ 144,400
Accrued interest	61,600	142,200
Accrued material and other job related costs	30,700	172,200
Other	21,700	10,400
	<u>\$ 499,100</u>	<u>\$ 469,200</u>

NOTE 6 - UNCOMPLETED CONTRACTS

Costs, estimated earnings and billings on uncompleted contracts are as follows:

	December 31,	
	2012	2011
Revenue Recognized	\$ 63,800	\$ 477,200
Less: Billings to date	(28,300)	(311,300)
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>\$ 35,500</u>	<u>\$ 165,900</u>
Billings to date	\$ 775,800	\$ 69,500
Revenue recognized	(448,400)	(31,500)
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 327,400</u>	<u>\$ 38,000</u>

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 7– INVESTMENT IN PARAGON WASTE SOLUTIONS LLC

In 2010, the Company and Black Stone Management Services, LLC ("Black Stone") formed PWS whereby 1,000,000 membership units were issued, the Company acquired 60% (600,000) of the membership units in PWS and Black Stone acquired 40% (400,000) of the membership units in PWS, respectively. Fortunato Villamagna, who serves as President of our subsidiary PWS, is a managing member and Chairman of Black Stone. In June 2012, the Company and Blackstone each allocated 10% of their respective membership units in PWS to two individuals, one of which is an officer of the Company and one which is a shareholder of the Company and an officer of a subsidiary. There was no value to the units at the time of the allocation. As of December 31, 2012 the Company owns 54% of the membership units, Black Stone 36% of the membership units and two individuals, one of which is an officer of the Company and one who is a shareholder, each own 5% each of the membership units.

In August, 2011, we acquired certain waste destruction technology intellectual property (the "IP") from Black Stone in exchange for 1,000,000 shares of our common stock valued at \$100,000. As noted above Mr. Villamagna, who serves as President of our subsidiary PWS, is a managing member and Chairman of Black Stone. We estimated the useful life of the IP at ten years, which was consistent with the useful life of other technology included in our intangible assets, and management's initial assessment of the potential marketability of the IP.

During 2012, we have provided approximately \$415,000 in funding to PWS for further development and construction of a prototype commercial waste destruction unit. Black Stone has made no capital contributions or other funding to PWS. The intent of the operating agreement is that we will provide the funding as an advance against future earnings distributions made by PWS.

NOTE 8 - PAYROLL TAXES PAYABLE

In 2009 and 2010, the Company became delinquent for unpaid federal employer and employee payroll taxes and accrued interest and penalties related to the unpaid payroll taxes. Additionally, we had amounts outstanding for certain unpaid state payroll taxes and accrued interest and penalties applicable to 2012 and 2011. All interest and penalties related to the delinquent federal and state payroll taxes are included in the section labeled "other income and expenses" in the consolidated statement of operations.

In September 2011, we received approval from the IRS to begin paying our outstanding federal payroll tax and related interest and penalties liabilities totaling approximately \$971,000, for the aforementioned years in installments (the "Installment Plan"). Under the Installment Plan, we were required to pay minimum monthly installments of \$12,500 commencing September 2011, which increased to \$25,000 per month in September 2012, until the liability is paid in full. Through the duration of the Installment Plan, the IRS continues to charge penalties and interest at statutory rates. If the conditions of the Installment Plan are not met, the IRS may cancel it and may demand the outstanding liability to be repaid through a levy on income, bank accounts or other assets, or by seizing certain of our assets. Additionally, the IRS has filed a notice of federal tax lien against certain of our assets to satisfy the obligation. The IRS is to release this lien if and when we pay the full amount due. As of December 31, 2012 and 2011, the outstanding balance due to the IRS was \$1,045,400, and \$1,103,500, respectively. Two of the officers' of the Company also have liability exposure for a portion of the taxes if the Company does not pay them.

As of December 31, 2012 and 2011, the amounts due for past due state payroll taxes, interest and penalties, was \$35,400, and \$32,100, respectively.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 9 – DEBT

In June 2011, we issued an unsecured promissory note to a third party in the amount of \$40,000 (the "June 2011 Note") bearing interest at a rate of 10% per annum and a three year warrant to purchase 13,000 shares of our common stock at an exercise price of \$1.00 per share. In addition, a second note payable, to the same third party, in the amount of \$25,000 plus \$3,000 of accrued interest was also converted into the June 2011 Note, resulting in a new principal balance of \$68,000. Principal payments were due beginning November 2011 and the June 2011 Note is in default as of December 31, 2012, as no payments have been made to date. We valued the warrant at \$170 using the Black-Scholes model and recorded this amount as a debt discount. The debt discount was fully amortized during 2011.

In December 2011, we issued a secured promissory note to a third party in the amount of \$50,000 (the "December 2011 Note") bearing interest at 18% per year, secured by certain assets in TCC and a five year warrant to purchase 25,000 shares of our common stock at an exercise price of \$0.50 per share. We valued the warrant at \$5,749 using the Black-Scholes model and recorded this amount as a debt discount. The December 2011 Note was paid in full in June 2012.

The Company entered into a loan agreement evidenced by a convertible secured promissory note with Advanced Technology Materials, Inc. on February 14, 2012. The amount of the convertible secured promissory note is \$225,000. The loan agreement allows for an additional \$225,000 to be borrowed upon meeting certain defined milestones and stipulates the Company provide the lenders, among other things, a security agreement which also identifies the collateral, a development agreement and use the loan proceeds for projects and transactions contemplated in the term sheet and development agreement. The note bears interest at 5 percent per annum. The entire loan and/or unpaid balance of the loan and accrued interest can be converted into the Company's common stock at \$0.50 per share at any time at the option of the holder. However, if the lender does not convert any of the principal or interest into common stock then \$112,500 of principal plus accrued interest will be due on demand on or after December 31, 2014.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 9 – DEBT, continued

Debt as of December 31, 2012 and 2011, was comprised of the following:

	<u>2012</u>	<u>2011</u>
June 2011 Note (See above)	\$ 68,000	\$ 68,000
December 2011 Note, net of debt discount (See above)	—	44,200
Note payable dated January 2008, unsecured, default interest rate of 10% per annum, 18 monthly payments of \$22,315 commencing March 2008, maturing August 2009. Note payable was in default as of December 31, 2011. (A)	—	340,000
Note payable dated February 2012, interest at 5% per annum, \$112,500 is due December 31, 2014, convertible in whole or in part to common stock at \$.50 per share.	225,000	—
Promissory note dated April 2008, secured by certain of our assets, bearing interest at 6.65% per annum; 60 monthly payments of \$14,276, maturing April 2013.	70,200	231,000
Promissory note dated December 2009, unsecured, bearing interest at 6% per annum, six monthly payments ranging from \$10,000 to \$25,000 commencing February 2010, balloon payment for outstanding balance due July 2010. The promissory note is in default as of December 31, 2012 and 2011.	104,200	109,200
Promissory note dated November 2010, unsecured, bearing interest at 8% per annum, balloon payment for outstanding balance due October 2011. The promissory note is in default as of December 31, 2012 and 2011.	25,000	25,000
Capital lease obligations, secured by certain assets, maturing September 2011 through August 2016	109,000	18,500
Total notes payable and capital lease obligation	<u>601,400</u>	<u>835,900</u>
Less: current portion, including debt discount	(319,800)	(766,800)
Notes payable and capital lease obligation, long-term	<u>\$ 281,600</u>	<u>\$ 69,100</u>

In June 2012, a final payment of \$25,000 was made and we and the note holder agreed to a settlement amount for all principal and interest due of \$446,000, which the notes holder converted into 900,000 shares of our common stock. Debt maturities as of December 31, 2012 are as follows:

<u>Year:</u>	
2013	\$ 319,800
2014	270,200
2015	9,800
2016	1,600
	<u>\$ 601,400</u>

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 9 – DEBT, continued

Future minimum lease payments under capital leases, which include bargain purchase options, are as follows at December 31, 2012:

2013	\$ 59,900
2014	48,400
2015	10,100
2016	1,700
Total minimum lease payments	<u>120,100</u>
Amount representing interest	<u>11,100</u>
Present value of lease payments	109,000
Less current portion	(52,400)
Non-current portion	<u><u>\$ 56,600</u></u>

NOTE 10 – RELATED PARTY TRANSACTIONS

Notes payable, related parties

In February 2011, we executed a secured, promissory note with one of our officers in the amount of \$50,000 (the “2011 Officer Note”). The 2011 Officer Note is secured by certain assets in MV and bears interest at 8% per annum and was originally due on August 15, 2011. It is currently due on demand. As additional consideration, we issued to the officer a five-year warrant to purchase 25,000 shares of our common stock at an exercise price of \$0.60 per share. We valued the warrant at approximately \$6,000 using the Black-Scholes model and recorded this amount as a debt discount. The debt discount was fully amortized during 2011.

Notes payable, related parties and accrued interest due to certain related parties as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Note payable dated February 2004, bearing interest at 8% per annum, originally due January 2008; assigned to CEO by a third party in 2010; due on demand, in default	\$ 97,000	\$ 97,000
Notes payable due to our CEO, bearing interest at 8% per annum, originally due February and March 2009; due on demand, in default	—	42,700
Note payable due to President of our subsidiary, REGS, interest at 8% per annum, originally due February 2009, in default	4,200	12,200
Note payable due to President of our subsidiary, REGS, interest at 8% per annum, due December 2013	—	11,400
2011 Officer Note (see description above), in default	50,000	50,000
Accrued interest	<u>39,200</u>	<u>42,500</u>
	<u><u>\$ 190,400</u></u>	<u><u>\$ 255,800</u></u>

We believe the stated interest rates on the related party notes payable represent reasonable market rates based on the note payable arrangements we have executed with third parties.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future commitments under non-cancellable operating leases for office and warehouse space as of December 31, 2012 are as follows:

<u>Year</u>	
2013	\$ 188,200
2014	133,500
2015	120,000
2016	120,000
2017	120,000
Thereafter	415,000
Total	<u>\$ 1,096,700</u>

For the years ended December 31, 2012 and 2011, rent expense was \$292,100 and \$372,000, respectively.

Litigation

In 2011, a former employee filed suit in the United States District Court for the District of Colorado, in which general allegations of discrimination were made against us arising out of the individual's employment with us. In 2011, we settled this claim for a cash payment of \$33,000 and the issuance of 60,000 shares of our common stock valued at approximately \$12,000.

NOTE 12 – EQUITY TRANSACTIONS

Common Stock – Authorized common stock of the Company consists of 70,000,000 shares of \$.001 par value, of which 40,349,400 shares were issued and outstanding at December 31, 2012.

Preferred Stock – Authorized preferred stock consists of 5,000,000 shares of preferred stock, \$.001 par value, no shares of preferred stock are issued and outstanding.

2012 Common Stock Transactions

During 2012, we executed subscription agreements for the sale of units in various private placements. Each unit was priced at \$50,000 and was comprised of 250,000 shares our common stock and 125,000 warrants. Each warrant is exercisable for a period of five years at an exercise price of \$0.50 per share. Under the 2012 Private Placements, we sold a total of 5,825,000 shares of common stock and 2,912,500 warrants for net cash proceeds of \$1,165,000. The fair market value of the common stock warrant was determined using the Black-Scholes valuation model and resulted in a valuation of \$.035. As such, the \$.20 unit price was allocated \$.165 and \$.035 to the common stock and warrant, respectively. In 2012 we also sold 200,000 shares of our common stock at \$.50 per share to a private investor for cash proceeds of \$100,000. In December 2012, we initiated a new private placement comprised of 200,000 shares and 100,000 warrants for \$50,000. One unit was subscribed to in 2012.

During 2012, the Company received a subscription receivable of \$100,000 for the purchase of two units consisting of 500,000 shares of common stock and 250,000 warrants. As of December 31, 2012 the subscription receivable was still outstanding and the receivable is reported in stockholder's equity.

During 2012, the Company issued 3.1 million shares of common stock for services valued at \$512,000.

During 2012, the Company issued 900,000 shares of common stock, valued at \$148,500 or \$.165 per share, upon the conversion of a delinquent note payable of \$446,500 resulting in a gain on debt settlement of \$305,800.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 12 – EQUITY TRANSACTIONS, continued

2012 Common Stock Transactions, continued

During 2012, the Company received \$350,000 in return for issuing convertible debt. The convertible debt bears interest at 8% per annum and were due the earlier of May 31, 2013 or the completion of an additional equity raise of at least \$500,000. As an inducement to enter into the convertible debt, the convertible note holders received 350,000 shares of common stock and warrants to purchase 350,000 shares of common stock at \$.50 per share exercisable for a period of 5 years. The convertible debt also contained a conversion feature whereby the payee has the option to convert the note and any accrued and unpaid interest to common stock at a rate of \$.20 per share. The proceeds from the convertible debt was allocated to the common stock and warrants based on their relative fair values and the intrinsic value on the embedded conversion feature resulted in an increase in additional paid in capital and a debt discount of \$93,900. The fair value of the warrants was approximately \$23,000 using the Black-Scholes Option Pricing Model and the fair value of the common stock was approximately \$55,000, based on cash selling price.

In 2012, the convertible debt and accrued interest totaling \$358,100 was converted into 1,790,400 shares of common stock. The Company recorded a discount related to the common stock, warrants and beneficial conversion feature which was fully amortized upon conversion.

2011 Common Stock Transactions

During the period from May through August 2011, we executed subscription agreements for the sale of units at a price of \$50,000 per unit in a private placement (the “2011 Private Placement”). Each unit was comprised of 250,000 shares our common stock and 250,000 warrants to purchase a share of our common stock at an exercise price of \$0.50 per share for a period of three years from the date the warrant was issued. Under the 2011 Private Placement, we sold total of 820,000 shares of our common stock and 820,000 warrants for net cash proceeds of \$149,000. As compensation for the 2011 Private Placement, we issued the broker 320,000 shares of our common stock and warrants to purchase 320,000 shares of common stock. The compensation was valued at \$15,000. The warrants are exercisable for a period of three years at an exercise price of \$0.50 per share.

In October 2011, we sold 100,000 shares of our common stock at \$.50 per share to a private investor for cash proceeds of \$50,000.

In July 2011, we executed a non-binding letter of intent to acquire a company. In December 2011, we issued 100,000 shares of our common stock, valued at \$.50 per share, to extend the term of a non-binding letter of intent until April 2012. The transaction was not consummated, and the letter of intent expired.

In 2011, the Company settled a claim of discrimination by a former employee for a cash payment of \$33,000 and the issued 60,000 shares of common stock valued at \$12,000.

In 2011 the Company settled a debt by issuing 240,700 shares of common stock valued at \$103,500, which resulted in a gain of \$41,000.

During the period from January through August 2011, we issued a total of 80,000 shares of our common stock to Black Stone, a related party, for consulting services, valued at \$34,400.

Warrants

In September 2010 the Company issued warrants to purchase 250,000 of the Company’s common stock, 115,301 vested in 2011 and 48,217 in 2012. The Company recorded consulting expense of \$18,900 and \$6,900 in 2011 and 2012, respectively. In 2012 the Company issued 200,000 warrants, 150,000 vested in 2012 and 50,000 vested in 2013. The exercise price is \$0.40. The Company recorded \$14,300 of expense.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 12 – EQUITY TRANSACTIONS, continued

Warrants, continued

In June 2011, for consulting services rendered by a third party, we issued a five year warrant to purchase 50,000 shares of our common stock at an exercise price of \$1.00 per share for consulting services. We valued the warrant at \$1,063 using the Black-Scholes model and recorded the charge to our consolidated statement of operations upon issuance of the warrant.

A summary of warrant activity for the year ended December 31, 2012 and December 31, 2011 is presented as follows:

	Number of Warrants	Exercise Price
Warrants Outstanding at January 1, 2011	2,389,000	\$ 1.00 to \$1.50
Issued	1,253,000	\$ 0.50 to \$1.00
Exercised	—	—
Forfeited/expired/canceled	(725,000)	—
Warrants Outstanding at January 1, 2012	2,917,000	\$ 0.50 to \$1.50
Issued	3,562,500	\$ 0.40 to \$0.50
Exercised	—	—
Forfeited/expired/canceled	(140,000)	—
Warrants Outstanding at December 31, 2012	<u>6,339,500</u>	<u>\$ 0.40 to \$1.50</u>

NOTE 13 – STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLAN

We do not have a qualified stock option plan, but have issued stock purchase warrants and stock options on a discretionary basis to employees, directors, service providers and outside consultants.

The Company utilizes ASC 718, *Stock Compensation*, related to accounting for share-based payments and, accordingly, records compensation expense for share-based awards based upon an assessment of the grant date fair value for stock options and restricted stock awards. The Black Scholes option pricing model was used to estimate the fair value of the options granted. This option pricing model requires a number of assumptions, of which the most significant are: expected stock price volatility, the expected pre-vesting forfeiture rate, and the expected option term (the amount of time from the grant date until the options are exercised or expire). The Company estimated a volatility factor utilizing a weighted average of comparable published volatilities. The Company applied the simplified method to determine the expected term of grants. The risk free interest rate is based on or approximates the U.S. Treasury yield curve in effect at the time of the grant.

Stock compensation expense for stock options is recognized on a straight-line basis over the vesting period of the award. The Company accounts for stock options as equity awards.

Share-based compensation expense recognized in the statements of operations is based on awards ultimately expected to vest, which considers estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company recognizes the expense or benefit from the effect of adjusting the estimated forfeiture rate in the period that the forfeiture estimate changes.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 13 – STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLAN, continued

The weighted average estimated fair value of stock option grants and the weighted average assumptions that were used in calculating such values for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Risk-free interest rate	.36%	.6%
Expected volatility	77%	77%
Expected life (in years)	3.67	2.5
Dividend rate	0	0
Weighted-average estimated fair value per award	\$.05	\$.02

For the years ended December 31, 2012 and 2011, we recorded stock-based compensation of \$60,100 and \$171,100, respectively, which is included in selling, general and administrative expense in our consolidated statements of operations.

A summary of stock option activity for the year ended December 31, 2012 is presented as follows:

	Number of <u>Shares</u>	Weighted Average Exercise <u>Price</u>	Weighted Average Remaining Contractual <u>Life</u>	Weighted Average Grant Date Fair Value <u>Value</u>
Outstanding at January 1, 2012	752,667	\$ 1.01	2.4 years	\$.47
Granted	1,800,000	\$.50	3.7 years	\$.05
Exercised	—	—		
Forfeited/expired/canceled	(318,667)	\$ 1.00	1.4 years	
Outstanding at December 31, 2012	<u>2,234,000</u>	<u>\$.60</u>	<u>2.4 years</u>	<u>\$.13</u>
Vested and exercisable at December 31, 2012	<u>1,242,026</u>	<u>\$.68</u>	<u>2.14 years</u>	<u>\$.19</u>

A summary of stock option activity for the year ended December 31, 2011 is presented as follows:

	Number of <u>Shares</u>	Weighted Average Exercise <u>Price</u>	Weighted Average Remaining Contractual <u>Life</u>	Weighted Average Grant Date Fair Value <u>Value</u>
Outstanding at January 1, 2011	962,667	\$ 1.00	3.4 years	\$.57
Granted	132,000	\$ 1.00	2.5 years	\$.02
Exercised	—	—		
Forfeited/expired/canceled	(342,000)	1.00	2.4 years	
Outstanding at December 31, 2011	<u>752,667</u>	<u>\$ 1.00</u>	<u>2.4 years</u>	<u>\$.47</u>
Vested and exercisable at December 31, 2011	<u>692,061</u>	<u>\$ 1.00</u>	<u>2.4 years</u>	<u>\$.51</u>

As of December 31, 2012, there was approximately \$23,000 of total unrecognized compensation cost related to non-vested stock options that is expected to be recognized over a weighted-average period of approximately 2.0 years.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 13 – STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLAN, continued

Employee Benefit Plan

We have a defined contribution 401(k) plan that covers substantially all employees. Additionally, at the discretion of management, we may make contributions to eligible participants, as defined. During the years ended December 31, 2012 and 2011, we made contributions of approximately \$30,750 and \$13,800, respectively.

NOTE 14 – NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted net loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares. Potentially dilutive securities are excluded from the calculation when their effect would be anti-dilutive. For all years presented in the consolidated financial statements, all potentially dilutive securities have been excluded from the diluted share calculations as they were anti-dilutive as a result of the net losses incurred for the respective years. Accordingly, basic shares equal diluted shares for all years presented.

Potentially dilutive securities were comprised of the following:

	December 31,	
	2012	2011
Warrants	6,339,500	2,917,000
Options	2,234,000	752,667
Convertible notes payable	225,000	900,000
	<u>8,798,500</u>	<u>4,569,667</u>

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 15 - SEGMENT INFORMATION AND MAJOR CUSTOMERS

The Company currently has identified four segments as follows:

REGS	Industrial Cleaning
TCC	Rail Car Cleaning
MV	Environmental Solutions
PWS	Solid Waste

BeneFuels is not currently operating but when operations commence would be part of the Environmental Solutions segment.

The composition of our reportable segments is consistent with that used by our chief operating decision maker to evaluate performance and allocate resources. All of our operations are located in the U.S. We have allocated corporate selling, general and administrative expenses, interest expense, depreciation and amortization and stock-based compensation to the segments based on a percentage of a segment's revenue to total consolidated revenue. All intercompany transactions have been eliminated.

Segment information as of December 31, 2012 and 2011, and for the years then ended is as follows:

2012	Industrial Cleaning	Railcar Cleaning	Environmental Solutions	Solid Waste	Corporate	Total
Revenue	\$ 3,064,700	\$ 2,336,900	\$ 1,439,800	\$ —	\$ —	\$ 6,841,400
Depreciation and amortization (1)	\$ 172,400	\$ 29,500	\$ 116,000	\$ —	\$ 10,000	\$ 327,900
Interest expense	\$ 121,900	\$ 41,200	\$ 13,100	\$ —	\$ 127,700	\$ 303,900
Stock-based compensation	\$ —	\$ —	\$ —	\$ —	\$ 571,600	\$ 571,600
Net income (loss)	\$ (145,300)	\$ 397,200	\$ (142,000)	\$ (434,200)	\$ (1,364,800)	\$ (1,689,100)
Capital expenditures (cash and noncash)	\$ 6,300	\$ 1,700	\$ 68,900	\$ —	\$ —	\$ 76,900
Total assets	\$ 1,350,000	\$ 444,300	\$ 892,300	\$ 1,000	\$ 112,200	\$ 2,799,800
2011	Industrial Cleaning	Railcar Cleaning	Environmental Solutions	Solid Waste	Corporate	Total
Revenue	\$ 2,321,100	\$ 2,458,800	\$ 1,788,200	\$ —	\$ —	\$ 6,568,100
Depreciation and amortization (1)	\$ 223,700	\$ 51,000	\$ 120,600	\$ —	\$ 4,100	\$ 399,400
Interest expense	\$ 131,700	\$ 40,400	\$ 5,200	\$ —	\$ 10,800	\$ 188,100
Stock-based compensation	\$ 101,300	\$ 107,600	\$ 78,500	\$ —	\$ —	\$ 287,400
Net income (loss)	\$ (628,600)	\$ (78,200)	\$ 128,900	\$ —	\$ (992,000)	\$ (1,569,900)
Capital expenditures (cash and noncash)	\$ 2,600	\$ 58,700	\$ 39,200	\$ —	\$ —	\$ 100,500
Total assets	\$ 869,000	\$ 399,300	\$ 739,800	\$ —	\$ 103,300	\$ 2,111,400

(1) Includes depreciation of property, equipment and leasehold improvement and amortization of intangibles

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 16 - INCOME TAXES

As of December 31, 2012, once we file our federal and state income tax returns we estimate we will have net operating loss carryforwards available to offset future federal income tax of approximately \$11 million. These carryforwards will expire between the years 2028 through 2031. Under the Tax Reform Act of 1986, the amount of and the benefit from net operating losses that can be carried forward may be limited in certain circumstances. Events that may cause changes in our tax carryovers include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Therefore, the amount available to offset future taxable income may be limited. We carry a deferred tax valuation allowance equal to 100% of total deferred assets. In recording this allowance, we have considered a number of factors, but chiefly, our operating losses from inception. We have concluded that a valuation allowance is required for 100% of the total deferred tax assets as it is more likely than not that the deferred tax assets will not be realized.

Deferred tax assets, all of which were long-term, were comprised of the following as of December 31, 2012 and 2011:

	2012	2011
Allowance for doubtful accounts	\$ 35,900	\$ 115,700
Accrued expenses	66,300	18,300
Current deferred tax asset	102,200	134,000
Intangible and fixed assets	(25,500)	(56,200)
NOL carryforward	2,225,200	1,889,200
Long-term deferred tax asset	2,199,700	1,833,000
Total deferred tax asset	2,301,900	1,967,000
Less valuation allowance	(2,301,900)	(1,967,000)
Net deferred tax asset	\$ —	\$ —

The benefit for income taxes differed from the amount computed using the U.S. federal income tax rate of 34% for December 31, 2012 and 2011 as follows:

	2012	2011
Income tax benefit (federal and state)	\$ 574,200	\$ 533,800
Non-deductible items	(306,000)	(138,000)
Other	66,700	24,700
Change in valuation allowance	(334,900)	(420,500)
Income tax benefit	\$ —	\$ —

NOTE 17 - ENVIRONMENTAL MATTERS AND REGULATION

Significant federal environmental laws affecting us are the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund Act", the Clean Air Act, the Clean Water Act, and the Toxic Substances Control Act ("TSCA").

Pursuant to the EPA's authorization of their RCRA equivalent programs, a number of states have regulatory programs governing the operations and permitting of hazardous waste facilities. Our facilities are regulated pursuant to state statutes, including those addressing clean water and clean air. Our facilities are also subject to local siting, zoning and land use restrictions. Although our facilities occasionally have been cited for regulatory violations, we believe we are in substantial compliance with all federal, state and local laws regulating our business.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Consolidated Financial Statements

NOTE 18 - SUBSEQUENT EVENTS

For the period January 1, 2013 through the date of this report, May 7, 2013, the Company raised approximately \$516,000 from the private placement sale of common stock and warrants.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u> 2013	<u>December 31,</u> 2012
	Unaudited	*
ASSETS		
Current assets:		
Cash	\$ 130,200	\$ 70,400
Cash – restricted	131,600	220,000
Accounts receivable, net of allowance of \$109,400 and \$92,900, respectively	1,279,600	1,173,800
Costs and estimated earnings in excess billings on uncompleted contracts	177,500	35,500
Inventory	18,500	46,000
Prepaid expenses and other assets	196,100	41,600
Total current assets	<u>1,933,500</u>	<u>1,587,300</u>
Property and equipment, net	878,400	752,100
Intangible assets, net	429,700	450,900
Other assets	9,400	9,400
TOTAL ASSETS	<u>\$ 3,251,000</u>	<u>\$ 2,799,700</u>
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,421,800	\$ 1,323,300
Accrued liabilities	488,700	499,100
Billings in excess of costs and estimated earnings on uncompleted contracts	462,500	327,400
Current portion of payroll taxes payable	336,100	335,400
Current portion of notes payable and capital lease obligations	281,000	319,800
Notes payable - related parties, including accrued interest	191,400	190,400
Total current liabilities	<u>3,181,500</u>	<u>2,995,400</u>
Payroll taxes payable, net of current portion	750,800	745,400
Notes payable and capital lease obligations, net of current portion	281,600	281,600
Total liabilities	<u>4,213,900</u>	<u>4,022,400</u>
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized; -0- shares issued	—	—
Common stock; \$.001 par value; 70,000,000 shares authorized; and 42,245,300 40,349,300 shares issued and outstanding 2013 and 2012, respectively	42,200	40,300
Additional paid-in capital	11,130,000	10,632,200
Stock subscription receivable	(100,000)	(100,000)
Accumulated deficit	(11,767,000)	(11,595,500)
Non-controlling interest	(268,100)	(199,700)
Total stockholders' deficit	<u>(962,900)</u>	<u>(1,222,700)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 3,251,000</u>	<u>\$ 2,799,700</u>

*These numbers were derived from the audited financial statements for the year ended December 31, 2012. See accompanying notes.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	For the Three Months Ended	
	2013	2012
Revenue:		
Products	\$ 901,600	\$ 204,800
Services	1,667,200	898,000
Total revenue	<u>2,568,800</u>	<u>1,102,800</u>
Operating expenses:		
Products costs	572,200	182,300
Services costs	1,038,700	553,800
Selling, general and administrative expenses	1,174,500	709,700
Total operating expenses	<u>2,785,400</u>	<u>1,445,800</u>
Loss from operations	<u>(216,600)</u>	<u>(343,000)</u>
Other income (expenses):		
Interest income	2,000	—
Interest expense	(23,900)	(64,500)
Penalties and late fees	(1,400)	(6,100)
Other	—	(2,900)
Total non-operating expenses, net	<u>(23,300)</u>	<u>(73,500)</u>
Net loss	(239,900)	(416,500)
Less: Net loss attributable to non-controlling interest	(68,400)	—
Net loss attributable to SEER common stockholders	<u>\$ (171,500)</u>	<u>\$ (416,500)</u>
Net loss per share, basic and diluted	<u>\$ (.004)</u>	<u>\$ (.015)</u>
Weighted average shares outstanding – basic and diluted	<u>41,281,000</u>	<u>27,498,100</u>

See accompanying notes.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	For the Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net loss	\$ (239,900)	\$ (416,500)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts receivable	22,800	14,000
Depreciation and amortization	86,900	84,900
Stock-based compensation expense	5,500	30,400
Amortization of debt discount	—	2,900
Changes in operating assets and liabilities:		
Cash – restricted	88,400	—
Accounts receivable	(128,600)	119,300
Costs in Excess of billings on uncompleted contracts	(142,000)	(63,100)
Inventory	27,500	(25,000)
Prepaid expenses and other assets	(154,600)	(32,000)
Accounts payable	98,500	(131,900)
Accrued liabilities and related party notes payable accrued interest	2,000	102,500
Billings in excess of revenue on uncompleted contracts	135,200	35,900
Payroll taxes payable	(3,400)	(1,900)
Net cash used in operating activities	<u>(201,700)</u>	<u>(280,500)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(191,800)	(22,600)
Proceeds the sale of property and equipment	—	—
Net cash used in investing activities	<u>(191,800)</u>	<u>(22,600)</u>
Cash flows from financing activities:		
Proceeds from notes payable	—	225,000
Payments of notes payments and capital lease obligations	(38,800)	(52,100)
Payments of related party notes payable and accrued interest	(1,900)	(2,900)
Proceeds from the sale of common stock and warrants, net of expenses	494,000	100,000
Net cash provided by financing activities	<u>453,300</u>	<u>270,000</u>
Net increase (decrease) in cash	59,800	(33,100)
Cash at the beginning of period	70,400	81,100
Cash at the end of period	<u>\$ 130,200</u>	<u>\$ 48,000</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 2,900</u>	<u>\$ (7,800)</u>
Conversion of accounts payable and accrued expenses to notes payable	<u>—</u>	<u>\$ 66,900</u>
Discount on note payable	<u>—</u>	<u>\$ (2,900)</u>
Purchase of assets under capital leases	<u>—</u>	<u>\$ 121,300</u>

See accompanying notes.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND FINANCIAL CONDITION

Organization

Strategic Environmental & Energy Resources, Inc. ("SEER", "we" or the "Company"), a Nevada corporation, is a provider of industrial products and services in the environmental, energy, and rail transportation sectors. SEER has three wholly-owned operating subsidiaries which provide industrial services to companies in the petroleum, industrial, manufacturing, and medical industries: REGS, LLC (d/b/a Resource Environmental Group Services ("REGS")) provides mobile cleaning services to refineries and other entities in Colorado, Wyoming, Oklahoma, Kansas and Utah and also operates a site in Utah, on behalf of another company, to treat frac water resulting from oil and gas exploration; Tactical Cleaning Company, LLC ("TCC") provides cleaning services to railcar tankers from its sites in Colorado and Kansas; MV, LLC ("MV"), located in Colorado, designs and builds emission and odor control units for refineries, municipalities and other corporate entities; and two majority-owned subsidiaries, Paragon Waste Solutions, LLC ("PWS") a newly formed operating company, owned 54% by SEER (see Note 7) that is developing specific opportunities to deploy and commercialize certain patent-pending technologies for a cold plasma oxidation process that makes possible the clean destruction of hazardous chemical and biological waste (*i.e.*, hospital red bag waste) without traditional incineration with harmful emissions and BeneFuels, LLC ("BeneFuels"), formed in February 2013, owned 85% by SEER and was formed to focus specifically on treating biogas for conversion to pipeline quality gas and/or CNG for fleet vehicles. BeneFuels had no operations as of May 31, 2013.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of SEER, its wholly-owned subsidiaries, REGS, TCC and MV and its majority-owned subsidiaries PWS and BeneFuels, since their respective acquisition or formation dates. All material intercompany accounts, transactions, and profits have been eliminated in consolidation.

Basis of presentation Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all of the normal recurring adjustments necessary to present fairly the financial position and results of operations as of and for the periods presented. The interim results are not necessarily indicative of the results to be expected for the full year or any future period.

Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company believes that the disclosures are adequate to make the interim information presented not misleading. These consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included elsewhere in this Form 10.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make a number of estimates and assumptions related to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of intangible assets; valuation allowances and reserves for receivables and inventory and deferred income taxes; revenue recognition related to contracts accounted for under the percentage of completion method; share-based compensation; and loss contingencies, including those related to litigation. Actual results could differ from those estimates.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Research and Development

Research and development costs are charged to expense as incurred. Such expenses were \$93,200 and \$0, respectively, for the three months ended March 31, 2013 and 2012.

Income Taxes

The Company accounts for income taxes pursuant to *Accounting Standards Codification* ("ASC") 740, *Income Taxes*, which utilizes the asset and liability method of computing deferred income taxes. The objective of this method is to establish deferred tax assets and liabilities for any temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The current and deferred tax provision is allocated among the members of the consolidated group on the separate income tax return basis.

ASC 740 also provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a "more-likely-than-not" recognition threshold at the effective date to be recognized. During the three months ended March 31, 2013 and 2012 the Company recognized no adjustments for uncertain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. No interest and penalties related to uncertain tax positions were recognized at March 31, 2013 and December 31, 2012. The Company expects no material changes to unrecognized tax positions within the next twelve months.

The Company has not filed federal and state tax returns since inception primarily due to financial constraints. The tax periods for the years ending December 31, 2008 through 2012 are open to examination by federal and state authorities. The Company has not been contacted by federal and state taxing authorities regarding these open tax periods although there can be no assurance they will not commence investigative procedures. Since we have had significant operating losses for the open years we do not believe that taxes owed, if any, would be material.

Recently issued accounting pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all new or revised ASU's.

In December 2011, the FASB issued an amendment to the accounting guidance for disclosure of offsetting assets and liabilities and related arrangements. The amendment expands the disclosure requirements in that entities will be required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The amendment is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013, and shall be applied retrospectively. The adoption of this accounting pronouncement did not have a material impact on our financial statements.

In July 2012, the Financial Accounting Standards Board ("FASB") issued guidance which amends the guidance on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the new guidance, an entity testing an indefinite-lived intangible asset for impairment has the option of performing a qualitative assessment before calculating the fair value of the asset. If the entity determines, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is not more likely than not impaired, the entity would not need to calculate the fair value of the asset. The guidance is effective for the Company for our annual impairment test for fiscal 2014. The adoption of this guidance is not expected to have a significant impact on our consolidated financial position, results of operations, or cash flows.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Recently issued accounting pronouncements, continued

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, "Technical Corrections and Improvements" in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 did not have a material impact on our financial position or results of operations.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," ("ASU 2013-05"). The objective of ASU 2013-05 is to clarify the applicable guidance for the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective for annual and interim reporting periods beginning after December 15, 2013 with early adoption permitted. The Company is currently evaluating the impact that the adoption will have on the determination or reporting of its financial results.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following:

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Field and shop equipment	\$ 1,110,100	\$ 1,051,900
Vehicles	442,900	382,500
Furniture and office equipment	17,000	24,500
Leasehold improvements	55,500	55,500
	<u>1,625,500</u>	<u>1,514,400</u>
Less: accumulated depreciation and amortization	(747,100)	(762,300)
Property and equipment, net	<u>\$ 878,400</u>	<u>\$ 752,100</u>

Depreciation expense and amortization of leasehold improvements for the three months ended March 31, 2013 and 2012, was \$65,600 and \$63,700, respectively.

Property and equipment included the following amounts for leases that have been capitalized at:

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Field and shop equipment	\$ 131,500	\$ 148,500
Less: accumulated amortization	(24,400)	(29,500)
	<u>\$ 107,100</u>	<u>\$ 119,000</u>

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 4 – INTANGIBLE ASSETS

Intangible assets were comprised of the following:

	March 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying value
Customer list	\$ 42,500	\$ (29,400)	\$ 13,100
Technology	712,100	(312,400)	399,700
Trade name	54,600	(37,700)	16,900
	<u>\$ 809,200</u>	<u>\$ (379,500)</u>	<u>\$ 429,700</u>

	December 31, 2012		
	Gross carrying amount	Accumulated amortization	Net carrying value
Customer list	\$ 42,500	\$ (27,800)	\$ 14,700
Technology	712,100	(294,700)	417,400
Trade name	54,600	(35,800)	18,800
	<u>\$ 809,200</u>	<u>\$ (358,300)</u>	<u>\$ 450,900</u>

The estimated useful lives of the intangible assets range from seven to ten years. Amortization expense was \$21,300 and \$21,300 for the three months ended March 31, 2013 and 2012, respectively. The estimated aggregate amortization expense for each of the next five years is as follows:

2013	\$ 85,100
2014	85,100
2015	77,000
2016	71,200
2017	71,200
Thereafter	61,300
	<u>\$ 450,900</u>

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities were comprised of the following:

	March 31, 2013	December 31, 2012
Accrued compensation and related taxes	\$ 367,700	\$ 385,100
Accrued interest	59,000	61,600
Accrued material and other job related costs	51,100	30,700
Other	10,900	21,700
	<u>\$ 488,700</u>	<u>\$ 499,100</u>

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 6 - UNCOMPLETED CONTRACTS

Costs, estimated earnings and billings on uncompleted contracts are as follows:

	March 31, <u>2013</u>	December 31, <u>2012</u>
Revenue Recognized	\$ 929,400	\$ 63,800
Less: Billings to date	(751,900)	(28,300)
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>\$ 177,500</u>	<u>\$ 35,500</u>
Billings to date	\$ 846,800	\$ 775,800
Revenue recognized	(384,300)	(448,400)
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>\$ 462,500</u>	<u>\$ 327,400</u>

NOTE 7– INVESTMENT IN PARAGON WASTE SOLUTIONS LLC

In 2010, the Company and Black Stone Management Services, LLC ("Black Stone") formed PWS whereby 1,000,000 membership units were issued, the Company acquired 60% (600,000) of the membership units in PWS and Black Stone acquired 40% (400,000) of the membership units in PWS, respectively. Fortunato Villamagna, who serves as President of our subsidiary PWS, is a managing member and Chairman of Black Stone. In June 2012, the Company and Blackstone each allocated 10% of their respective membership units in PWS to two individuals, one of which is an officer of the Company and one which is a shareholder of the Company and an officer of a subsidiary. There was no value to the units at the time of the allocation. As of December 31, 2012 the Company owns 54% of the membership units, Black Stone 36% of the membership units and two individuals, one of which is an officer of the Company and one who is a shareholder, each own 5% each of the membership units.

In August, 2011, we acquired certain waste destruction technology intellectual property (the "IP") from Black Stone in exchange for 1,000,000 shares of our common stock valued at \$100,000. As noted above Mr. Villamagna, who serves as President of our subsidiary PWS, is a managing member and Chairman of Black Stone. We estimated the useful life of the IP at ten years, which was consistent with the useful life of other technology included in our intangible assets, and management's initial assessment of the potential marketability of the IP.

During 2012, we have provided approximately \$415,000 in funding to PWS for further development and construction of a prototype commercial waste destruction unit. For the three months ended March 31, 2013 we provided \$135,800 in funding to PWS. Black Stone has made no capital contributions or other funding to PWS. The intent of the operating agreement is that we will provide the funding as an advance against future earnings distributions made by PWS.

NOTE 8 - PAYROLL TAXES PAYABLE

In 2009 and 2010, the Company became delinquent for unpaid federal employer and employee payroll taxes and accrued interest and penalties related to the unpaid payroll taxes. Additionally, we had amounts outstanding for certain unpaid state payroll taxes and accrued interest and penalties applicable to 2012 and 2011. All interest and penalties related to the delinquent federal and state payroll taxes are included in the section labeled "other income and expenses" in the consolidated statement of operations.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

In September 2011, we received approval from the IRS to begin paying our outstanding federal payroll tax and related interest and penalties liabilities totaling approximately \$971,000, for the aforementioned years in installments (the "Installment Plan"). Under the Installment Plan, we were required to pay minimum monthly installments of \$12,500 commencing September 2011, which increased to \$25,000 per month in September 2012, until the liability is paid in full. Through the duration of the Installment Plan, the IRS continues to charge penalties and interest at statutory rates. If the conditions of the Installment Plan are not met, the IRS may cancel it and may demand the outstanding liability to be repaid through a levy on income, bank accounts or other assets, or by seizing certain of our assets. Additionally, the IRS has filed a notice of federal tax lien against certain of our assets to satisfy the obligation. The IRS is to release this lien if and when we pay the full amount due. As of March 31, 2013 and December 31, 2012, the outstanding balance due to the IRS was \$988,300, and \$1,045,400, respectively. Two of the officers' of the Company also have liability exposure for a portion of the taxes if the Company does not pay them.

As of March 31, 2013 and December 31, 2012, the amounts due for past due state payroll taxes, interest and penalties, was \$65,100 and \$35,400, respectively.

NOTE 9 – DEBT

In June 2011, we issued an unsecured promissory note to a third party in the amount of \$40,000 (the "June 2011 Note") bearing interest at a rate of 10% per annum and a three year warrant to purchase 13,000 shares of our common stock at an exercise price of \$1.00 per share. In addition, a second note payable, to the same third party, in the amount of \$25,000 plus \$3,000 of accrued interest was also converted into the June 2011 Note, resulting in a new principal balance of \$68,000. Principal payments were due beginning November 2011 and the June 2011 Note is in default as of December 31, 2012, as no payments have been made to date. We valued the warrant at \$170 using the Black-Scholes model and recorded this amount as a debt discount. The debt discount was fully amortized during 2011.

In December 2011, we issued a secured promissory note to a third party in the amount of \$50,000 (the "December 2011 Note") bearing interest at 18% per year, secured by certain assets in TCC and a five year warrant to purchase 25,000 shares of our common stock at an exercise price of \$0.50 per share. We valued the warrant at \$5,749 using the Black-Scholes model and recorded this amount as a debt discount. The December 2011 Note was paid in full in June 2012.

The Company entered into a loan agreement evidenced by a convertible secured promissory note with Advanced Technology Materials, Inc. on February 14, 2012. The amount of the convertible secured promissory note is \$225,000. The loan agreement allows for an additional \$225,000 to be borrowed upon meeting certain defined milestones and stipulates the Company provide the lenders, among other things, a security agreement which also identifies the collateral, a registration rights agreement granting piggy-back registration rights to the lender, a development agreement and use the loan proceeds for projects and transactions contemplated in the term sheet and development agreement. The note bears interest at 5 percent per annum. The entire loan and/or unpaid balance of the loan and accrued interest can be converted into the Company's common stock at \$0.50 per share at any time at the option of the holder. However, if the lender does not convert any of the principal or interest into common stock then \$112,500 of principal plus accrued interest will be due on demand on or after December 31, 2014.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 9 – DEBT, continued

Debt as of March 31, 2013 and December 31, 2012, was comprised of the following:

	2013	2012
June 2011 Note (See above)	\$ 68,000	\$ 68,000
Note payable dated February 2012, interest at 5% per annum, \$112,500 is due December 31, 2014, convertible in whole or in part to common stock at \$.50 per share.	225,000	225,000
Promissory note dated April 2008, secured by certain of our assets, bearing interest at 6.65% per annum; 60 monthly payments of \$14,276, maturing April 2013.	42,400	70,200
Promissory note dated December 2009, unsecured, bearing interest at 6% per annum, six monthly payments ranging from \$10,000 to \$25,000 commencing February 2010, balloon payment for outstanding balance due July 2010. The promissory note is in default as of December 31, 2012 and 2011.	104,200	104,200
Promissory note dated November 2010, unsecured, bearing interest at 8% per annum, balloon payment for outstanding balance due October 2011. The promissory note is in default as of December 31, 2012 and 2011.	25,000	25,000
Capital lease obligations, secured by certain assets, maturing September 2011 through August 2016	98,000	109,000
Total notes payable and capital lease obligation	562,600	601,400
Less: current portion, including debt discount	(281,000)	(319,800)
Notes payable and capital lease obligation, long-term	\$ 281,600	\$ 281,600

In June 2012, a final payment of \$25,000 was made and we and the note holder agreed to a settlement amount for all principal and interest due of \$446,000, which the notes holder converted into 900,000 shares of our common stock.

NOTE 10 – RELATED PARTY TRANSACTIONS

Notes payable, related parties

In February 2011, we executed a secured, promissory note with one of our officers in the amount of \$50,000 (the “2011 Officer Note”). The 2011 Officer Note is secured by certain assets in MV and bears interest at 8% per annum and was originally due on August 15, 2011. It is currently due on demand. As additional consideration, we issued to the officer a five-year warrant to purchase 25,000 shares of our common stock at an exercise price of \$0.60 per share. We valued the warrant at approximately \$6,000 using the Black-Scholes model and recorded this amount as a debt discount. The debt discount was fully amortized during 2011.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 10 – RELATED PARTY TRANSACTIONS, continued

Notes payable, related parties and accrued interest due to certain related parties as of March 31, 2013 and December 31, 2012 are as follows:

	2013	2012
Note payable dated February 2004, bearing interest at 8% per annum, originally due January 2008; assigned to CEO by a third party in 2010; due on demand, in default	\$ 97,000	\$ 97,000
Note payable due to President of our subsidiary, REGS, interest at 8% per annum, originally due February 2009, in default	2,300	4,200
2011 Officer Note (see description above), in default	50,000	50,000
Accrued interest	42,100	39,200
	\$ 191,400	\$ 190,400

We believe the stated interest rates on the related party notes payable represent reasonable market rates based on the note payable arrangements we have executed with third parties.

NOTE 11 – EQUITY TRANSACTIONS

In December 2012, we initiated a new private placement comprised of 200,000 shares and 100,000 warrants for \$50,000. Each warrant is exercisable for a period of three years at an exercise price of \$.50 per share. For the three months ended March 31, 2013 we sold 9.9 units for proceeds of \$494,000.

NOTE 12 – CUSTOMER CONCENTRATIONS

The Company had sales from operations to two customers for the three months ended March 31, 2013 and 2012 that represented approximately 34% and 30% of our sales. The concentration of the Company's business with a relatively small number of customers may expose us to a material adverse effect if one or more of these large customers were to experience financial difficulty or were to cease being customer for non-financial related issues.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 14 – NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding. Diluted net loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares. Potentially dilutive securities are excluded from the calculation when their effect would be anti-dilutive. For all years presented in the consolidated financial statements, all potentially dilutive securities have been excluded from the diluted share calculations as they were anti-dilutive as a result of the net losses incurred for the respective years. Accordingly, basic shares equal diluted shares for all years presented.

Potentially dilutive securities were comprised of the following:

	March 31,	
	2013	2012
Warrants	6,487,500	2,777,000
Options	2,234,000	2,552,700
Convertible notes payable	225,000	900,000
	<u>8,946,500</u>	<u>6,229,700</u>

NOTE 15 - ENVIRONMENTAL MATTERS AND REGULATION

Significant federal environmental laws affecting us are the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund Act", the Clean Air Act, the Clean Water Act, and the Toxic Substances Control Act ("TSCA").

Pursuant to the EPA's authorization of their RCRA equivalent programs, a number of states have regulatory programs governing the operations and permitting of hazardous waste facilities. Our facilities are regulated pursuant to state statutes, including those addressing clean water and clean air. Our facilities are also subject to local siting, zoning and land use restrictions. Although our facilities occasionally have been cited for regulatory violations, we believe we are in substantial compliance with all federal, state and local laws regulating our business.

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 16 - SEGMENT INFORMATION AND MAJOR CUSTOMERS

The Company currently has identified four segments as follows:

REGS	Industrial Cleaning
TCC	Rail Car Cleaning
MV	Environmental Solutions
PWS	Solid Waste

BeneFuels is not currently operating but when operations commence would be part of the Environmental Solutions segment.

The composition of our reportable segments is consistent with that used by our chief operating decision maker to evaluate performance and allocate resources. All of our operations are located in the U.S. We have allocated corporate selling, general and administrative expenses, interest expense, depreciation and amortization and stock-based compensation to the segments based on a percentage of a segment's revenue to total consolidated revenue. All intercompany transactions have been eliminated.

Segment information for the three months ended March 31, 2013 and 2012 is as follows:

<u>2013</u>	Industrial Cleaning	Railcar Cleaning	Environmental Solutions	Solid Waste	Corporate	<u>Total</u>
Revenue	\$ 1,118,100	\$ 549,100	\$ 901,600	—	—	\$ 2,568,800
Depreciation and amortization (1)	\$ 47,100	\$ 5,900	\$ 31,400	—	\$ 2,500	\$ 86,900
Interest expense	\$ 7,800	\$ 9,700	\$ 2,600	—	\$ 3,800	\$ 23,900
Stock-based compensation	—	—	—	—	\$ 5,500	\$ 5,500
Net income (loss)	\$ 22,100	\$ 75,400	\$ 118,900	\$ (80,300)	\$ (376,000)	\$ (239,900)
Capital expenditures (cash and noncash)	\$ 150,900	\$ 40,900	—	—	—	\$ 191,800
Total assets	\$ 1,580,900	\$ 448,700	\$ 1,063,700	—	\$ 157,700	\$ 3,251,000
<u>2012</u>	Industrial Cleaning	Railcar Cleaning	Environmental Solutions	Solid Waste	Corporate	<u>Total</u>
Revenue	\$ 351,600	\$ 546,300	\$ 204,900	—	—	\$ 1,102,800
Depreciation and amortization (1)	\$ 46,700	\$ 6,300	\$ 29,400	—	\$ 2,500	\$ 84,900
Interest expense	\$ 44,100	\$ 13,800	\$ 1,800	—	\$ 7,600	\$ 67,300
Stock-based compensation	—	—	—	—	\$ 30,400	\$ 30,400
Net income (loss)	\$ (144,100)	\$ 69,300	\$ (75,000)	—	\$ (266,700)	\$ (416,500)
Capital expenditures (cash and noncash)	\$ 1,300	—	\$ 21,300	—	—	\$ 22,600
Total assets	\$ 738,900	\$ 453,000	\$ 827,100	—	\$ 105,100	\$ 2,124,100

(2) Includes depreciation of property, equipment and leasehold improvement and amortization of intangibles

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated the impact of events occurring after March 31, 2013 up to the date of the filing of these interim unaudited condensed consolidated financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.