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

FORM 10-K

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

For the Year Ended December 31, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Strategic Environmental & Energy Resources, Inc.
(Exact name of registrant as specified in its charter)

Nevada	**000-54987**	**02-0565834**
(State or other jurisdiction of Incorporation or organization)	*(Commission File No.)*	*(IRS Employee Identification Number)*

751 Pine Ridge Road
Golden, CO 80403
(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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10- K. ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒

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

Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter; 39,809,281 shares of common stock at a price of $1.35 per share for an aggregate market value of $53,742,530.

As of March 31, 2015 there were 52,362,015 shares of the registrant's $.001 par value common stock outstanding. No other class of equity securities is issued or outstanding.

Documents incorporated by reference: None

Strategic Environmental & Energy Resources, Inc.
Form 10-K for the year ended December 31, 2014

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PART I

Cautionary Statement Concerning Forward-Looking Statements

The information contained in this Annual Report may contain certain statements about SEER that are or may be "forward-looking statements" that is, statements related to future, not past, events, including forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on the current expectations of the management of SEER and are subject to uncertainty and changes in circumstances and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Factors that could cause our results to differ materially from current expectations include, but are not limited to factors detailed in our reports filed with the U.S. Securities and Exchange Commission ("SEC"), including but not limited to those under the caption "Risk Factors" contained herein. In addition, these statements are based on a number of assumptions that are subject to change. The forward-looking statements contained in the information in this Annual Report may include all other statements in this document other than historical facts. Without limitation, any statements preceded or followed by, or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "approximates", "projects", "seeks", "sees", "should," "would," "expect," "positioned," "strategy," or words or terms of similar substance or derivative variation or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, losses and future prospects; (ii) business and management strategies and the expansion and growth of SEER; (iii) the effects of government regulation on SEER's business, and (iv) our plans, objectives, expectations and intentions generally.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Additional particular uncertainties that could cause our actual results to be materially different than those expressed in forward-looking statements include: risks associated with our international operations; significant movements in foreign currency exchange rates; changes in the general economy, as well as the cyclical nature of our markets; availability and cost of raw materials, parts and components used in our products; the competitive environment in the areas of our planned industrial activities; our ability to identify, finance, acquire and successfully integrate attractive acquisition targets, expected earnings of SEER; the amount of and our ability to estimate known and unknown liabilities; material disruption at any of our significant manufacturing facilities; the solvency of our insurers and the likelihood of their payment for losses; our ability to manage and grow our business and execution of our business and growth strategies; our ability and the ability our customers to access required capital at a reasonable costs; our ability to expand our business in our targeted markets; the level of capital investment and expenditures by our customers in our strategic markets; our financial performance; our ability to identify, address and remediate any material weakness in our internal control over financial reporting; our ability to achieve or maintain credit ratings and the impact on our funding costs and competitive position if we do not do so; and other risk factors as disclosed herein under the caption "Risk Factors". Other unknown or unpredictable factors could also cause actual results to differ materially from those in any forward-looking statement.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. SEER undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of SEER unless otherwise expressly stated.

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 January 2008, SOZG changed its name to Strategic Environmental & Energy Resources, Inc., reduced its number of outstanding shares through a reverse stock split and consummated the acquisition of both, REGS, LLC and Tactical Cleaning Company, LLC. SEER is dedicated to assembling complementary service and environmental, clean-technology businesses that provide safe, innovative, cost effective, and profitable solutions in the oil & gas, environmental, waste management and renewable energy industries. SEER currently operates five 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 five operating companies is discussed in more detail below.

The Company's domestic strategy is to grow internally through SEER's 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. The focus of the SEER family of companies, however is to increase margins by securing or developing new and patent-pending technologies and then leveraging its 20-year service experience to place these innovations and solutions into the growing markets of emission capture and control, renewable "green gas" capture and sale, compressed natural gas ("CNG") fuel generation for fleet use, as well as general solid waste and medical/pharmaceutical waste destruction. Many of SEER's current operating companies share customer bases and each provides truly synergistic services, technologies and products.

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

Subsidiaries

REGS, LLC d/b/a Resource Environmental Group Services ("REGS"): **(operating since 1994)** provides general industrial cleaning services and waste management to many industry sectors focusing on oil & gas production (upstream) and refineries (downstream), as well as services other sectors such as hospitals, universities and state/federal agencies.

Tactical Cleaning Company, LLC ("Tactical"): (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 (d/b/a MV Technologies), ("MV") : **(operating since 2003)** MV is an engineered product company that designs and sells patented and/or proprietary), engineered, dry scrubber system solutions for management of Hydrogen Sulfide (H_2S) in biogas, landfill gas, and petroleum processing operations. These system solutions are marketed under the product names H2SPlus™ and OdorFilter™. The markets for these products include waste land fill sites, agricultural and food product processors, and petroleum product refiners. MV also develops and designs proprietary technologies and systems used to condition biogas for use as renewable fuel for a number of markets, such as fleet vehicle fuel to replace diesel or gasoline. The target markets for these solutions are primarily conversion in agricultural, food and beverage and agriculture digesters and landfill operations.

Paragon Waste Solutions, LLC ("PWS"): (formed late 2010) PWS is an operating company that has developed a patented waste destruction technology using pyrolytic heating process combined with "non-thermal plasma" assisted oxidation. This technique involves gasification of solid waste by heating the waste in a low-oxygen environment, followed by complete oxidation at higher temperatures in the presence of plasma. The term "non-thermal plasma" refers to a low energy ionized gas that is generated by electrical discharges between two electrodes. This technology, commercially referred to as CoronaLux™, is designed and intended for the "clean" destruction of hazardous chemical and biological waste *(i.e.*, hospital "red bag" waste) thereby eliminating the need for costly segregation, transportation, incineration or landfill (with their associated legacy liabilities). PWS is a 54% owned subsidiary.

MV RCM Joint Venture: In April 2013, MV Technologies, Inc ("MV") and RCM International, LLC ("RCM") entered into an Agreement to develop hybrid scrubber systems that employ elements of RCM Technology and MV Technology (the "Joint Venture"). RCM and MV Technologies will independently market the hybrid scrubber systems. The contractual Joint Venture has an initial term of five years and will automatically renew for successive one-year periods unless either Party gives the other Party one hundred and eighty (180) days' notice prior to the applicable renewal date. Operations to date of the Joint Venture have been limited to formation activities.

ReaCH4BioGas ("Reach") (trade name for Benefuels, LLC): (formed February 2013) owned 85% by SEER is a newly formed entity created to focus specifically on treating biogas for conversion to pipeline quality gas and/or CNG for fleet vehicles. Reach has had minimal operations as of December 31, 2014.

Segment Information

The Company currently has identified four segments as follows:

		% of Annual Revenues	
		2014	2013
REGS	Industrial Cleaning	59%	50%
TCC	Rail Car Cleaning	15%	21%
MV	Environmental Solutions	25%	29%
PWS	Solid Waste	1%	—

Reach is not currently operating but when operations commence would be part of the Environmental Solutions segment. The MV RCM Joint Venture is not currently operating but when operations commence would be part of the Environmental Solutions segment.

As of December 31, 2014 and 2013, we had two customers (Customer A and Customer B) with sales in excess of 10% of our revenue and combined were 53% and 43%, respectively of total revenues for the year ended December 31, 2014 and 2013. The loss of either one of these customers would have a material adverse effect on our business.

Financial Condition

As shown in the accompanying consolidated financial statements, the Company has experienced recurring losses, and has an accumulated deficit of approximately $12.5 million as of December 31, 2014 and for the years ended December 31, 2014, and 2013, we incurred net losses, before non-controlling interest, of approximately $726,000 and $858,000, respectively. As of December 31, 2014 our current liabilities exceed our current assets by approximately $1.4 million compared to December 31, 2013 where our current assets exceeded our current liabilities by $582,000. The primary reason for the change in working capital is we used working capital in 2014 to finance nearly $3.4 million in property and equipment additions, which included approximately $2.6 million in new CoronaLux™ units. Our total assets exceed total liabilities at December 31, 2014 by approximately $3.8 million and at December 31, 2013 our total assets exceeded our total liabilities by $2 million. The primary reason for this positive change is due to net proceeds from the issuance of stock and exercise of common stock warrants of approximately $1.5 million.

We have undertaken a number of specific steps to increase our profitability. In 2014 and 2013, we raised approximately $1.5 million and $3.7 million, respectively through the sale of common stock and the exercise of commons stock warrants. In addition, we have focused on developing organic growth in our operating companies and improving 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 reduce our net loss. 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. 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 CoronaLux™ placement fees will be sufficient to allow the Company to maintain its operations through December 31, 2015 and into the foreseeable future.

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 emissions and solid waste regulations and statutory programs at the, state, federal and local level, that create and mandate the need for waste minimization, proper handling, storage, treatment and disposal of virtually all types of waste.

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 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 both acquisitions 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 secure supply chain and vendor logistics or 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.

Upon full development of certain of our patent-pending technologies, we intend to explore licensing 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. MV was issued a second patent in 2014 titled "Fugitive Gas Capture", US Patent No. 8,708,663 B1, that expanded claims in the earlier patent. The patents will expire in 2029 and 2031, respectively, 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 patent applications in the name and for the benefit of SEER arising out of and related to its waste disposal technology involving a pyrolitic first phase and a "cold plasma" second phase system referred to as "plasma light," or CoronaLux™ technology. In October 2014 SEER was issued patent No. 8,870,735 for this CoronaLux™ technology. In 2014, PWS filed a provisional patent related to destruction of volatile organic compounds. A pyrolytic process is basically the decomposition of any material at elevated temperatures in a very low oxygen-containing atmosphere, as compared to conventional incineration or pyrolysis processes. 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, and a reputation for reliability, built over the nearly 20 years of business operations as well as the care we take in performing and completing 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 hydrogen sulfide ("H_2S") "scrubbing" solutions that result in more cost effective removal of H_2S from process gas streams. H_2S is highly corrosive, and is a precursor to sulfur dioxide, a highly regulated air pollutant. Therefore removing H_2S from industrial process waste streams is important in order to enhance the safety of personnel, extend the life of industrial equipment, and to minimize resulting air pollution. In the markets served by MV there are a number of competing technologies employed such as: biological scrubbing, chemical scrubbing, and dry scrubbing with activated carbon. 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 patented CoronaLux™ technology results in a radically superior option in the medical waste management sector and in 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 permitting and operation 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

In 2009 and 2010, REGS, a subsidiary of the Company, became delinquent for unpaid federal employer and employee payroll taxes and accrued interest and penalties related to the unpaid payroll taxes.

In September 2011, we received approval from the Internal Revenue Service ("IRS") to begin paying the 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 was paid in full. Through the duration of the Installment Plan, the IRS continued to charge penalties and interest at statutory rates. If the conditions of the Installment Plan were not met, the IRS could cancel it and could 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. Two of the officers of REGS also have liability exposure for a portion of the taxes if REGS does not pay them.

In May 2013, REGS filed an Offer in Compromise with the IRS. While the Offer in Compromise was under review by the IRS, the requirement to pay $25,000 a month under the Installment Plan was suspended. REGS received a letter from the IRS, dated March 27, 2014, rejecting our Offer in Compromise and in accordance with the rejection letter the Company has submitted a written appeal. As a result of the IRS rejection of the Offer in Compromise, the Installment Plan, mentioned above, is terminated. In June 2014, the Company received notices of intent to levy property or rights to property from the IRS for the amounts owed for the past due payroll taxes, penalty and interest. Currently our appeal is pending and as such the IRS cannot levy our property while the appeal process is still pending.

As of December 31, 2014 and December 31, 2013, the outstanding balance due to the IRS was $947,700, and $958,300, respectively.

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

Research and Development ("R&D") costs are charged to operations when incurred and are included in operating expenses. R&D expenses consist primarily of salaries, project materials, contract labor and other costs associated with ongoing product development and enhancement efforts. We spent approximately $277,000 and $407,000 on R&D for the years ended December 31, 2014 and 2013, respectively.

Employees

As of December 31, 2014, we employed approximately 76 full time non-union hourly and salaried employees. There is some seasonality to our business which requires us to use day laborers.

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 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. Many of our customers are affected by the price of crude oil and refined products primarily because these customers do not produce crude oil but must purchase crude oil in the market. The fluctuating price of crude oil can have a significant impact on their operating margins. Unfavorable or volatile trends in fossil fuel prices (oil, diesel, natural gas) may result in decreased demand for the company's services. 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.

Our common stock is thinly traded, the prices at which it trades are volatile and the buying or selling actions of a few shareholders may adversely affect our stock price.

As of December 31, 2014, we had a public float, which is defined as shares outstanding minus shares held by our officers, directors, or beneficial holders of greater than 10% of our outstanding common stock and restricted common stock, of 29,012,013 shares, or 54% of our outstanding common stock. The average number of shares traded in any given day over the past year (approximately 59,800) has been relatively small compared to the public float. For the year ended December 31, 2014 we traded a total of 15,066,900 shares or 52% of our public float. Thus, the actions of a few shareholders either buying or selling shares of our common stock may adversely affect the price of the shares. Historically, securities similar to our common stock have experienced extreme price and volume fluctuations that do not necessarily relate to operating 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 ability to meet our obligations as they come due 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 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. As shown in the accompanying consolidated financial statements, the Company has experienced recurring losses, and has an accumulated deficit of approximately $12.5 million as of December 31, 2014. For the years ended December 31, 2014, and 2013, we incurred net losses, before non-controlling interest, of approximately $726,000 and $858,000, respectively. As of December 31, 2014 our current liabilities exceed our current assets by approximately $1.4 million.

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.

We earn a significant portion of our revenue from a relatively small number of customers. 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 out 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 could 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 to raise additional capital to support these 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 causes 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 possible 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 do business in a highly competitive industry and compete with companies that have substantially more resources that 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.

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, 2014, J John Combs III, President, CEO and Director of SEER and Michael J. Cardillo, Founder and President of our REGS subsidiary, and Fortunato Villamagna, president of our PWS subsidiary, beneficially held approximately 22.6% 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.

We depend on certain key personnel.

We are highly dependent on a limited number of key management personnel, particularly our President and CEO, J. John Combs III , Fortunato Villamagna, President of our subsidiary, PWS, Mike Cardillo, President of our subsidiary, REGS and John Jenkins, President of our subsidiary, MV. Our loss of key personnel to death, disability or termination, or our inability to hire and retain qualified personnel, could have a material adverse effect on our financial position, results of operations and cash flow.

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 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Location	Owned/Leased	Function	Building(s) Sq. Footage	Total Acreage
Commerce City, CO	Leased	REGS operations	10,000	1.5
Denver, CO	Leased	TC2 Rail car cleaning	1,200	1.5
Golden, CO (1)	Leased	Corporate office, MV operations	9,750	n/a
El Dorado, KS	Leased	TC2 Rail car Cleaning	2,200	5.0

(1) On December 16, 2013, the Company executed a new lease for 9,750 square feet of office and warehouse space that will serve as the headquarters for SEER, MV and PWS. The lease commenced on February 1, 2014 and terminates on January 31, 2019 unless otherwise extended.

ITEM 3. LEGAL PROCEEDINGS

Other than the disclosure in Note 8 to the Consolidated Financial Statements regarding the past due payroll taxes, we know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder of more than 5% of our issued and outstanding common stock, or associates of such persons, is an adverse party or has a material interest adverse to us.

ITEM 4. MINE SAFETY DISCLOSURES

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

The Company's common stock is traded on the OTCQB marketplace, operated by OTC Markets Group 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,			
	2014		2013	
	High	Low	High	Low
First Quarter	$ 1.36	$ 1.01	$ .75	$ .41
Second Quarter	$ 1.72	$ .99	$ .86	$ .69
Third Quarter	$ 1.35	$ .88	$ .94	$ .69
Fourth Quarter	$ 1.44	$ .86	$ 1.08	$ .77

Stockholders

As of March 31, 2015, there were approximately 112 shareholders holding 52,362,015 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.

Recent Sales of Unregistered Securities

During the year ended December 31,2014, we did not have any sales of securities in transactions that were not registered under the Securities Act of 1933, as amended, that have not been previously reported in a Form 8-K or Form 10-Q except as noted below.

For the period October 1, 2014 to December 31, 2014 the Company issued 162,500 shares of common stock in connection with the exercise of warrants at $.50 per share, resulting in proceeds of $81,250 and we issued 200,000 shares of common stock for consulting services valued at $184,000. The consulting services are related to financial advisory services, potential strategic acquisition evaluations, strategic planning and market evaluations.

ITEM 6. SELECTED FINANCIAL DATA

Not Applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 products and services 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 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, 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 December 31, 2014, we had approximately $1.4 million in negative working capital, which represents a decrease of approximately $2 million from $582,000 in working capital at December 31, 2013. The significant decrease in our working capital results primarily from two events: 1) the reclassification of the amounts due the IRS from non-current to current liabilities until the outcome is resolved and 2) cash used from proceeds from the sales of common stock of approximately $2.6 million was used to build waste destruction units for PWS. In May 2013, REGS filed an Offer in Compromise with the IRS. REGS received a letter from the IRS, dated March 27, 2014, rejecting our Offer in Compromise and in accordance with the rejection letter the Company has submitted a written appeal. As a result of the IRS rejection of the Offer in Compromise, the Installment Plan, mentioned in Part 1, Item 1, was terminated. In June 2014, the Company received notices of intent to levy property or rights to property from the IRS for the amounts owed for the past due payroll taxes, penalty and interest. Currently our appeal is pending and as such the IRS cannot levy our property while the appeal process is still pending. As of December 31, 2014 the outstanding balance due to the IRS was $947,700.

As shown in the accompanying consolidated financial statements, the Company has experienced recurring losses, and has accumulated a deficit of approximately $12.5 million as of December 31, 2014, and $12.2 million as of December 31, 2013. For the years ended December 31, 2014, and 2013, we incurred net losses of approximately $726,000 and $858,000, respectively.

Realization of a major portion of our assets as of December 31, 2014 and 2013 is dependent upon our continued operations. Accordingly, we have undertaken a number of specific steps to continue to operate as a going concern. For the years ended December 31, 2014 and 2013, we had net proceeds of approximately $1.5 million and $3.8 million, respectively, through the sale of common stock and the exercise of common stock warrants. In addition, for the year ended December 31, 2013, we converted debt of approximately $61,000 to equity. In addition, we have focused on 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. 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 CoronaLux™ placement fees will be sufficient to allow the Company to maintain its operations through December 31, 2015 and into the foreseeable future.

Results of Operations

Results of Operations for the Years Ended December 31, 2014 and 2013

Total revenues were $17.3 million and $11.6 million for the years ended December 31, 2014 and 2013, respectively. The increase of approximately $5.7 million or 49% in revenues comparing the year ended December 31, 2014 to the year ended December 31, 2013 is primarily attributable to increases in revenues from our industrial cleaning segment which increased from approximately $5.8 million in 2013 to approximately $10.2 million in 2014, an increase of approximately 76% and was primarily attributable to a single customer and the substantial increase in the need for industrial services by this single customer. Our railcar cleaning segment revenues increased approximately $200,000 comparing the year ended December 31, 2014 to the year ended December 31, 2013, and the increase was attributable to an increase in the number of railcars serviced during that period. Our environmental solutions segment revenue increased from $3.4 million for the year ended December 31, 2013 to $4.3 million for the year ended December 31, 2014, an increase of approximately 27%. We generated licensing and placement fees of $69,000 and freight revenue of $40,000 from our solid waste disposal segment as a result of the delivery of two CoronaLux™ units in 2014. The solid waste disposal segment has received approximately $526,000 in non-refundable fees which are being recognized as revenue ratably over the initial five year term of the agreements.

Operating costs, which include cost of products, cost of services and selling, general and administrative (SG&A) expenses were approximately $18 million for the year ended December 31, 2014 compared to $12.4 million for the year ended December 31, 2013. The $5.6 million increase in total operating costs is the result of 1) an increase in service costs of approximately $2.3 million associated with a 56% increase in service revenues of $4.6 million, 2) an increase in product cost of $867,000 associated with a 27% increase in product revenues and, 3) SG&A which increased approximately $2.1 million comparing 2013 to 2014. Service costs as a percentage of service revenues were 66% for the year ended December 31, 2014 and 75% for the year ended December 31, 2013. The significant margin improvement is due to better utilization of owned equipment rather than renting equipment and the full utilization of our employee and subcontractor workforces. As a result of a significant backlog of work all service employees and subcontractors time was billed. Product costs as a percentage of product revenues was 67% in 2013 compared to 73% in 2014 primarily due to recurring product sales that typically have lower margins than the normal one-time long term project margins that have higher margins. Solid waste costs were $397,500 in 2014 and $0 in 2013 due to an increase in personnel to support the placement of CoronaLux ™ units with customers, along with product development and product enhancement activities. SG&A expense increased from approximately $3.9 million for the year ended December 31, 2013, to approximately $5.9 million for the year ended December 31, 2014, an increase of approximately $2 million. The increase in 2014 compared to 2013 was primarily due to, i) stock based compensation which was $994,400 in 2014, compared to $208,800 in 2013, ii) an increase in professional fees of approximately $137,000 comparing 2013 to 2014, iii) an increase in bad debt expense of $155,000, iv) an increase in travel costs of $69,000 and v) an increase in salaries and wages and share-based compensation of $1,129,000 in 2014 compared to 2013. Most of the increase in salaries and wages in 2014 was due to an increase in staff to support the medical waste segment and product segments and the addition of corporate executive staff. Share-based compensation increased $789,000 from 2013 to 2014.

Total non-operating other income (expense), net was $(38,600) for the year ended December 31, 2014 compared to $(110,600) for the year ended December 31, 2013. The decrease in 2014 compared to 2013 is primarily due to a reduction in interest expense because of a reduction in interest bearing debt both in 2014 and late 2013.

There is no provision for income taxes for both the year ended December 31, 2014 and 2013, due to our net losses for both periods.

Net loss, before non-controlling interest, for the year ended December 31, 2014 was $726,000 compared to a net loss, before non-controlling interest, of $858,600 for the year ended December 31, 2013. The net loss attributable to SEER after deducting $441,400 for the non-controlling interest was $284,600 for the year ended December 31, 2014 as compared to $619,700, after deducting $238,900 in non-controlling interest for the year ended December 31, 2013. As noted above, the substantial increase in revenue in 2014 compared to 2013 was offset by SG&A expenses, as noted above.

Changes in Cash Flow

Operating Activities

Net cash provided by operating activities during the year ended December 31, 2014 was $29,700 compared to $120,100 net cash used in operating activities during the year ended December 31, 2013. Cash provided by (used in) 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 2013, net non-cash adjustments totaled $609,000 and in 2014, net non-cash adjustments totaled $1.7 million. In 2013, the net effect of changes in operating assets and liabilities was an increase in cash by approximately $129,000, primarily due to an increase in accounts payable and accrued liabilities of $642,000 offset by a reduction of billings in excess of revenue on uncompleted projects of $157,100, a $122,500 reduction of payroll taxes payable and an increase in prepaid expenses of $248,200. In 2014, the net effect of changes in operating assets and liabilities was a reduction of cash by approximately $896,500, primarily due to an increase in accounts receivable of nearly $2 million from 2013 to 2014, primarily offset by increases of $195,000 in accounts payable and accrued liabilities, an increase of $138,200 in billings in excess of revenue on uncompleted contracts, an increase in deferred revenue and customer deposits of $600,600. The increase in accounts receivable is primarily due to a substantial increase in revenues in the 4th quarter of 2014, $5.4 million, compared to the 4th quarter of 2013, $2.9 million. The increase in accounts payable and accrued liabilities in 2014 was primarily increases in vendor payables due to the significant increase in revenues in Q4 2014 and compensation and accrued bonuses. The increase in deferred revenue and customer deposits in 2014 results from non-refundable placement fees associated with several CoronaLux™ unit, which are amortized over the term of the agreement and deposits on CoronaLux™ units ordered but not yet delivered.

Investing activities

Net cash used in investing activities is primarily attributable to capital expenditures. Our capital expenditures were $3.4 million and $1.2 million for the years ended December 31, 2014 and 2013, respectively. The significant increase in property and equipment in 2014 and 2013 was primarily due to, i) the construction of CoronaLux™ units which accounted for $2.7 million of the additions in 2014 and $707,000 of the additions in 2013, ii) REGS equipment additions of $273,000 in 2014 and $397,000 in 2013, iii) equipment additions for MV of $89,000 in 2014 and $46,000 in 2013 and iv) software and IT infrastructure additions for SEER of $236,000 in 2014.

Financing Activities

Net cash provided by financing activities was approximately $1.3 million for 2014 compared to approximately $3.6 million for 2013. The decrease in 2014 was attributable to lower net proceeds from the sale of common stock and exercise of warrants. Proceeds from the sale of common stock and exercise of warrants were $1.5 million for 2014 compared to $3.8 million for 2013. Payments on notes payable and capital lease obligations was $$215,600 in 2014 and $205,300 in 2013 and payments on related party notes payable was $63,100 in 2014 and $4,300 in 2013.

Overall, out decrease in cash in 2014 was primarily because of the additions to property and equipment and in particular the construction of CoronaLux™ waste destruction units as more fully described above.

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 $263,600 and $76,000 had been reserved as of December 31, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013.

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. Under the percentage-of-completion method, we recognize revenue primarily based on the ratio of costs incurred to date to total estimated contract costs. Provisions for estimated losses on uncompleted contracts are recorded in the period in which the losses are identified and included as additional loss. Provisions for estimated losses on contracts are shown separately as liabilities on the balance sheet, if significant, except in circumstances in which related costs are accumulated on the balance sheet, in which case the provisions are deducted from the accumulated costs. A provision as a liability is reported as a current liability.

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.

The Company’s revenues from waste destruction licensing agreements are recognized as a single accounting unit over the term of the license. In accordance with Accounting Standards Codification (“ASC”) 605, for revenues which contain multiple deliverables, the Company separates the deliverables into separate accounting units if they meet the following criteria: (i) the delivered items have a stand-alone value to the customer; (ii) the fair value of any undelivered items can be reliably determined; and (iii) if the arrangement includes a general right of return, delivery of the undelivered items is probable and substantially controlled by the seller. Deliverables that do not meet these criteria are combined with one or more other deliverables into one accounting unit. Revenue from each accounting unit is recognized based on the applicable accounting literature, primarily ASC 605.

The Company has five-year agreements with three companies in which the Company amortizes various fees on a straight-line basis over the initial five-year term of the agreement.

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.

New Accounting Pronouncements Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance creating Accounting Standards Codification ("ASC") Section 606, "Revenue from Contracts with Customers". The new section will replace Section 605, "Revenue Recognition" and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles with a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company will adopt the new provisions of this accounting standard at the beginning of fiscal year 2017, given that early adoption is not an option. The Company will further study the implications of this statement in order to evaluate the expected impact on the consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments when the terms of an award provide that a performance target could be achieved after the requisite service period," ("ASU 2014-12"). Current U.S. GAAP does not contain explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a non-vesting condition that affects the grant-date fair value of an award. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The updated guidance will be effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating this guidance; however, it is not expected to have a material effect on the consolidated financial statements upon adoption.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information regarding Financial Statements and Supplementary Data appears on pages F-1 through F-28 under the caption “Consolidated Balance Sheets,” “Consolidated Statements of Operations,” “Consolidated Statements of Stockholders’ Equity,” “Consolidated Statements of Cash Flows” and “Notes to Consolidated Financial Statements.”

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Accounting Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Principal Accounting Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on its assessment of internal control over financial reporting, management has concluded that, as of December 31, 2014, our internal control over financial reporting was effective.

This Annual Report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Annual Report.

Changes In Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting during the three months ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. 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., 57, *CEO, Chairman, President and Secretary.* 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 was a Director and Officer of Armada Water Assets, Inc until his resignation in September 2014. For the past five years Mr. Combs has not served as a director of a public company, other than SEER. 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 was chosen as a Director because of his leadership experience, public company experience, experience serving on the boards of directors and committees of both public and private entities and other experience as a practicing attorney. Effective January 1, 2013 Mr. Combs receives an annual salary of $165,000 and participation in an incentive compensation program.

Michael Readey, 55, *Executive Vice President.* Readey became Executive Vice President in January 2014 and brings to SEER more than 28 years of experience in technology development, product engineering, business development and management in both Fortune 500 and entrepreneurial settings. Readey spent 13 years with Caterpillar, Inc., where he led several major corporate initiatives, including launch of the company's emission control business, management of long-term product strategy to meet increasingly stringent EPA regulations, and development of advanced materials and processes for the company's operating units. More recently Readey served as President and CEO of AeriNOx Inc., a supplier of emission control systems. He holds a Ph.D. in Materials Science and Engineering from Case Western Reserve University, BS and MS degrees in Ceramic Engineering from Ohio State University, and Business Management Certificates from Bradley and Northwestern Universities. Effective January 20, 2014 Dr. Readey receives an annual salary of $135,000 and participation in an incentive compensation program.

Christopher H. Dieterich, 67, *Director and former Secretary.* Mr. Dieterich 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 a Director of the Company since 2008 and was Secretary from 2008 until November 2013. Mr. Dieterich was chosen as a Director because of his experience in a broad range of businesses as well experience serving on the boards of directors and committees of private entities. He receives no salary from the Company.

Monty Lamirato, 59, *Chief Financial Officer* Mr. Lamirato has been our 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. His current annual compensation as a consultant is approximately $124,000.

None of the officers or our Director was the subject of a conviction in a criminal proceeding, or named as a defendant in a pending criminal proceeding, or had an order, judgment or decree entered by a court of competent jurisdiction that in any way enjoined, barred, suspended or otherwise limited that officers or Directors involvement in any business, securities, commodities or banking activities; nor has any officer or Director been the subject of any finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated; or been the subject of the entry of an order by self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited any officer's or Director's involvement in any type of business of securities activities.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth a summary of the compensation for each of our named executive officers for the financial years ended December 31, 2014 and 2013.

Name and Title	Fiscal Year	Base Salary (2)	Bonus (2)	Stock Awards	Option Awards (3)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total Compensation
J. John Combs III CEO, President,	2014	$165,000	$75,000	—	—	—	—	—	$ 240,000
Secretary	2013	$165,000	$59,500	—	—	—	—	—	$ 224,500
Monty R. Lamirato (1)	2014	$124,700	$10,000						$ 134,700
CFO	2013	$ 70,200	—	—	$ 46,600	—	—	—	$ 116,800
Chris Dieterich Director	2014	—	—	—	—	—	—	—	—
	2013	—	—	—	—	—	—	—	—
Michael Readey Executive Vice	2014	$127,500	$15,000		$310,600				$ 453,100
President	—								
FortunatoVillamagna President, Paragon	2014	$150,000	$10,000	—	—	—	—	—	$ 160,000
Waste Systems, LLC	2013	$150,000	—	—	—	—	—	—	$ 150,000
Mike Cardillo President, REGS	2014	$140,000	$75,000	—	—	—	—	—	$ 215,000
LLC	2013	$140,000	$58,300	—	—	—	—	—	$ 198,300

(1) Paid as an outside consultant.
(2) Represents amounts earned during those years and, because of the timing of payments, do not represent amounts paid during those years.
(3) The amounts in the *Option Awards* column reflect the aggregated grant date fair value of awards granted during 2014, all of which were computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of the aggregated grant date fair value for these options are included in footnote 13 to our audited financial statements included in as Exhibit 99 to this Report on Form 10-K . The terms of the options are described under the Outstanding Equity Awards at Fiscal Year-End Table below.

Employment Agreements

There are no written employment agreements or contracts with any named executives except as noted below

Effective as of January 20, 2014, we entered into an employment agreement with Michael Readey in connection with his services as Executive Vice President. Dr. Readey's employment agreement is for a term of one year but shall automatically renew for succeeding terms of one year unless written notice is given by either party 30 days prior to the expiration of any term.

Pursuant to the terms of his employment agreement, Dr. Readey will receive an annual base salary of $135,000. In addition, Dr. Readey will be eligible for discretionary bonuses for services to be performed as an executive officer of the Company.

Dr. Readey shall be entitled to receive a total of 600,000 stock options of the Company's $.001 par value common stock, as set forth below.

i) Signing Bonus: 100,000 cashless options vesting upon commencement of employment. The strike price for these options shall be $1.00 and shall have an exercise term of three years from date of vesting; and

ii) Performance Options: 500,000 cashless vesting over three (3) years in twelve (12) quarterly installments at the end of each quarter of employment. The strike price for these options shall be $1.00 and shall have an exercise term of three years.

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, Secretary	1/1/2012	—	300,000	$ .50	$ 13,500
Michael Readey, Executive VP	1/20/2014	—	600,000	$ 1.00	$ 310,600
Monty Lamirato, CFO	10/1/2013	—	200,000	$ .72	$ 46,600
Chris Dieterich, Director	—	—	—	—	—
Fortunato Villamagna, President PWS	—	—	—	—	—
Mike Cardillo, President REGS	1/1/2012	—	300,000	$ .50	$ 13,500

No options were exercised by the executive officers during the years ended December 31, 2014 and 2013.

On November 6, 2013, the Board of Directors of the Company adopted the 2013 Equity Incentive Plan (the "2013 Plan") and directed that it be presented to the shareholders for their adoption and approval. The 2013 Plan was not approved by the shareholders of the Company and on December 1, 2014 The Board of Directors terminated the Plan. No shares were ever issued pursuant to the 2013 Plan.

Outstanding Equity Awards at Fiscal Year-End December 31, 2014

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)(d)	Option Expiration Date
J John Combs III, CEO, President, Secretary	300,000(b)	—(b)	$ .50	12/31/2015
Michael Readey, Executive VP	266,664(a)	333,336(a)	$ 1.00	12/31/2019
Monty Lamirato, CFO	83,333(c)	116,667(c)	$ .72	7/1/2019
Chris Dieterich, Director	—	—	—	—
Fortunato Villamagna, President PWS	—	—	—	—
Mike Cardillo, President REGS	300,000(b)	—(b)	$ .50	12/31/2015

(a) 600,000 options were issued on January 20, 2014 of which 100,000 options vest as of January 20, 2014 and the balance of the 500,000 options vest in a series of 12 successive equal quarterly installments of 41,666 commenting March 31, 2014 and ending December 31, 2016, subject to the option holders continuous service as of each such date.

(b) 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) 200,000 options issued October 1, 2013 of which 16,667 shares vest as of October 1, 2013 and the balance of the 183,333 options vest in a series of 11 successive equal quarterly installments commenting January 1, 2014 and ending July 1, 2016, subject to the option holders continuous service as of each such date.

(d) Represents weighted average exercise price.

ITEM 12. 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 December 31, 2014, 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 December 31, 2014, 51,726,316 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 III CEO, President, Chairman, Secretary 751 Pine Ridge Road Golden, Co 80403	5,406,315	(2)	10.16%
Michael Cardillo President, REGS 7801 Brighton Road, Commerce City, CO 80022	4,625,316	(3)	8.69%
Michael Readey Executive Vice President 751 Pine Ridge Road Golden, Co 80403	266,664	(4)	*
Monty R. Lamirato Chief Financial Officer 751 Pine Ridge Road Golden, Co 80403	100,000	(5)	*
Chris Dieterich Director and former Secretary 751 Pine Ridge Road Golden, Co 80403	—		—
Fortunato Villamagna President, PWS 751 Pine Ridge Road Golden, Co 80403	1,995,000	(6)	3.77%
LPD Investments Ltd. 25025 145 North, Suite 410, The Woodlands, TX 77380	5,140,832	(8)	9.53%
Clyde Berg 10050 Bandley Drive Cupertino, CA 95014-2102	4,725,000	(7)	8.63%
All Officers and Directors as a Group (6 persons)	12,393,295		23%

* 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 300,000 shares of common stock, which are currently exercisable.
(3) Consists of 100,000 shares owned by M. Cardillo, 4,225,316 shares owned by Cardillo Enterprises, Inc from which Mr. Cardillo has beneficial ownership and options to purchase 300,000 shares of common stock, which are currently exercisable.
(4) Consists of options to purchase 266,664 shares of common stock which are currently exercisable or exercisable within 60 days.
(5) Consists of options to purchase 100,000 shares of common stock which are currently exercisable or exercisable within 60 days.
(6) Consists of 1,995,000 shares owned by Black Stone Management Services, Inc. LLC, owned 25 % by Mr. Villamagna and 75% by 3 children of Mr. Fortunato from which Mr. Fortunato has beneficial ownership.
(7) Consists of 2,850,000 shares owned by Mr. Berg and warrants to purchase 815,000 shares of common stock, which are currently exercisable, 560,000 shares owned by Clyde J Berg 2011 CRT and 500,000 shares owned by Clyde J Berg CRT for which Mr. Berg has beneficial ownership.
(8) According to Form 13G filed on August 29, 2014.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

For the year ended December 31, 2014 and 2013 we had revenues of $442,700 and $494,700, respectively, from a customer, Harley Dome, in which our CEO/President was a member of the Board of Directors of Armada Water Assets, Inc, the parent company of Harley Dome until his resignation in September 2014. Black Stone Management Services, LLC, in which Fortunato Villmagna is Chairman and a managing member, is a minority shareholder of Armada Water Assets, Inc.

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. FortunatoVillamagna, 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, Mr. J. John Combs III, a shareholder and CEO/President of the Company and Mr. Michael Cardillo, a shareholder of the Company and President of a REGS. There was no value to the units at the time of the allocation. In 2013, Black Stone sold 10% of its membership units to a third party receiving 875,000 shares of common stock of the Company and other equity interests. As of December 31, 2013 and 2014 the Company owns 54% of the membership units, Black Stone owns 26% of the membership units, a third party owns 10% of the membership units and two related party individuals, noted above, each own 5% each of the membership units.

In August, 2011, the Company acquired certain waste destruction technology (the "IP") from Black Stone in exchange for 1,000,000 shares of our common stock valued at $100,000.

In March 2012, the Company entered into an Irrevocable License & Royalty Agreement with PWS that grants PWS an irrevocable world-wide license to the IP in exchange for a 5% royalty on all revenues from PWS and its affiliates. The term commenced as of the date of that Agreement and will continue for a period not to exceed the life of the patent or patents filed by the Company. PWS may sub license the IP and any revenue derived from sub licensing shall be included in the calculation of Gross Revenue for purposes of determining royalty payments due the Company. Royalty payments are due 30 days after the end of each calendar quarter. PWS generated revenues of approximately $69,000 for the year ended December 31, 2014 and no revenue for the year ended December 31, 2013, as such, royalties of $3,500 were due for 2014.

In August 2014, the Company entered into a second Exchange and Acquisition Agreement ("New Technologies Agreement") with Black Stone for the acquisition of additional intellectual property ("IP") from Black Stone in exchange for 1,000,000 shares of common stock valued at $1,050,000. Subsequent to year end the Company and Black Stone executed a rescission agreement of the New Technologies Agreement noted above that was effective December 31, 2014. The shares issued by the Company in accordance with the agreement will be returned and all acquired IP returned to Black Stone.

In September 2013, PWS entered into an Exclusive Use License and Joint Operations Agreement ("License Agreement") with Sterall Inc. ("Sterall"). Black Stone is a minority shareholder of Sterall.

In September 2014, the Company entered into an Equity Purchase Agreement ("Equity Agreement") with a third party ("Seller") whereby the Company issued 1,200,000 shares of the Company's common stock, valued at $1,212,000, in exchange for 22.5 membership units, representing 15% ownership interest in Sterall, LLC, a Delaware corporation. Subsequent to year end the Company and the Seller entered into a revised agreement whereby the 1,200,000 shares issued by the Company would be held by the Seller until the completion of an independent third party valuation. Based on the fair market value of the Purchased Units from the valuation obtained by the Company, an amount of Consideration Shares will be returned to the Company to the extent that the fair market value of the Consideration Shares issued (see below) is greater than the fair market value of the Purchased Units. In no event shall the Company be obligated to issue additional shares as consideration for the Purchased Units. For purposes of this amendment, the fair market value of each Consideration Share will be $0.83333. In the event the parties are unwilling to accept the fair market value of the Purchased Units, as determined by the independent valuation specialist, on or before the Closing Date this Agreement (December 31, 2015), the transaction may be rescinded by either Party.

In December 2014, PWS, Sterall, Inc and Sterall LLC entered into a Successor-In-Interest Agreement. The Successor-In-Interest Agreement states that Sterall Inc and Sterall LLC are in the process of consolidating their business under Sterall LLC and all agreements between PWS and Sterall Inc shall be binding in all regards on Sterall LLC.

Notes payable, related parties

Notes payable, related parties and accrued interest due to certain related parties as of December 31, 2014 and 2013 are as follows:

	2014	2013
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 June 1, 2016	$ 37,000	$ 97,000
Accrued interest	36,800	39,900
	$ 73,800	$ 136,900

Review, Approval or Ratification of Transactions with Related Persons

The Company does not maintain a written policy with respect to related party transactions and our board of directors does not routinely review potential transactions with those parties we have identified as related parties prior to the consummation of the transaction.

Director Independence

As of this filing, only one of the directors is considered independent. In 2015, the company intends to identify and elect two or more independent directors.

Board Meetings and committees; annual meeting attendance

There was one board meeting held in 2014, which was attended by the two directors. There was one board meeting held in 2013, which was 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

As of this filing, there was no audit committee. In 2015, 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

As of this filing there was no compensation committee. In 2015, 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

In connection with the Private Placement during the fourth quarter of 2013, the Company accrued $200,000 in placement fees to Corporate Capital Group, as brokerage fees. In addition, we accrued $53,000 in placement fees and issued a warrant to purchase 50,000 shares having a five-year exercise period and a strike price of $1.00 per share. The warrants were valued at $11,500.

ITEM 14. Principal Accountant Fees and Services

The following table presents aggregate fees billed to the Company for professional services rendered by L J Soldinger Associates, LLC for the years ended December 31, 2014 and 2013

	2014 Fees	2013 Fees
Audit Fees	$ 139,000	$ 121,200
Audit-Related Fees	—	—
Tax Fees	23,200	40,900
Total Fees	$ 162,200	$ 162,100

Audit Fees were for professional services rendered for the audit of the Company's annual consolidated financial statements and review of consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements. The 2014 fees include not only the annual audit fees but the review of the three quarterly 10-Q's in 2014, whereas 2013 includes the annual audit fees, review of Form 10 Registration Statement and amendments thereto and review of Form 10-Q for the quarter ended September 31, 2013.

Audit-Related Fees were for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees."

Tax Fees were for professional services rendered for federal, state and international tax compliance, tax advice and tax planning. The 2013 tax fees were for the preparation of the Company's returns for the years 2008 through 2012.

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

(b) Exhibits

EXHIBIT INDEX

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 and Note Agreement of the Corporation, issued February 14, 2012 (2)
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)
10.4	Consulting Agreement between the Company and Monty R. Lamirato, dated October 8, 2013 (3)
10.5	Irrevocable License and Royalty Agreement between the Company and Paragon Waste Solutions, LLC, dated March 21, 2012 (3)
10.6	SEER 2013 Equity Incentive Plan (4)
10.7	Form of Option Grant SEER 2013 Equity Incentive Plan (4)
10.8	Equity Purchase Agreement – Sterall LLC
14.1	Code of Ethics (1)
21.1	Subsidiaries of Registrant (1)
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS ***	XBRL Instance Document
101.SCH ***	XBRL Taxonomy Extension Schema Document
101.CAL ***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF ***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB ***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE ***	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to the Company's Report on Form 10 filed May 21, 2013.
(2) Incorporated by reference to the Company's Report on Form 10 Amendment No. 1 filed July 23, 2013.
(3) Incorporated by reference to the Company's Report on Form 10-Q filed November 14, 2013.
(4) Incorporated by reference to the Company's Report on Form 10-K filed March 27, 2014.
* Filed herewith.

** This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

*** Pursuant to applicable securities laws and regulations, these interactive data files will not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 or otherwise subject to the liability of that section, nor will they be deemed filed or made a part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, or otherwise subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: April 14, 2015

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.

By */s/ J. John Combs III*
J. John Combs III
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
Chief Financial Officer with
responsibility to sign on behalf of Registrant as a
duly authorized officer and principal financial officer

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

s/ J. John Combs III J. John Combs III	Chairman of the Board of Directors	April 14, 2015
/s/ Christopher Dieterich Christopher Dieterich.	Director	April 14, 2015

EXHIBIT 31.1

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

I, J. John Combs III, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: April 14, 2015

/s/ *J. John Combs III*
J. John Combs III
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 Annual Report on Form 10-K 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: April 14, 2015

/s/ *Monty Lamirato*
Monty Lamirato
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 this Annual Report on Form 10-K of Strategic Environmental & Energy Resources, Inc. (the "Company") for the year period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. John Combs III, 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 III*
J. John Combs III
President and Chief Executive Officer
April 14, 2015

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 this Annual Report on Form 10-K of Strategic Environmental & Energy Resources, Inc. (the "Company") for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Monty Lamirato, 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:

(3) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(4) 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
Chief Financial Officer
April 14, 2015

Exhibit 99.1 Financial Statements

Annual Audited Consolidated Financial Statements

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, 2014 and 2013, and the related consolidated statements of operations, stockholders' equity, 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, 2014 and 2013, 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 Soldinger Associates, LLC

Deer Park, Illinois

April 6, 2015

STRATEGIC ENVIRONMENTAL & ENERGY RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash	$ 229,200	$ 2,419,100
Cash – restricted	213,800	250,000
Accounts receivable, net of allowance for doubtful accounts of $263,600 and $76,000, respectively	3,017,800	1,170,000
Costs and estimated earnings in excess billings on uncompleted contracts	61,100	78,500
Prepaid expenses and other current assets	202,500	275,400
Total current assets	3,724,400	4,193,000
Property and equipment, net	4,848,800	1,762,900
Intangible assets, net	371,400	379,500
Other assets	52,500	36,800
TOTAL ASSETS	$ 8,997,100	$ 6,372,200
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,675,900	$ 1,506,800
Accrued liabilities	925,700	924,200
Billings in excess of costs and estimated earnings on uncompleted contracts	308,500	170,300
Deferred revenue	456,600	—
Current portion of payroll taxes payable	947,700	250,600
Customer deposits	380,000	118,000
Current portion of notes payable and capital lease obligations	363,000	504,700
Notes payable - related parties, including accrued interest	73,800	136,900
Total current liabilities	5,131,200	3,611,500
Payroll taxes payable, net of current portion	—	720,800
Notes payable and capital lease obligations, net of current portion	60,900	48,100
Total liabilities	5,192,100	4,380,400
Commitments and contingencies		
Stockholders' Equity):		
Preferred stock; $.001 par value; 5,000,000 shares authorized; -0- shares issued		—
Common stock; $.001 par value; 70,000,000 shares authorized; 51,726,316 and 47,911,975 shares issued and outstanding 2014 and 2013, respectively	51,700	47,900
Common stock subscribed	50,000	50,000
Additional paid-in capital	17,108,100	14,597,700
Stock subscription receivable	(25,000)	(50,000)
Accumulated deficit	(12,499,800)	(12,215,200)
Total stockholders' equity	4,685,000	2,430,400
Non-controlling interest	(880,000)	(438,600)
Total equity	3,805,000	1,991,800
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,997,100	$ 6,372,200

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,	
Revenue:	2014	2013
Products	$ 4,302,500	$ 3,375,600
Services	12,886,400	8,238,400
Solid waste	109,000	—
Total revenue	17,297,900	11,614,000
Operating expenses:		
Products costs	3,155,500	2,288,200
Services costs	8,463,100	6,183,900
Solid waste costs	397,500	—
Selling, general and administrative expenses	5,969,200	3,889,900
Total operating expenses	17,985,300	12,362,000
Loss from operations	(687,400)	(748,000)
Other income (expense):		
Interest income	—	4,000
Interest expense	(77,800)	(147,500)
Penalties and late fees	(3,700)	(13,100)
Gain on debt settlements	24,400	11,400
Other	18,500	34,600
Total non-operating expense, net	(38,600)	(110,600)
Net loss	(726,000)	(858,600)
Less: Net loss attributable to non-controlling interest	(441,400)	(238,900)
Net loss attributable to SEER common stockholders	$ (284,600)	$ (619,700)
Net loss per share, basic and diluted	$ (.01)	$ (.01)
Weighted average shares outstanding – basic and diluted	50,826,800	43,251,500

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	Common Stock	Stock Subscription	Accumulated	Non-controlling	Total ’
	Shares	Amount	Shares	Amount	Capital	Subscribed	Receivable	Deficit	Interest	Equity
Balances, January 1, 2013	—	—	40,229,400	$40,300	$10,532,200	$ 100,000	$ (100,000)	$(11,595,500)	$ (199,700)	$(1,222,700)
Sale of common stock and warrants, net of fees			7,428,500	7,400	3,685,600					3,693,000
Debt discount related to bridge loans			5,000	—	4,900					4,900
Issuance of common stock upon exercise of Option			14,500	—	10,600					10,600
Issuance of common stock for services			112,500	100	66,000					66,100
Conversion of related party debt to equity			122,100	100	61,300					61,400
Issuance of warrant for services					57,700					57,700
Proceeds from stock subscription					100,000	(100,000)	100,000			100,000
Common stock subscription						50,000	(50,000)			—
Payment of stock subscription					5,000					5,000
Stock-based compensation					74,400					74,400
Net loss								(619,700)	(238,900)	(858,600)
Balances, December 31, 2013	—	—	47,912,000	$47,900	$14,597,700	$ 50,000	$ (50,000)	(12,215,200)	$ (438,600)	$ 1,991,800
Sale of common stock and warrants, net of fees			2,641,500	2,600	1,517,200					1,519,800
Issuance of common stock upon exercise of Option			472,800	500	(500)					—
Issuance of common stock for services			700,000	700	733,300					734,000
Issuance of warrant for services					90,700					90,700
Payment of stock subscription							25,000			25,000
Stock-based compensation					169,700					169,700
Net loss								(284,600)	(441,400)	(726,000)
Balance December 31,										

2014	—	—	51,726,300	$51,700	$17,108,100	$ 50,000	$ (25,000)	$(12,499,800)	$ (880,000)	$ 3,805,000

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,	
Cash flows from operating activities:	2014	2013
Net loss	$ (726,000)	$ (858,600)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts receivable	187,600	33,800
Depreciation and amortization	494,600	373,200
Stock-based compensation expense	994,400	208,800
Gain on extinguishment of debt	(24,400)	(11,400)
Amortization of debt discount	—	4,900
Changes in operating assets and liabilities:		
Cash – restricted	36,200	(30,000)
Accounts receivable	(2,035,400)	(30,000)
Costs in Excess of billings on uncompleted contracts	17,400	(43,000)
Prepaid expenses and other assets	57,200	(248,200)
Accounts payable	169,100	191,700
Accrued liabilities	25,900	450,300
Billings in excess of revenue on uncompleted contracts	138,200	(157,100)
Deferred revenue	456,600	—
Customer deposits	262,000	118,000
Payroll taxes payable	(23,700)	(122,500)
Net cash provided by (used in) operating activities	29,700	(120,100)
Cash flows from investing activities:		
Purchase of property and equipment	(3,405,800)	(1,155,700)
Purchase of intangible assets	(79,900)	—
Proceeds from the sale of property and equipment	—	(13,900)
Net cash used in investing activities	(3,485,700)	(1,169,600)
Cash flows from financing activities:		
Proceeds from stock subscription receivable	25,000	50,000
Payments of notes payments and capital lease obligations	(215,600)	(205,300)
Payments of related party notes payable and accrued interest	(63,100)	(4,300)
Proceeds from the sale of common stock and warrants, net of expenses	1,519,800	3,798,000
Net cash provided by financing activities	1,266,100	3,638,400
Net increase (decrease) in cash	(2,189,900)	2,348,700
Cash at the beginning of year	2,419,100	70,400
Cash at the end of year	$ 229,200	$ 2,419,100

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

Supplemental disclosures of cash flow information:

Cash paid for interest	$ 75,800	$ 12,200
Supplemental disclosure of noncash financing and investing activities:		
Conversion of convertible note payable and accrued interest into shares of common stock	—	$ 61,400
Purchase of assets under capital leases	$ 86,700	$ 110,000
Transfer of prepaid asset to equipment	—	$ 33,000
Fully depreciated assets written off	—	$ 96,400

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 next-generation clean-technologies, waste management innovations and related services. SEER has three wholly-owned operating subsidiaries and two majority-owned subsidiaries; all of which together provide technology solutions and services to companies primarily in the oil and gas, refining, landfill, food, beverage & agriculture and renewable fuel industries. The three wholly-owned subsidiaries include: 1) REGS, LLC (d/b/a Resource Environmental Group Services ("REGS")) provides industrial and proprietary cleaning services to refineries, oil fields and other private and governmental entities; 2) Tactical Cleaning Company, LLC ("Tactical"), provides proprietary cleaning services related to railcar tankers, tank trucks and frac tanks to customers from its sites in Colorado and Kansas; 3) MV, LLC (d/b/a MV Technologies) ("MV"), designs and builds biogas conditioning solutions for the production of renewable natural gas, odor control systems and natural gas vapor capture primarily for landfill operations, waste-water treatment facilities, oil and gas fields, refineries, municipalities and food, beverage & agriculture operations throughout the U.S.

The two majority-owned subsidiaries include; 1) Paragon Waste Solutions, LLC ("PWS") and 2) ReaCH4Biogas ("Reach"). PWS is currently owned 54% by SEER (see Note 7) and Reach is owned 85% by SEER.

PWS is developing specific opportunities to deploy and commercialize patented technologies for a non-thermal plasma-assisted oxidation process that makes possible the clean and efficient destruction of solid hazardous chemical and biological waste (*i.e*., regulated medical waste, chemicals, pharmaceuticals and refinery tank waste, *etc*.) without landfilling or traditional incineration and without harmful emissions. Additionally, PWS' technology "cleans" and conditions emissions and gaseous waste streams (*i.e*., volatile organic compounds and other greenhouse gases) generated from diverse sources such as refineries, oil fields, and many others.

Reach (the trade name for BeneFuels, LLC), is currently owned 85% by SEER and focuses specifically on treating biogas for conversion to pipeline quality gas and/or compressed natural gas ("CNG") for fleet vehicle fuel. Reach had no operations as of December 31, 2013 and had minimal operations for the year ended December 31, 2014.

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 Reach, 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 $12.5 million as of December 31, 2014, and $12.2 million as of December 31, 2013. For the years ended December 31, 2014, and 2013, we incurred net losses of approximately $726,000 and $858,000, respectively. The Company had a working capital deficit of approximately $1,407,000 at December 31, 2014.

Realization of a major portion of our assets as of December 31, 2014 and 2013 is dependent upon our continued operations. Accordingly, we have undertaken a number of specific steps to continue to improve the profitability of our operations. For the year ended December 31, 2014 and 2013, we had net proceeds of approximately $1.5 million and $3.8 million, respectively, through the sale of common stock and the exercise of common stock warrants. We have focused our efforts on developing organic growth in our operating companies and improving gross and net margins through increased attention to pricing, 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. 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 operating cash flows and proceeds from CoronaLux placement fees will be sufficient to allow the Company to maintain its operations through December 31, 2015 and into the foreseeable future.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain reclassifications have been made in the 2013 consolidated financial statements to conform to the 2014 presentation.

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; 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. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2014 and 2013, we did not hold any assets that would be deemed to be cash equivalents.

Restricted Cash

At December 31, 2014 and 2013, the Company had $213,800 and $250,000, respectively 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 $263,600 and $76,000 had been reserved as of December 31, 2014 and 2013, 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 landfill 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, 2014, we do not believe that we have significant credit risk.

As of December 31, 2014, we had one customer who comprised 42% of our accounts receivable. As of December 31, 2013, we had three customers who comprised approximately 41.6% of our accounts receivable.

As of December 31, 2014 and 2013, we had two customers (Customer A and Customer B) with sales in excess of 10% of our revenue and combined were 53% and 43%, respectively of total revenues for the year ended December 31, 2014 and 2013. The loss of either one of these customers would have a material adverse effect on our business.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Vendor Concentration

The Company does not have any purchases from any one vendor comprising more that 10% of total purchases for 2014 and 2013 except for purchases of its CoronaLux™ units which are manufactured by a third party. Substantially all of PWS fixed assets additions in 2014 of $2.6 million were from this third party manufacturer. The Company does not believe it is substantially dependent upon nor exposed to any significant concentration risk related to purchases from any single vendor, given the availability of alternative sources from which the Company may purchase the manufactured CoronaLux™ units.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 verses 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 at December 31, 2014 and 2013.

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, 2014 and 2013.

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. Under the percentage-of-completion method, we recognize revenue primarily based on the ratio of costs incurred to date to total estimated contract costs. Provisions for estimated losses on uncompleted contracts are recorded in the period in which the losses are identified and included as additional loss. Provisions for estimated losses on contracts are shown separately as liabilities on the balance sheet, if significant, except in circumstances in which related costs are accumulated on the balance sheet, in which case the provisions are deducted from the accumulated costs. A provision as a liability is reported as a current liability.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition, continued

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.

The Company's revenues from waste destruction licensing agreements are recognized as a single accounting unit over the term of the license. In accordance with Accounting Standards Codification ("ASC") 605, for revenues which contain multiple deliverables, the Company separates the deliverables into separate accounting units if they meet the following criteria: (i) the delivered items have a stand-alone value to the customer; (ii) the fair value of any undelivered items can be reliably determined; and (iii) if the arrangement includes a general right of return, delivery of the undelivered items is probable and substantially controlled by the seller. Deliverables that do not meet these criteria are combined with one or more other deliverables into one accounting unit. Revenue from each accounting unit is recognized based on the applicable accounting literature, primarily ASC 605.

The Company has five-year agreements with three companies in which the Company amortizes various fees on a straight-line basis over the initial five-year term of the agreement.

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 ("R&D") costs are charged to expense as incurred. R&D expenses consist primarily of salaries, project materials, contract labor and other costs associated with ongoing product development and enhancement efforts. R&D expenses were $277,000 and $407,000 for the years ended December 31, 2014 and 2013, respectively.

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.

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, 2014 and 2013 the Company recognized no adjustments for uncertain tax positions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

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, 2014 and 2013. The Company expects no material changes to unrecognized tax positions within the next twelve months.

The Company has filed federal and state tax returns through December 31, 2013. The tax periods for the years ending December 31, 2008 through 2013 are open to examination by federal and state authorities.

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.

New Accounting Pronouncements Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance creating Accounting Standards Codification ("ASC") Section 606, "Revenue from Contracts with Customers". The new section will replace Section 605, "Revenue Recognition" and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles with a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company will adopt the new provisions of this accounting standard at the beginning of fiscal year 2017, given that early adoption is not an option. The Company will further study the implications of this statement in order to evaluate the expected impact on the consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments when the terms of an award provide that a performance target could be achieved after the requisite service period," ("ASU 2014-12"). Current U.S. GAAP does not contain explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The updated guidance will be effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating this guidance; however, it is not expected to have a material effect on the consolidated financial statements upon adoption.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following:

	December 31, 2014	December 31, 2013
Field and shop equipment	$ 1,690,900	$ 1,361,100
Vehicles	672,300	516,700
Waste destruction equipment, leased	1,145,600	164,900
Waste destruction equipment, not placed in service	2,325,900	542,500
Furniture and office equipment	291,300	27,500
Leasehold improvements	65,400	55,500
Equipment, construction in progress	—	30,600
	6,191,400	2,698,800
Less: accumulated depreciation and amortization	(1,342,600)	(935,900)
Property and equipment, net	$ 4,848,800	$ 1,762,900

Depreciation expense for the years ended December 31, 2014 and 2013 was $406,600 and $287,900, respectively.

For the year ended December 31, 2014 depreciation expense included in cost of goods sold and selling, general and administrative expenses was $363,600 and $43,000, respectively. For the year ended December 31, 2013 depreciation expense included in cost of goods sold and selling, general and administrative expenses was $199,200 and $88,700, respectively.

Accumulated depreciation on leased waste destruction equipment included in accumulated depreciation and amortization above is $48,400 and $0 for the years ended December 31, 2014 and 2013, respectively.

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

	2014	2013
Field and shop equipment	$ 229,400	$ 241,500
Less: accumulated amortization	(36,800)	(27,000)
	$ 192,600	$ 214,500

NOTE 4 – INTANGIBLE ASSETS

Intangible assets were comprised of the following:

	December 31, 2014 Gross carrying amount	Accumulated amortization	Net carrying value
Customer list	$ 42,500	$ (40,000)	$ 2,500
Technology	805,700	(440,000)	365,700
Trade name	54,600	(51,400)	3,200
	$ 902,800	$ (531,400)	$ 371,400

NOTE 4 – INTANGIBLE ASSETS, continued

	December 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying value
Customer list	$ 42,500	$ (33,900)	$ 8,600
Technology	725,700	(365,800)	359,900
Trade name	54,600	(43,600)	11,000
	$ 822,800	$ (443,300)	$ 379,500

The estimated useful lives of the intangible assets range from seven to ten years. Amortization expense was $88,100 and $85,100 for the years ended December 31, 2014 and 2013, respectively. The estimated aggregate amortization expense for each of the next five years is as follows:

2015	$ 80,200
2016	74,400
2017	74,400
2018	38,700
2019	10,500
Thereafter	93,200
	$ 371,400

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities were comprised of the following:

	December 31,	
	2014	2013
Accrued compensation and related taxes	$ 616,600	$ 451,500
Accrued stock offering costs	—	216,000
Accrued interest	56,600	73,200
Accrued material and other job related costs	—	71,700
Other	252,500	111,800
Total Accrued Liabilities	$ 925,700	$ 924,200

NOTE 6 - UNCOMPLETED CONTRACTS

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

	December 31,	
	2014	2013
Revenue Recognized	$ 168,700	$ 331,100
Less: Billings to date	(107,600)	(252,600)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 61,100	$ 78,500
Billings to date	$ 1,250,900	$ 606,700
Revenue recognized	(942,400)	(436,400)
Billings in excess of costs and estimated earnings on uncompleted contracts	$ 308,500	$ 170,300

NOTE 7– INVESTMENT IN PARAGON WASTE SOLUTIONS LLC

In 2010, the Company and Black Stone Management Services, LLC ("Black Stone") formed PWS, whereby a total of 1,000,000 membership units were issued, 600,000 membership units to the Company and 400,000 membership units to Black Stone. Fortunato Villamagna, who serves as President of our PWS subsidiary, 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 Mr. J John Combs III, an officer and shareholder of the Company and Mr. Michael Cardillo, a shareholder of the Company and an officer of a subsidiary. There was no value attributable to the units at the time of the allocation. At December 31, 2014 and 2013 the Company owned 54% of the membership units, Black Stone owned 26% of the membership units, an outside third party 10% of the membership units and two related parties (as noted above), each owned 5% 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. 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. In March 2012, the Company entered into an Irrevocable License & Royalty Agreement with PWS that grants PWS an irrevocable world-wide license to the IP in exchange for a 5% royalty on all revenues from PWS and its affiliates. The term commenced as of the date of the Agreement and shall continue for a period not to exceed the life of the patent or patents filed by the Company. PWS may sub license the IP and any revenue derived from sub licensing shall be included in the calculation of Gross Revenue for purposes of determining royalty payments due the Company. Royalty payments are due 30 days after the end of each calendar quarter. PWS generated revenues of approximately $69,000 for the year ended December 31, 2014 and no revenue for the year ended December 31, 2013, as such, royalties of $3,500 were due for 2014.

Since its inception through December 31, 2014, we have provided approximately $4.4 million in funding to PWS for working capital and the further development and construction of various prototypes and commercial waste destruction units. 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.

<u>Licensing Agreements</u>

In September 2013, PWS entered into an Exclusive Use License and Joint Operations Agreement ("License Agreement") with Sterall Inc. ("Sterall"). The License Agreement grants to Sterall the use of the PWS Technology and the CoronaLux™ waste destruction units for an initial five year term for the State of Florida, renewable for two additional five year terms, for the treatment and/or destruction of any and all regulated medical waste from any sources. The agreement requires Sterall to pay a $300,000 License Initiation Fee and in order for Sterall to maintain its exclusive license for the State of Florida, a total of $200,000 shall be paid to PWS by May 23, 2014 regardless of net operating profits of Sterall ("NOP"). For the year ended December 31, 2014, no fees had been paid to PWS. During the initial 5-year term, a minimum of $500,000 of total royalty payments to PWS must be made, out of NOP or otherwise (in addition to the $300,000 Initial Fee, set forth below), in order for the second-phase five-year term to be exclusive. During the second-phase five-year term, a minimum of $750,000 of royalty must be paid, out of NOP or otherwise, in order for the third phase five-year term to be exclusive. PWS will receive a one-time license initiation fee of $300,000 payable from NOP of Sterall as a priority payment before any other distributions or payouts. Sterall can take delivery of additional CoronaLux™ waste destruction units upon payment of a placement fee per unit of either $168,000 or $207,000 depending upon the size of the unit. The unit placement fees do not include freight, start-up and commissioning costs, which shall be borne by the facility. PWS, at its sole discretion will select the installation, startup and commissioning teams. Black Stone is a minority shareholder of Sterall.

For the year ended December 31, 2014, Sterall ordered a total of six CoronaLux™ units, of which one unit has been delivered, and five units are pending delivery at December 31, 2014. Sterall paid a non-refundable placement fee of $236,300 for the unit delivered in 2014 and has paid a deposit of $330,000 for the five units ordered and a balance of $851,500 is still owed.

NOTE 7– INVESTMENT IN PARAGON WASTE SOLUTIONS LLC

Commencing immediately royalty fees based on Sterall's NOP for the Initial Facility Fee and ongoing royalties shall be paid on the fifteenth of each month for the succeeding month's revenue for PWS's specified allocation of NOP as set forth below, except that effective January 1, 2014 Sterall shall pay the greater of i) a minimum of $7,500 or 2) PWS's effective NOP allocation.

- Phase I Distribution- All NOP shall first be allocated and paid out 75% to PWS and 25% to Sterall until the first $1,200,000 in distributions are made to the joint venture partners ($900,000PWS/$300,000 Sterall).

- Phase II Distribution - Thereafter, NOP shall be allocated and paid out 25% to PWS and 75% to Sterall until the next $800,000 in distributions are made to the joint venture partners ($200,000 PWS/$600,000 Sterall).

- Phase III Distribution - Thereafter, all NOP shall be allocated and paid out 50%-50% to each joint venture partner for so long as Sterall's Initial Facility operates and generates NOP.

The License Agreement also specifies payments of unit placement fees and NOP distributions for each new facility established by Sterall either within the exclusive license territory or non-exclusive territory. In accordance with the License Agreement, Sterall has been granted a non-exclusive use license in several other states and minimum royalty payments are due if CoronaLux™ waste destruction units are placed in these territories in addition to NOP distributions. For the year ended December 31, 2014 Sterall has not yet generated any NOP, as such, no payments have been made to PWS including the minimum required under the agreement.

On March 4, 2014, PWS entered into a Licensing and Equipment Lease Agreement with eCycling International of South Carolina, LLC ("eCycling"). The License Agreement grants to eCycling the use of the PWS Technology and the CoronaLux™ waste destruction units for an initial term of five years and requires a payment of $176,875 as a non-refundable initial licensing fee and distributions of 50% of net operating profits, as defined in the agreement, in lieu of continuing royalty payments for the use of the licensed technology. For the year ended December 31, 2014 eCycling is still in the process of permitting the unit, and therefore, has not yet generated any NOP. As such, eCycling has made no payments to PWS.

On November 17, 2014, PWS entered into an Exclusive Licensing and Equipment Lease Agreement, for a limited license territory, with Medical Waste Services, LLC ("MWS"). The License Agreement grants to MWS the use of the PWS Technology and the CoronaLux™ waste destruction units for an initial term of seven years and requires a payment of $225,000 as a non-refundable initial licensing fee and distributions of 50% of net operating profits, as defined in the agreement, in lieu of continuing royalty payments for the use of the licensed technology. For the year ended December 31, 2014 MWS has not yet generated any NOP, as such, no payments have been made to PWS. It should be noted that MWS received approval from regional authorities to continue the permitting process, enabling full operation of the PWS technology. According to MWS, the installed unit should be fully permitted and operational by April, 2015.

Payments received for licensing and placement fees have been recorded as deferred revenue in the accompanying consolidated balance sheets at December 31, 2014 and 2013 are recognized as revenue ratably over the term of the contract.

NOTE 8 - PAYROLL TAXES PAYABLE

In 2009 and 2010, REGS, a subsidiary of the Company, became delinquent for unpaid federal employer and employee payroll taxes and accrued interest and penalties related to the unpaid payroll taxes.

In September 2011, we received approval from the Internal Revenue Service ("IRS") to begin paying the 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 was 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 were not met, the IRS could cancel it and could 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.

Two of the officers of REGS also have liability exposure for a portion of the taxes if REGS does not pay them.

In May 2013, REGS filed an Offer in Compromise with the IRS. While the Offer in Compromise was under review by the IRS, the requirement to pay $25,000 a month under the Installment Plan was suspended. REGS received a letter from the IRS, dated March 27, 2014, rejecting our Offer in Compromise and in accordance with the rejection letter the Company has submitted a written appeal. As a result of the IRS rejection of the Offer in Compromise, the Installment Plan, mentioned above, is terminated. In June 2014, the Company received notices of intent to levy property or rights to property from the IRS for the amounts owed for the past due payroll taxes, penalty and interest. Currently our appeal is pending and as such the IRS cannot levy our property while the appeal process is still pending.

As of December 31, 2014 and 2013, the outstanding balance due to the IRS was $947,700, and $958,300, 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, 2014 and 2013, 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.

The Company entered into a loan agreement evidenced by a convertible secured promissory note with Advanced Technology Materials, Inc. (“ATMI”) on February 14, 2012. The amount of the convertible secured promissory note was $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 registration rights agreement has not been executed by the parties to the loan. 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. In December 2014, the promissory note and accrued interest was purchased by two shareholders of the Company from ATMI. In January 2015 the convertible promissory note and accrued interest totaling $257,400 was converted into approximately 514,800 shares on common stock in accordance with the terms on the original convertible note.

NOTE 9 – DEBT, continued

Debt as of December 31, 2014 and 2013 was comprised of the following:

	2014	2013
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. (see Note 18)	225,000	225,000
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 was in default as of December 31, 2013 and was paid in full January 2014.	—	104,200
Capital lease obligations, secured by certain assets, maturing September 2011 through August 2016	130,900	155,600
Total notes payable and capital lease obligations	423,900	552,800
Less: current portion, including debt discount	(363,000)	(504,700)
Notes payable and capital lease obligations, long-term	$ 60,900	$ 48,100

Debt maturities as of December 31, 2014 are as follows:

Year:	
2015	$ 363,000
2016	27,000
2017	33,900
	$ 423,900

Future minimum lease payments under capital leases, which include bargain purchase options, are as follows at December 31, 2014:

2015	$ 82,800
2016	30,300
2017	35,400
Total minimum lease payments	148,500
Amount representing interest	(17,600)
Present value of lease payments	130,900
Less current portion	(70,000)
Non-current portion	$ 60,900

NOTE 10 – RELATED PARTY TRANSACTIONS NOT DISCLOSED ELSEWHERE

Notes payable, related parties

Notes payable, related parties and accrued interest due to certain related parties as of December 31, 2014 and 2013 are as follows:

	2014	2013
Unsecured 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 June 1, 2016	$ 37,000	$ 97,000
Accrued interest	36,800	39,900
	$ 73,800	$ 136,900

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.

For the year ended December 31, 2014 and 2013 we had revenues of $442,700 and $494,700, respectively, from a customer, Harley Dome, in which our CEO/President was a member of the Board of Directors of Armada Water Assets, Inc, the parent company of Harley Dome until his resignation in September 2014. Black Stone Management Services, LLC, in which Fortunato Villamagna is Chairman and a managing member, is a minority shareholder of Armada Water Assets, Inc.

In March 2012, the Company entered into an Irrevocable License & Royalty Agreement with PWS that grants PWS an irrevocable world-wide license to the IP in exchange for a 5% royalty on all revenues from PWS and its affiliates. The term shall commence as of the date of this Agreement and shall continue for a period not to exceed the life of the patent or patents filed by the Company. PWS may sub license the IP and any revenue derived from sub licensing shall be included in the calculation of Gross Revenue for purposes of determining royalty payments due the Company. Royalty payments are due 30 days after the end of each calendar quarter. PWS generated revenues of approximately $69,000 for the year ended December 31, 2014 and no revenue for the year ended December 31, 2013, as such, royalties of $3,500 were due for 2014.

In August 2014, the Company entered into a second Exchange and Acquisition Agreement ("New Technologies Agreement") with Black Stone for the acquisition of additional intellectual property ("IP") from Black Stone in exchange for 1,000,000 shares of common stock valued at $1,050,000.

Subsequent to year end the Company and Black Stone executed a rescission agreement of the New Technologies Agreement noted above that was effective December 31, 2014. The shares issued by the Company in accordance with the agreement will be returned and all acquired IP returned to Black Stone.

NOTE 10 – RELATED PARTY TRANSACTIONS, continued

In September 2014, the Company entered into an Equity Purchase Agreement (“Equity Agreement”) with a third party (“Seller”) whereby the Company issued 1,200,000 shares of the Company’s common stock, valued at $1,212,000, in exchange for 22.5 membership interest units, representing 15% ownership interest in Sterall, LLC, a Delaware corporation. Subsequent to year end the Company and the Seller entered into a revised agreement whereby the 1,200,000 shares issued by the Company would be held by the Seller until the completion of an independent third party valuation. Based on the fair market value of the Purchased Units from the valuation obtained by the Company, an amount of Consideration Shares will be returned to the Company to the extent that the fair market value of the Consideration Shares issued (see below) are greater than the fair market value of the Purchased Units. In no event shall the Company be obligated to issue additional shares as consideration for the Purchased Units. For purposes of this amendment, the fair market value of each Consideration Share will be $0.83333. In the event the parties are unwilling to accept the fair market value of the Purchased Units, as determined by the independent valuation specialist, on or before the Closing Date this Agreement, the transaction covered by this Agreement (the “Contemplated Transaction”) may be rescinded by either Party in writing. Due to the ability of the Company to rescind the shares issued at the commencement of the transaction the shares held by the Seller are considered contingently issuable shares and as such the 1,200,000 share not considered issued and outstanding at December 31, 2014.

In December 2014, PWS, Sterall, Inc and Sterall LLC entered into a Successor-In-Interest Agreement. The Successor-In-Interest Agreement states that Sterall Inc and Sterall LLC are in the process of consolidating their business under Sterall LLC and all agreements between PWS and Sterall Inc shall be binding in all regards to Sterall LLC.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

Future commitments under non-cancellable operating leases for office and warehouse space as of December 31, 2014 are as follows:

Year	
2015	$ 313,800
2016	260,000
2017	267,700
2018	277,200
2019	170,800
Thereafter	241,600
Total	$ 1,531,100

For the years ended December 31, 2014 and 2013, rent expense was $445,800 and $301,700, respectively.

Other Joint Ventures Operations

In April 2013, our wholly-owned subsidiary MV and RCM International, LLC (“RCM”) entered into a Joint Development and Marketing Agreement to develop, implement, market and distribute certain hybrid scrubber systems that employ elements of RCM Technology and MV Technology (the “Joint Venture”). The contractual Joint Venture shall have an initial term of five years and will automatically renew for successive one year periods unless either Party gives the other Party one hundred and eighty (180) day notice prior to the applicable renewal date that it will not renew the Agreement or unless terminated in accordance with the terms of this Agreement.

Operations to date of the Joint Venture have been limited to formation activities.

NOTE 12 – EQUITY TRANSACTIONS

Common Stock – Authorized common stock of the Company consists of 70,000,000 shares of $.001 par value, of which 51,726,316 shares were issued and outstanding at December 31, 2014.

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.

2014 Common Stock Transactions

During 2014, we executed subscription agreements for the sale of units in a private placement.

In October 2013, we initiated a private placement ("October 2013 PP") for the sale of a unit comprised of 70,000 shares and 35,000 warrants for $50,000. Each warrant is exercisable for a period of five years at an exercise price of $1.00 per share. A total of 16.5 units (1,155,000 shares) were sold in 2014 for gross proceeds of $825,000 and proceeds net of $49,000 in commission were $776,000. The shares sold in this private placement have piggy-back registration rights.

For the year ended December 31, 2014, the Company issued 1,486,500 shares of common stock upon exercise of common stock warrants, receiving proceeds of $743,800.

In 2014, we issued 700,000 shares of common stock for consulting services valued at $734,000.

In 2014, we issued 472,841 shares of common stock upon the cashless exercise of 796,700 common stock option.

2013 Common Stock Transactions

During 2013, we executed subscription agreements for the sale of units in two separate private placements.

In December 2012, we initiated a private placement ("December 2012 PP") for the sale of a unit 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. A total of 14.58 units (2,916,000 shares) were sold in 2013 for proceeds of $729,000. 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 $.25 unit price was allocated $.20 and $.05 to the common stock and warrant, respectively. The shares sold in this private placement have piggy-back registration rights.

In October 2013, we initiated a private placement ("October 2013 PP") for the sale of a unit comprised of 70,000 shares and 35,000 warrants for $50,000. Each warrant is exercisable for a period of five years at an exercise price of $1.00 per share. A total of 64.25 units (4,497,500 shares) were sold in 2013 for gross proceeds of $3,212,500 and proceeds net of $254,800 in commission were $2,957,700. In addition to the commission, a warrant was issued for 50,000 shares, exercisable for a period of five years at $1.00 per share. The fair market value of the common stock warrant was determined using the Black-Scholes valuation model and resulted in a valuation of $.115. As such, the $.715 unit price was allocated $.60 and $.115 to the common stock and warrant, respectively. The shares sold in this private placement have piggy-back registration rights.

In June 2013, we sold 15,000 shares of common stock for $6,300 or $.42 per share.

In 2013, we issued 112,500 shares of common stock for consulting services valued at $66,100.

On December 31, 2013, the holder of a related party note payable converted the note payable and accrued interest totaling $61,400 into 122,080 shares of common stock (see Note 10).

In 2013 we issued 14,500 shares of common stock upon the cashless exercise of 45,900 common stock option.

NOTE 12 – EQUITY TRANSACTIONS, continued

Warrants

In 2014, the Company issued 475,000 warrants for services at exercise price ranging from $1.00 to $1.25, which vest in 2014 and 2015. The warrants expire between October 2019 and June 2020. The warrants were valued at approximately $163,000.

In 2013, the Company issued 270,000 warrants for services at exercise prices ranging from $.70 to $1.00 , all of which vested in 2013. The warrants expire between August 2016 and January 2019. The warrants were valued at $46,200.

In 2013, the Company extended warrants that were due to expire in 2013 to April 30, 2014. The Company recorded an expense of $11,500 in connection with these extensions.

A summary of warrant activity for the years ended December 31, 2014 and December 31, 2013 is presented as follows:

	Number of Warrants	Exercise Price
Warrants Outstanding at January 1, 2013	6,339,500	$0.40 to $1.50
Issued	3,976,750	$.50 to $1.00
Exercised	—	—
Forfeited/expired/canceled	(605,000)	$.50 to $1.50
Warrants Outstanding at January 1, 2014	9,711,250	$.40 to $1.00
Issued	1,052,500	$1.00 to $1.25
Exercised	(1,324,000)	$.50
Forfeited/expired/canceled	(558,000)	$.50 to $1.00
Warrants Outstanding at December 31, 2014	8,881,750	$.40 to $1.25

NOTE 13 – STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLAN

Except as noted below, 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, private placement participants and outside consultants.

On November 6, 2013, the Board of Directors of the Company adopted the 2013 Equity Incentive Plan (the "2013 Plan") and directed that it be presented to the shareholders for their adoption and approval. The 2013 Plan was not approved by the shareholders of the Company and on December 1, 2014 The Board of Directors terminated the Plan. No shares were ever issued pursuant to the 2013 Plan.

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.

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, 2014 and 2013 are as follows:

	2014	2013
Risk-free interest rate	1.52-1.7%	.34%-1.52%
Expected volatility	42.11-45.8%	76%
Expected life (in years)	3-4	2-3.5
Dividend rate	0	0
Weighted-average estimated fair value per award	$.51	$.28

For the years ended December 31, 2014 and 2013, we recorded stock-based compensation awarded to employees of $169,700 and $74,400, respectively, which is included in selling, general and administrative expense in our consolidated statements of operations.

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

A summary of stock option activity for the year ended December 31, 2014 is presented as follows:

	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2014	2,281,100	$ .57	2.1 years	$ .08
Granted	720,000	$ 1.02		$ .51
Exercised	(796,700)	$ .50		—
Forfeited/expired/canceled	(187,000)	$ .50		—
Outstanding at December 31, 2014	2,017,400	$ .72	2.6 years	$ .23
Vested and exercisable at December 31, 2014	1,489,065	$ .64	1.9 years	$ .16

A summary of stock option activity for the year ended December 31, 2013 is presented as follows:

	Number Of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2013	2,294,000	$ .60	2.4 years	$ .13
Granted	855,000	$ .71	—	$ .24
Exercised	(45,900)	$ .50	—	—
Forfeited/expired/canceled	(822,000)	$ 1.00	—	—
Outstanding at December 31, 2013	2,281,100	$ .57	2.1 years	$ .08
Vested and exercisable at December 31, 2013	1,612,800	$ .57	2.1 years	$ .06

As of December 31, 2014, there was approximately $303,900 of total unrecognized compensation cost related to non-vested stock options that is expected to be recognized over a weighted-average period of approximately three years.

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, 2014 and 2013, we made contributions of approximately $54,600 and $39,600, 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,	
	2014	2013
Warrants	8,881,750	9,711,250
Options	2,017,400	2,281,100
Convertible notes payable, including accrued interest	514,750	492,300
Contingently issuable shares upon equity purchase	1,200,000	—
	12,613,900	12,484,650

NOTE 15 - SEGMENT INFORMATION AND MAJOR SEGMENT CUSTOMERS

The Company currently has identified four segments as follows:

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

Reach 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 not allocated corporate selling, general and administrative expenses, interest expense, depreciation and amortization and stock-based compensation to the segments. All intercompany transactions have been eliminated.

Segment information as of December 31, 2014 and 2013 and for the years then ended is as follows:

2014	Industrial Cleaning	Railcar Cleaning	Environmental Solutions	Solid Waste	Corporate	**Total**
Revenue	$10,221,200	$2,665,200	$ 4,302,500	$ 109,000	—	$17,297,900
Depreciation and amortization (1)	$ 238,700	$ 22,100	$ 130,600	$ 63,300	$ 39,800	$ 494,500
Interest expense	$ 38,100	$ 20,000	$ 5,100	$ 900	$ 13,700	$ 77,800
Stock-based compensation	—	—	—	—	$ 994,500	$ 994,500
Net income (loss)	$ 2,537,500	$ 216,100	$ 46,200	$ (941,200)	$(2,584,500)	$ (726,000)
Capital expenditures (cash and noncash)	$ 353,300	$ 34,600	$ 88,900	$2,777,400	$ 238,300	$ 3,492,500
Total assets	$ 2,541,900	$ 688,300	$ 1,671,200	$3,468,300	$ 627,400	$ 8,997,100

NOTE 15 - SEGMENT INFORMATION AND MAJOR SEGMENT CUSTOMERS, continued

2013	Industrial Cleaning	Railcar Cleaning	Environmental Solutions	Solid Waste	Corporate	**Total**
Revenue	$5,788,300	$2,450,100	$ 3,375,600	—	—	$11,614,000
Depreciation and amortization (1)	$ 213,700	$ 21,400	$ 127,900	$ 100	$ 10,100	$ 373,200
Interest expense	$ 66,000	$ 47,400	$ 12,400	—	$ 21,700	$ 147,500
Stock-based compensation	—	—	—	—	$ 48,600	$ 48,600
Net income (loss)	$ 531,300	$ 242,500	$ 358,400	$(518,800)	$(1,472,000)	$ (858,600)
Capital expenditures (cash and noncash)	$ 507,300	$ 3,100	$ 79,300	$ 709,000	—	$ 1,298,700
Total assets	$1,408,800	$ 657,700	$ 866,800	$ 710,900	$ 2,728,000	$ 6,372,200

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

Customer Concentrations by Segment

Industrial Cleaning

As of December 31, 2014 and 2013, we had two customers with sales in excess of 10% of industrial cleaning segment revenue and combined were 86% and 85%, respectively, of segment revenues.

Railcar Cleaning

As of December 31, 2013 we had one customer with sales in excess of 10% of railcar cleaning segment revenue and that customer was 11% of segment revenues. There were no customers with sales in excess of 10% of railcar cleaning segment revenues.

Environmental Solutions

As of December 31, 2014 and 2013, we had three customers with sales in excess of 10% of environmental solutions segment revenue and combined were 44% and 40%, respectively, of segment revenues.

NOTE 16 - INCOME TAXES

As of December 31, 2014, we estimate we will have net operating loss carryforwards available to offset future federal income tax of approximately $6 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 the 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 were comprised of the following as of December 31, 2014 and 2013:

	2014	2013
Allowance for doubtful accounts	$ 102,000	$ 29,000
Accrued expenses	157,000	21,000
Current deferred tax asset	259,000	50,000
Intangible and fixed assets	(550,000)	(218,000)
NOL carryforward	2,300,000	2,538,000
Long-term deferred tax asset	1,750,000	2,320,000
Total deferred tax asset	2,009,000	2,370,000
Less valuation allowance	(2,009,000)	(2,370,000)
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, 2014 and 2013 as follows:

	2014	2013
Income tax benefit (federal and state)	$ 97,000	$ 210,0000
Non-deductible items	(320,000)	(18,000)
State and other benefits included in valuation	(138,000)	(123,900)
Change in valuation allowance	361,000	(68,100)
Income tax benefit	$ —	$ —

NOTE 19 - SUBSEQUENT EVENTS

In December 2014, the ATMI promissory note and accrued interest was purchased by two shareholders of the Company from ATMI. In January 2015 the convertible promissory note and accrued interest totaling $257,400 was converted into 514,750 shares on common stock.

Subsequent to year end the Company and Black Stone executed a rescission agreement of the New Technologies Agreement noted in Footnote 10 that was effective December 31, 2014. The shares issued by the Company in accordance with the agreement will be returned and all acquired IP returns to Black Stone.

Subsequent to year end the Company and the Seller entered into a revised agreement of the Equity Purchase Agreement entered into in September 2014, whereby the 1,200,000 shares issued by the Company would be held by the Seller until the completion of an independent third party valuation. Based on the fair market value of the Purchased Units from the valuation obtained by the Company, an amount of Consideration Shares will be returned to the Company to the extent that the fair market value of the Consideration Shares issued (see below) are greater than the fair market value of the Purchased Units. In no event shall the Company be obligated to issue additional shares as consideration for the Purchased Units. For purposes of this amendment, the fair market value of each Consideration Share will be $0.83333. In the event the parties are unwilling to accept the fair market value of the Purchased Units, as determined by the independent valuation specialist, on or before the Closing Date this Agreement, the transaction covered by this Agreement (the "Contemplated Transaction") may be rescinded by either Party in writing.