Mechanical Technology, Incorporated

A New York Corporation

325 Washington Avenue Extension
Albany, NY 12205
518.218.2550
https://www.mechtech.com/
contact@mechtech.com
SIC Code 3829

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

Current Trading Symbol: MKTY
CUSIP Number: 583538202

Quarterly Report

For the Three and Nine Months Ended
September 30, 2020 and 2019

Including Condensed Consolidated Financial Statements and Notes and Disclosures Prescribed by OTC Pink Market
Filed on November 12, 2020

As of September 30, 2020, the number of shares outstanding of our Common Stock was: 9,570,677, net of treasury stock

As of June 30, 2020, the number of shares outstanding of our Common Stock was: 9,570,677, net of treasury stock

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

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

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

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

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

October 3, 1961 – New York
Current Standing - Active

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

Yes: ☐ No: ☒

2) Security Information

Trading Symbol: MKTY
Exact title and class of securities outstanding: Common Stock
CUSIP: 583538202
Par or Stated Value: $0.01
Total shares authorized: 75,000,000 as of: 09/30/20
Total shares outstanding: 9,570,677 as of: 09/30/20
Number of shares in the Public Float[A]: 5,458,505 as of date: 09/30/20
Total number of shareholders of record: 266 as of date: 09/30/20

Additional class of securities (if necessary):
Trading Symbol: N/A
Exact title and class of securities outstanding: N/A
CUSIP: N/A
Par or Stated Value: N/A
Total shares authorized: N/A as of: N/A
Total shares outstanding: N/A as of: N/A

<u>Transfer Agent</u>
Name: American Stock Transfer & Trust Company, LLC
Address 1: 6201 15th Avenue
Address 2: Brooklyn, NY 11219
Phone: 800.937.5449
Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

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

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

NONE

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

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

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

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

On September 30, 2020, the Company filed a Form 10 Registration Statement with the SEC to register its common stock under Section 12 of the Exchange Act. Upon the Form 10 becoming effective, the Company would once again be subject to the reporting requirements of the Exchange Act and would resume filing annual, quarterly, and current reports, and annual proxy statements, with the SEC.

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

3) Issuance History

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

A. Changes to the Number of Outstanding Shares

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

Issuances to Employees and Directors:

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

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

From January 1, 2020 through September 30, 2020, the Company awarded to members of the Company's Investment Committee and to the Company's CEO special one-time restricted stock awards totaling 68,930 shares of Common Stock valued at $0.99 per share. The shares would be restricted for one year, and have a two-year total vesting, with half vesting on the first anniversary of the award date and the remainder vesting on the second anniversary of the award date. The Company awarded to an employee options to purchase an aggregate of 25,000 shares of Common Stock at an exercise price of $0.70 per share. Such options were awarded to this employee in conjunction with employment with the Company.

Number of Shares outstanding as of January 1, 2018	Opening Balance: Common: 10,378,975 Preferred: 0								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	
01/05/18	New issuance	5,695	Common Stock	$0.29	No	Walter L. Robb	Option Exercise	Unrestricted	
04/10/18	New issuance	12,500	Common Stock	$0.29	No	Thomas J. Marusak	Option Exercise	Unrestricted	
10/08/18	New issuance	5,000	Common Stock	$0.29	No	John N. Hamilton	Option Exercise	Unrestricted	
12/13/18	New issuance	15,000	Common Stock	$0.59	No	Thomas J. Marusak	Option Exercise	Unrestricted	
12/13/18	New issuance	12,500	Common Stock	$0.52	No	Thomas J. Marusak	Option Exercise	Unrestricted	
12/13/18	New issuance	23,000	Common Stock	$0.78	No	Thomas J. Marusak	Option Exercise	Unrestricted	
Shares Outstanding on December 31, 2018	Ending Balance: Common: 10,452,670 Preferred: 0								

Number of Shares outstanding as of January 1, 2019	Opening Balance: Common: 10,452,670 Preferred: 0		.						
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	
02/26/19	New issuance	1,250	Common Stock	$0.59	No	Ann M. Hogle	Option Exercise	Unrestricted	
02/26/19	New issuance	1,750	Common Stock	$0.29	No	Ann M. Hogle	Option Exercise	Unrestricted	
02/26/19	New issuance	9,500	Common Stock	$0.59	No	Rick Jones	Option Exercise	Unrestricted	
02/26/19	New issuance	25,000	Common Stock	$0.29	No	Rick Jones	Option Exercise	Unrestricted	
02/26/19	New issuance	25,000	Common Stock	$0.52	No	Rick Jones	Option Exercise	Unrestricted	
02/26/19	New issuance	5,000	Common Stock	$0.78	No	Isaac M. Abbott	Option Exercise	Unrestricted	
02/26/19	New issuance	2,500	Common Stock	$0.85	No	Isaac M. Abbott	Option Exercise	Unrestricted	

02/26/19	New issuance	1,250	Common Stock	$0.29	No	Kellie-Ann Aubin	Option Exercise	Unrestricted	
02/26/19	New issuance	2,000	Common Stock	$0.29	No	Lisa A. Brennan	Option Exercise	Unrestricted	
02/26/19	New issuance	1,250	Common Stock	$0.29	No	Patricia A. Phillips	Option Exercise	Unrestricted	
02/27/19	New issuance	1,250	Common Stock	$0.59	No	Rebecca VanAlstyne	Option Exercise	Unrestricted	
02/27/19	New issuance	1,500	Common Stock	$0.29	No	Rebecca VanAlstyne	Option Exercise	Unrestricted	
03/04/19	New issuance	11,500	Common Stock	$0.75	No	George F. Relan	Option Exercise	Unrestricted	
03/05/19	New issuance	5,000	Common Stock	$0.29	No	Donald E. Welch	Option Exercise	Unrestricted	
03/06/19	New issuance	5,000	Common Stock	$0.29	No	Peter Opela	Option Exercise	Unrestricted	
03/12/19	New issuance	12,500	Common Stock	$0.90	No	David C. Michaels	Option Exercise	Unrestricted	
03/12/19	New issuance	18,000	Common Stock	$0.78	No	David C. Michaels	Option Exercise	Unrestricted	
03/12/19	New issuance	1,000	Common Stock	$0.59	No	Kellie-Ann Aubin	Option Exercise	Unrestricted	
03/12/19	New issuance	1,000	Common Stock	$0.78	No	Kellie-Ann Aubin	Option Exercise	Unrestricted	
03/12/19	New issuance	1,000	Common Stock	$0.59	No	Patricia A. Phillips	Option Exercise	Unrestricted	
03/12/19	New issuance	500	Common Stock	$0.59	No	Peter Steiner	Option Exercise	Unrestricted	
03/12/19	New issuance	750	Common Stock	$0.29	No	Peter Steiner	Option Exercise	Unrestricted	
Shares Outstanding on December 31, 2019	Ending Balance: Common: 10,586,170 Preferred: 0								

Number of Shares outstanding as of January 1, 2020	Opening Balance: Common: 10,586,170 Preferred: 0		.						
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	
Shares Outstanding on September 30, 2020	Ending Balance: Common: 10,586,170 Preferred: 0								

B. Debt Securities, Including Promissory and Convertible Notes

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

4) Financial Statements

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

☒ U.S. GAAP
☐ IFRS

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

Name:	Lisa Brennan
Title:	Corporate Controller
Relationship to Issuer:	Employee

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

5) Issuer's Business, Products and Services

A. Description of the Business Operations

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

During January 2020 the Company formed a wholly-owned subsidiary, EcoChain, Inc. ("EcoChain"). EcoChain was incorporated in Delaware on January 8, 2020 and was formed to conduct a new line of business, cryptocurrency mining, and in this regard also invested in Soluna Technologies, Ltd. ("Soluna"), a Canadian company that develops vertically-integrated, utility-scale computing facilities focused on cryptocurrency mining and cutting-edge blockchain applications.

The Company also owns a 47.5% interest, which as of September 30, 2020 has a fair value of $0, in MeOH Power, Inc. (formerly MTI MicroFuel Cells, Inc.), which the Company operated as a subsidiary until December 31, 2013, at which time control of the subsidiary was transferred to a former director of the Company. We do not expect our current interest in MeOH Power, Inc. to have a material impact on our results of operations or financial condition going forward.

The Company's operations are headquartered in Albany, New York, where it designs, manufactures, and markets its products of the MTI Instruments subsidiary. EcoChain's cryptocurrency mining operation is located in East Wenatchee, Washington.

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

MTI Instruments, Inc. - wholly-owned subsidiary – Moshe Binyamin, President; Jessica Thomas, Chief Financial Officer, Secretary and Treasurer

EcoChain, Inc. - wholly-owned subsidiary – William Phelan, President; Jessica Thomas, Chief Financial Officer, Secretary and Treasurer

Turbonetics Energy Incorporated – dormant entity – Jessica Thomas, Chief Financial Officer, Secretary and Treasurer

C. Principal Products or Services, and Their Markets

MTI Instruments manufactures a line of products capable of diagnosing vibration and balancing problems of an aircraft engine and generating a visual map of where metal weights should be placed for the customer to balance the engine, also known as “trim balancing.” MTI Instruments also specializes in non-contact, highly-accurate metrology products. The measurements are carried from a distance while the sensor is tracking the object’s movement. These types of measurement sensors are commonly referred to in the industry as non-contact, linear displacement measurement sensors. Additionally, MTI Instruments manufactures a portable signal generator as well as quality control tools for the semiconductor industry.

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

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

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

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

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

Product	Description
Accumeasure™ Series	High precision capacitive boards and systems offering great stability
Microtrak ™ Series	Single spot laser sensor equipped with the latest complementary metal oxide semiconductor sensor technology with high sensitivity
Fotonic ® Sensor Series	Fiber-optic based vibration sensor systems with high frequency response

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

Semiconductor and Solar Metrology Systems: MTI Instruments manufactures a family of products that can assist in early defect detection in the manufacturing process of semiconductor products. Some of these semiconductor products include microchips, which are the basis for building the sophisticated electronic devices in common use today, including computers and smartphones. MTI Instruments' semiconductor products help our manufacturer customers identify irregularities in the components of their products earlier in their manufacturing process. For example, for microchip manufacturers, our products allow for the detection of defects at the wafer (the surface, usually made of the chemical element silicon, from which microchips are built) stage of the manufacturing process. This allows our customers to discard defective components before they result in the manufacture of defective products, saving them time and money.

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

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

Marketing and Sales:

MTI Instruments markets its products and services using selected and specific channels of distribution. In the Americas, MTI Instruments uses a combination of direct sales and representatives. Overseas, particularly in Europe and Asia, MTI Instruments uses distributors and agents specific to our targeted end markets and has our sales staff frequently (at least once per quarter) visit distributors and customers in these territories to increase our exposure and sales, although during the current COVID-19 pandemic these visits are taking place virtually, either through videoconferences or via webinars. For our balancing systems, MTI Instruments primarily sells directly to end users.

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

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

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

EcoChain was established to pursue a new business line focused on cryptocurrency and the blockchain ecosystem. In connection with this new business line, EcoChain has established a facility to mine cryptocurrencies and integrate with the blockchain network. Pursuant to an Operating and Management Agreement dated January 13, 2020, by and between EcoChain and Soluna, Soluna assisted us in developing, and is now operating, the cryptocurrency mining facility. The Operating and Management Agreement requires, among other things, that Soluna provide developmental and operational services, as directed by EcoChain, with respect to the cryptocurrency mining facility in exchange for EcoChain's payment to Soluna of a one-time management fee of $65,000 and profit-based success payments in the event EcoChain achieves explicit profitability thresholds. Pursuant to the Operating and Management Agreement, during the developmental phase of the cryptocurrency mining facility, which ended on March 14, 2020, Soluna gathered and analyzed information with respect to EcoChain's cryptocurrency mining efforts and produced budgets, financial models, and technical and operational plans, including a detailed business plan, that it delivered to EcoChain in March 2020, (the "Deliverables"), all of which was designed to assist with the efficient implementation of a cryptocurrency mine. The agreement provided that, following EcoChain's acceptance of the Deliverables, which occurred on March 23, 2020, Soluna, on behalf of EcoChain, would commence operations of the cryptocurrency mine in a manner that will allow EcoChain to mine and sell cryptocurrency. In that regard, on May 21, 2020, EcoChain acquired the intellectual property of Giga Watt, Inc. ("GigaWatt") and certain other property and rights of GigaWatt associated with GigaWatt's operation of a crypto-mining operation located in Washington State. The acquired assets form the cornerstone of EcoChain's new cryptocurrency mining operation.

The mining facility has electrical capacity of between 1.5 megawatts and 3 megawatts depending on whether the Company decides to upgrade certain electrical infrastructure within the facility. This assessment and any concomitant facility upgrades are ongoing. The Company intends to rigorously evaluate increasing its investment in the Blockchain and dense computing sector. As of September 15, 2020, the mine is utilizing approximately 60% of its currently available capacity.

The Operating and Management Agreement with Soluna provides the management expertise in the cryptocurrency industry that is necessary to operate the mining facility. Soluna handles the operational management of the mine including making decisions regarding miner purchases (as further described below), including the make and model thereof, and management of execution of daily activities. Several members of the Soluna management team have deep experience in the cryptocurrency industry, including leveraging green power and cutting-edge technology advancements. EcoChain has engaged a third-party service provider to handle the day-to-day operational tasks of the mine, including remedial and preventative maintenance, mine operations and general upkeep of the facility. The team handling these matters, which works on-site at the mining facility, has ten years' experience in the daily management of the mining facility as thus same team handled these matters for the facility when it was being operated by GigaWatt and by its bankruptcy trustee prior to EcoChain's purchase of the mine. The Company handles the general and administrative functions of the mine through its corporate office, but otherwise there are no synergies between this business and MTI Instruments' metrology business. As of September 30, 2020, EcoChain has no employees.

Cryptocurrency Mining Operations
EcoChain's cryptocurrency mining operation in East Wenatchee, Washington, operated by Soluna as provided for in the Operating and Management Agreement, commenced operations and immediately began mining several cryptocurrencies, including BitCoin, Ethereum, and LiteCoin, immediately upon consummation of the GigaWatt transaction on May 21, 2020, using the mining equipment we acquired in that transaction. The mine, which is powered by renewable energy, is housed in approximately 19,000 square feet of leased space in four separate buildings. Since commencing its mining operations, EcoChain has acquired additional equipment and initiated improvements to the acquired facilities to increase the mine's capacity. To maximize space utilization at the facility and cut down on our operating costs associated with the facility, EcoChain has entered into a co-location agreement to share both unused space and facility costs with Navier Incorporated. EcoChain sells all cryptocurrencies mined for U.S. dollars, as it is not in the business of accumulating cryptocurrency on its balance sheet for speculative gains.

Cryptocurrency Assets
Cryptocurrency assets, known as miners, consist of hardware and software that perform the computations needed to mine cryptocurrencies, as discussed under "Cryptocurrency Revenue" below, and as such are the source of the associated revenues generated by a cryptocurrency mine, including EcoChain's. EcoChain has approximately 1,000 miners in service, mostly Bitmains, that generate Bitcoin. For a number of reasons, including the fact that EcoChain purchases miners in the secondary market from a number of different sellers, and that the price fluctuates because of demand and supply fluctuations as well as fluctuations in the price of the specific cryptocurrency that can be mined by the miner purchased, which drives the cost of the miners, the cost of purchasing these assets fluctuates regularly. As a result, EcoChain uses dollar cost averaging to flatten the overall cost of purchasing the miners so that it can consistently purchase miners regardless of the cost on the date of purchase. This allows EcoChain to replace the miners more consistently with newer models, which is important because, as miners age, their speed degrades, usually resulting in decreased computations over the same period and, as a result, fewer mined cryptocurrencies.

Crypto Currency Mining Market Overview

According to Global Coin Research,[B] Bitcoin miners achieved an aggregate of more than $6 billion in revenues through July 2019 on an annualized basis. The Company believes that cryptocurrency mining has seen a growing demand due to, among other things, the continuous adoption of cryptocurrency worldwide. Crypto Research estimates, based on their research, that there are more than 40 million cryptocurrency users globally

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[B] Global Coin Research Team, *Crypto Mining 101 – Overview & Landscape of the Mining Industry*, May 5, 2020, available at https://globalcoinresearch.com/2020/05/05/crypto-mining-101/.

as of July 30, 2020.[C] Coinbase alone has more than 30 million users, per CoinTelegraph, as of July 22, 2019, adding eight million users from mid-2018 to mid-2019.[D] The increase is being fueled by, among other things, the growing adoption of cryptocurrency by a number of industries including, among others, online gaming, online gambling, remittances and digital commerce.[E] Research estimates that from 2018 through 2028, the compound annual growth rate (return on investment over a period of time) of the market capitalization for the crypto asset market will be 36%.[F] Further, according to Gartner, IDC and Forrester, the total addressable market (total estimate of value based on available population of users) is estimated to grow from $63 billion in 2020 to $86 billion in 2028.[G] Based on the estimated growth in the total addressable market, the Company expects continued demand downstream to the mining level of cryptocurrencies.

Mining Ecosystem and Competitive Landscape

There are number of methods that individuals and organizations use to engage in cryptocurrency mining, and mining operations run the gamut from individuals using one or more systems to run mining operations to industrial-scale mining farms with thousands of systems. The Company believes that the high demand for cryptocurrency is fueling innovation in all aspects of the mining hardware and the mining process. This includes the creation of mining pools, discussed above, that permitted the initial mining operators, which were generally small or individually-owned operations, to pool their resources to compete with larger entities that entered the mining market as cryptocurrencies gained wider use and acceptance and, as a result, mining them became more profitable.

6) Issuer's Facilities

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

EcoChain leases approximately 19,000 square feet of space in Buildings A, C, B and H at 474 Highline Dr., East Wenatchee, WA 12205. The space is leased for the purpose of operating EcoChain's cryptocurrency mining business. The lease agreements for Building A, Building C and Buildings B and H expire on June 30, 2024, November 30, 2024 and July 31, 2023, respectively. We believe our facilities are generally well maintained and adequate for our current needs and for expansion, if required.

We also lease a small, off-site storage facility on a month-to-month basis from an independent third party to store Company records.

[C] Demelza Hays, *The Status of Cryptocurrency Adoption*, Crypto Research, July 30, 2020, available at https://cryptoresearch.report/crypto-research/the-status-of-cryptocurrency-adoption/.
[D] Helen Partz, Coinbase Added 8 Million New Users in the Past Year, July 23, 2019, available at https://cointelegraph.com/news/coinbase-added-8-million-new-users-in-the-past-year.
[E] Statis Group, *Cryptoasset Market Coverage Initiation: Valuation*, August 30, 2018, available at https://research.bloomberg.com/pub/res/d37g1Q1hEhBkiRCu_ruMdMsbc0A.
[F] *Id*.
[G] *Id*.

7) Officers, Directors, and Control Persons

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

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

Control Persons:

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

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

8) Legal/Disciplinary History

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

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

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

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

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

9) Third Party Providers

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

<u>Securities and Legal Counsel</u>
Name: Penny Somer-Greif
Firm: Baker, Donelson, Caldwell & Berkowitz, PC
Address 1: 100 Light Street
Address 2: Baltimore, MD 21202
Phone: 410.862.1141
Email: psomergreif@bakerdonelson.com

Name: Brian P. Murphy
Firm: Couch White LLP
Address 1: 540 Broadway, 7th Floor
Address 2: Albany, NY 12207
Phone: 518.426.4600
Email: bmurphy@couchwhite.com

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

Name: Tara Schleicher
Firm: Foster Garvey
Address 1: 121 SW Morrison Street, 11th Floor
Address 2: Portland, OR 97204
Phone: 503.228.3939
Email: tara.schleicher@foster.com

<u>Accountant or Auditor</u>
Name: Frank Ferrucci
Firm: Wojeski & Company CPAs, P.C.
Address 1: 159 Wolf Road
Address 2: Albany, NY 12205
Phone: 518.694.8007
Email: fferrucci@wojeskico.com

Investor Relations Consultant
Name: N/A
Firm:
Address 1:
Address 2:
Phone:
Email:

Other Service Providers: Any other service provider(s), including counsel, advisor(s) or consultant(s) **that assisted, advised, prepared or provided information with respect to this disclosure statement**, or provided assistance or services to the issuer during the reporting period.
Name: N/A
Firm:
Nature of Services:
Address 1:
Address 2:
Phone:
Email:

10) Issuer Certification

Principal Executive Officer:

I, Michael Toporek, certify that:

1. I have reviewed this Quarterly disclosure statement of Mechanical Technology, Incorporated;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 12, 2020

/s/ Michael Toporek
CEO

Principal Financial Officer:

I, Jessica Thomas, certify that:

1. I have reviewed this Quarterly disclosure statement of Mechanical Technology, Incorporated;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 12, 2020

/s/ Jessica Thomas
CFO

MECHANICAL TECHNOLOGY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INDEX

Mechanical Technology, Incorporated and Subsidiaries
Condensed Consolidated Balance Sheets
As of September 30, 2020 (Unaudited) and December 31, 2019

(Dollars in thousands, except per share)		September 30, 2020		December 31, 2019
Assets				
Current Assets:				
Cash	$	2,894	$	2,510
Accounts receivable – less allowances of $0 in 2020 and 2019		1,041		745
Inventories		1,126		924
Prepaid expenses and other current assets		194		56
Total Current Assets		5,255		4,235
Other assets		302		—
Deferred income taxes, net		395		395
Equity investment		750		—
Property, plant and equipment, net		456		174
Operating lease right-of-use assets		1,280		947
Total Assets	$	8,438	$	5,751
Liabilities and Stockholders' Equity				
Current Liabilities:				
Accounts payable	$	159	$	210
Accrued liabilities		953		761
Operating lease liability		311		171
Total Current Liabilities		1,423		1,142
Other liabilities		203		—
Operating lease liability		972		776
Total Liabilities		2,598		1,918
Commitments and Contingencies (Note 8)				
Stockholders' Equity:				
Common stock, par value $0.01 per share, authorized 75,000,000; 10,586,170 issued in 2020 and 2019		106		106
Additional paid-in capital		137,265		137,230
Accumulated deficit		(117,767)		(119,739)
Common stock in treasury, at cost, 1,015,493 shares in both 2020 and 2019		(13,764)		(13,764)
Total Stockholders' Equity		5,840		3,833
Total Liabilities and Stockholders' Equity	$	8,438	$	5,751

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

Mechanical Technology, Incorporated and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
For the Three and Nine Months Ended September 30, 2020 and 2019

(Dollars in thousands, except per share)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Product revenue	$ 3,511	$ 1,640	$ 7,484	$ 5,096
Cryptocurrency revenue	176	—	226	—
Total revenue	3,687	1,640	7,710	5,096
Operating costs and expenses:				
Cost of product revenue	879	575	2,038	1,689
Research and product development expenses	363	374	1,127	1,034
Selling, general and administrative expenses	990	689	2,632	2,000
Operating income	1,455	2	1,913	373
Other income, net	55	3	59	30
Income before income taxes	1,510	5	1,972	403
Income tax (expense) benefit	(3)	33	—	33
Net income	$ 1,507	$ 38	$ 1,972	$ 436
Income per share (Basic)	$ .16	$ —	$ .21	$ .05
Income per share (Diluted)	$ .16	$ —	$ .20	$ .05
Weighted average shares outstanding (Basic)	9,570,677	9,570,677	9,570,677	9,540,973
Weighted average shares outstanding (Diluted)	9,684,052	9,610,067	9,656,455	9,605,918

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

Mechanical Technology, Incorporated and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
For the Year Ended December 31, 2019
and the Nine Months Ended September 30, 2020 (Unaudited)

(Dollars in thousands, except per share)	Common Stock					Treasury Stock		
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Shares	Amount	Total Stockholders' Equity (Deficit)
January 1, 2019	10,452,670	$ 105	$ 139,067	$ (118,462)	1,015,493	$ (13,764)	$ 6,946
Net income	-	-	-	323	-	-	323
Stock based compensation	-	-	31	-	-	-	31
Issuance of shares – option exercises	133,500	1	73	-	-	-	74
Cash dividends	-	-	(1,941)	(1,600)	-	-	(3,541)
December 31, 2019	10,586,170	$ 106	$ 137,230	$ (119,739)	1,015,493	$ (13,764)	$ 3,833
Net income	-	-	-	1,972	-	-	1,972
Stock based compensation	-	-	35	-	-	-	35
September 30, 2020	10,586,170	$ 106	$ 137,265	$ (117,767)	1,015,493	$ (13,764)	$ 5,840

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

Mechanical Technology, Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2020 and 2019

(Dollars in thousands)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating Activities		
Net income	$ 1,972	$ 436
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	97	65
Provision for bad debts	—	1
Stock based compensation	35	18
(Recovery) provision for excess and obsolete inventories	(41)	21
Loss on disposal of equipment	3	3
Changes in operating assets and liabilities:		
Accounts receivable	(296)	127
Inventories	(161)	(84)
Prepaid expenses and other current assets	(138)	13
Other assets	(302)	—
Accounts payable	(51)	(102)
Other liabilities	203	—
Operating lease, net	3	—
Accrued liabilities	192	(99)
Net cash provided by operating activities	1,516	399
Investing Activities		
Purchases of equipment	(382)	(48)
Purchase of stock in equity investment	(750)	—
Net cash used in investing activities	(1,132)	(48)
Financing Activities		
Cash dividends on common stock	—	(3,541)
Proceeds from stock option exercises	—	74
Net cash used by financing activities	—	(3,467)
Increase (decrease) in cash	384	(3,116)
Cash – beginning of period	2,510	5,771
Cash – end of period	$ 2,894	$ 2,655

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

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Nature of Operations

Description of Business

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

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

EcoChain was incorporated in Delaware on January 8, 2020. EcoChain is establishing a new business line focused on cryptocurrency and the blockchain ecosystem. In connection with the creation of the new business line, EcoChain is developing a pilot cryptocurrency mining facility to integrate with the bitcoin blockchain network. On May 21, 2020, EcoChain closed its acquisition of the intellectual property of Giga Watt, Inc. ("GigaWatt") and certain other property and rights of GigaWatt associated with GigaWatt's operation of a crypto-mining operation located in Washington State. The acquired assets will form the cornerstone of EcoChain's new pilot cryptocurrency mining operation in Washington.

Liquidity

The Company has historically incurred significant losses primarily due to its past efforts to fund direct methanol fuel cell product development and commercialization programs and had a consolidated accumulated deficit of approximately $117.8 million as of September 30, 2020. As of September 30, 2020, the Company had working capital of approximately $3.8 million, no debt, no outstanding commitments for capital expenditures, and approximately $2.9 million of cash available to fund our operations.

Based on the Company's projected cash requirements for operations and capital expenditures, its current available cash of approximately $2.9 million and its projected 2020 and 2021 cash flows pursuant to management's plans, management believes it will have adequate resources to fund operations and capital expenditures for the remainder of 2020 and the year ending December 31, 2021. If cash generated from operations is insufficient to satisfy the Company's operational working capital and capital expenditure requirements, the Company may utilize the $300 thousand line of credit at MTI Instruments to fund these initiatives. The Company has no other formal commitments for funding future needs of the organization at this time and any additional financing during the remainder of 2020 and through the year ending December 31, 2021, if required, may not be available to us on acceptable terms or at all.

2. Basis of Presentation

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

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

The information presented in the accompanying condensed consolidated balance sheet as of December 31, 2019 has been derived from the Company's audited consolidated financial statements. All other information has been derived from the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2020 and September 30, 2019.

Principles of Consolidation

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

Cryptocurrency Revenue Recognition

Cryptocurrency revenue consists of revenue recognized from EcoChain's' cryptocurrency mining facility. Revenue is recognized at the cryptocurrency's realized cash value based upon the rates at cryptocurrency exchanges where we are registered.

Equity Investment

The equity investment in Soluna is carried at the cost of investment and is $750 thousand as of September 30, 2020. The Company owns approximately 2.0% of Soluna's stock, calculated on a fully-diluted basis, as of September 30, 2020.

3. Accounts Receivable

Accounts receivables consist of the following at:

(Dollars in thousands)		September 30, 2020		December 31, 2019
U.S. and State Government	$	112	$	57
Commercial		912		653
Allowance for doubtful accounts		—		—
Other		17		35
Total	$	1,041	$	745

For the nine months ended September 30, 2020 and 2019, the largest commercial customer represented 8.4% and 12.6%, respectively, and the largest governmental agency represented 49.4% and 19.6%, respectively, of the Company's product revenue. As of September 30, 2020 and December 31, 2019, the largest commercial receivable represented 23.4% and 22.1%, respectively, and the largest governmental receivable represented 11.0% and 8.0%, respectively, of the Company's accounts receivable.

4. Inventories

Inventories consist of the following at:

(Dollars in thousands)		September 30, 2020		December 31, 2019
Finished goods	$	277	$	302
Work in process		351		279
Raw materials		498		343
Total	$	1,126	$	924

5. Property, Plant and Equipment

Property, plant and equipment consist of the following at:

(Dollars in thousands)		September 30, 2020		December 31, 2019
Leasehold improvements	$	219	$	39
Computers and related software		1,203		1,026
Machinery and equipment		883		915
Office furniture and fixtures		39		40
		2,344		2,020
Less: Accumulated depreciation		1,888		1,846
	$	456	$	174

In conjunction with the May 21, 2020 acquisition of the intellectual property of GigaWatt and certain other property and rights of GigaWatt, the Company obtained $180 thousand in leasehold improvements to support and form the cornerstone of EcoChain's new pilot cryptocurrency mining operation. EcoChain intends to sell certain acquired equipment that is determined to be excess in nature so as to reduce EcoChain's overall transaction costs. EcoChain purchased the subject GigaWatt assets for cash consideration of $200 thousand and will be assuming certain contractual obligations of GigaWatt related to existing leases and utility power supply.

Depreciation expense was $97 thousand and $87 thousand for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively.

6. Income Taxes

During the three and nine months ended September 30, 2020, the Company's effective income tax rate was 0%. The projected annual effective tax rate is less than the Federal statutory rate of 21%, primarily due to the change in the valuation allowance, as well as changes to estimated taxable income for 2020 and permanent differences. For the three and nine months ended September 30, 2019, the Company's effective income tax rate was 0%. Income tax expense for the three and nine months ended September 30, 2020 was $3 thousand and $0 thousand, respectively. There was no income tax expense for the three and nine months ended September 30, 2019, however the Company did recognize a $33 thousand income tax benefit during the period due to a refund associated with the repeal of the federal Alternative Minimum Tax (AMT).

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

The Company believes that the accounting estimate for the valuation of deferred tax assets is a critical accounting estimate, because judgment is required in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns. The Company based the estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans and other expectations about future outcomes. In the event that actual results differ from these estimates or the Company adjusts these estimates in future periods, the Company may need to adjust the recorded valuation allowance, which could materially impact our financial position and results of operations. The valuation allowance at September 30, 2020 and December 31, 2019 was $10.0 million and $10.3 million, respectively. We will continue to evaluate the ability to realize our deferred tax assets and related valuation allowance on a quarterly basis.

7. Stockholders' Equity

Common Stock

The Company has one class of common stock, par value $.01. Each share of the Company's common stock is entitled to one vote on all matters submitted to stockholders. As of September 30, 2020 and December 31, 2019, there were 9,570,677 shares of common stock issued and outstanding.

Dividends

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

Reservation of Shares

The Company had reserved common shares for future issuance as follows as of September 30, 2020:

Stock options outstanding	522,680
Common stock available for future equity awards or issuance of options	51,125
Number of common shares reserved	573,805

Income (Loss) per Share

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

Not included in the computation of earnings per share, assuming dilution, for the nine months ended September 30, 2020, were options to purchase 401,180 shares of the Company's common stock. These potentially dilutive items were excluded even though the average market price of the common stock exceeded the exercise prices for a portion of the options because the calculation of incremental shares resulted in an anti-dilutive effect. Not included in the computation of earnings per share, assuming dilution, for the three months ended September 30, 2020, were options to purchase 373,180 shares of the Company's common stock. These potentially dilutive items were excluded even though the average market price of the common stock exceeded the exercise prices for a portion of the options because the calculation of incremental shares resulted in an anti-dilutive effect.

Not included in the computation of earnings per share, assuming dilution, for the nine and three months ended September 30, 2019, were options to purchase 328,000 shares of the Company's common stock. These potentially dilutive items were excluded even though the average market price of the common stock exceeded the exercise prices for a portion of the options because the calculation of incremental shares resulted in an anti-dilutive effect.

8. Commitments and Contingencies

Commitments:

Leases

The Company determines whether an arrangement is a lease at inception. The Company and its subsidiaries have operating leases for certain manufacturing, laboratory, office facilities and certain equipment. The leases have remaining lease terms of less than one year to less than five years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of September 30, 2020 and December 31, 2019, the Company has no assets recorded under finance leases.

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

(Dollars in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating lease cost	$ 93	$ 56	$ 215	$ 167
Short-term lease cost	—	—	2	—
Total net lease cost	$ 93	$ 56	$ 217	$ 167

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

Supplemental cash flows information related to leases was as follows:

(Dollars in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 92	$ 56	$ 212	$ 167
Non-Cash Activity Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$ 118	$ —	$ 504	$ —

Supplemental balance sheet information related to leases was as follows:

(Dollars in thousands, except lease term and discount rate)	September 30, 2020	December 31, 2019
Operating leases:		
Operating lease ROU asset	$ 1,280	$ 947
Current operating lease liabilities	$ 311	$ 171
Non-current operating lease liabilities	972	776
Total operating lease liabilities	$ 1,283	$ 947
Operating leases:		
ROU assets	$ 1,470	$ 1,164
Less: accumulated amortization	(190)	(217)
ROU assets, net	$ 1,280	$ 947
Weighted Average Remaining Lease Term (in years):		
Operating leases	3.86	4.92
Weighted Average Discount Rate:		
Operating leases	5.11%	5.85%

Maturities of operating lease liabilities are as follows as of September 30:
(Dollars in thousands)

	2020
2020	$ 369
2021	375
2022	361
2023	274
2024	41
Total lease payments	1,420
Less: imputed interest	(137)
Total lease obligations	1,283
Less: current obligations	311
Long-term lease obligations	$ 972

As of September 30, 2020, there were no additional operating lease commitments that had not yet commenced.

Warranties

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

(Dollars in thousands)	Nine Months Ended September 30, 2020	2019
Balance, January 1	$ 16	$ 24
Accruals for warranties issued	18	12
Settlements made (in cash or in kind)	(4)	(2)
Balance, end of period	$ 30	$ 34

Contingencies:

Legal

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

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

9. Related Party Transactions

MeOH Power, Inc.

On December 18, 2013, MeOH Power, Inc. and the Company executed a Senior Demand Promissory Note (the Note) in the amount of $380 thousand to secure the intercompany amounts due to the Company from MeOH Power, Inc. upon the deconsolidation of MeOH Power, Inc. Interest accrues on the Note at the Prime Rate in effect on the first business day of the month, as published in the Wall Street Journal. At the Company's option, all or part of the principal and interest due on this Note may be converted to shares of common stock of MeOH Power, Inc. at a rate of $0.07 per share. Interest began accruing on January 1, 2014. The Company recorded a full allowance against the Note. As of September 30, 2020 and December 31, 2019, $319 thousand and $312 thousand, respectively, of principal and interest are available to convert into shares of common stock of MeOH Power, Inc. Any adjustments to the allowance are recorded as miscellaneous expense during the period incurred.

Legal Services

During the three and nine months ended September 30, 2020, the Company incurred $8 thousand and $85 thousand, respectively, to Couch White, LLP for legal services associated with contract review. Du1ring the three and nine months ended September 30, 2019, the Company incurred $1 thousand and $15 thousand, respectively, to Couch White, LLP for legal services associated with contract review. A partner at Couch White, LLP is an immediate family member of one of our Directors.

Soluna Transactions

On January 8, 2020, the Company formed EcoChain as a wholly-owned subsidiary to pursue a new business line focused on cryptocurrency and the blockchain ecosystem. In connection with this new business line, EcoChain has established a facility to mine cryptocurrencies and integrate with the blockchain network. Pursuant to an Operating and Management Agreement dated January 13, 2020, by and between EcoChain and Soluna, a Canadian company that develops vertically-integrated, utility-scale computing facilities focused on cryptocurrency mining and cutting-edge blockchain applications, Soluna assisted the Company in developing, and is now operating, the cryptocurrency mining facility. The Operating and Management Agreement requires, among other things, that Soluna provide developmental and operational services, as directed by EcoChain, with respect to the cryptocurrency mining facility in exchange for EcoChain's payment to Soluna of a one-time management fee of $65 thousand and profit-based success payments in the event EcoChain achieves explicit profitability thresholds. Pursuant to the Operating and Management Agreement, during the developmental phase of the cryptocurrency mining facility, which ended on March 14, 2020, Soluna gathered and analyzed information with respect to EcoChain's cryptocurrency mining efforts and produced budgets, financial models, and technical and operational plans, including a detailed business plan, that it delivered to EcoChain in March 2020, (the "Deliverables"), all of which was designed to assist with the efficient implementation of a cryptocurrency mine. The agreement provided that, following EcoChain's acceptance of the Deliverables, which occurred on March 23, 2020, Soluna, on behalf of EcoChain, would commence operations of the cryptocurrency mine in a manner that will allow EcoChain to mine and sell cryptocurrency. In that regard, on May 21, 2020, EcoChain acquired the intellectual property of Giga Watt, Inc. ("GigaWatt") and certain other property and rights of GigaWatt associated with GigaWatt's operation of a crypto-mining operation located in Washington State. The acquired assets form the cornerstone of EcoChain's new cryptocurrency mining operation. EcoChain plans to sell for U.S. dollars all cryptocurrency it mines and will not be in the business of accumulating cryptocurrency on its balance sheet for speculative gains.

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

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

Three of our directors have various affiliations with Soluna.

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

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

As a result, the approximate dollar value of the amount of Mr. Toporek's and Mr. Lipman's interest in the Company's transactions with Soluna through September 30, 2020, are $485 thousand and $0, respectively.

The Company's investment in Soluna is carried at the cost of investment and is $750 thousand as of September 30, 2020. The Company owns approximately 2.0% of Soluna's stock, calculated on a fully-diluted basis, as of September 30, 2020.

Director William P. Phelan serves as a director of Soluna.

10. Stock Based Compensation

Restricted Stock

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

11. Segment Information

The Company operates in two business segments, Test and Measurement Instrumentation and Cryptocurrency. The Test and Measurement Instrumentation segment designs, manufactures, markets and services computer-based balancing systems for aircraft engines, high performance test and measurement instruments and systems, and wafer characterization tools for the semiconductor and solar industries. The Cryptocurrency segment is focused on cryptocurrency and the blockchain ecosystem. The Company's principal operations in both segments are located in North America.

The accounting policies of the Test and Measurement Instrumentation and Cryptocurrency segments are similar to those described in the summary of significant accounting policies herein and in the Company's Annual Report. The Company evaluates performance based on profit or loss from operations before income taxes, accounting changes, items management does not deem relevant to segment performance, and interest income and expense. Inter-segment sales and expenses are not significant.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes corporate related items and items such as income taxes or unusual items, which are not allocated to reportable segments. In addition, segments' non-cash items include any depreciation and amortization in reported profit or loss.

(Dollars in thousands)	Test and Measurement Instrumentation	Cryptocurrency	Other	Condensed Consolidated Totals
Three months ended September 30, 2020				
Product revenue	$ 3,511	$ —	$ —	$ 3,511
Cryptocurrency revenue	—	176	—	176
Research and product development expenses	363	—	—	363
Selling, general and administrative expenses	411	218	361	990
Segment profit / (loss) from operations before income taxes	1,691	(3)	(178)	1,510
Segment profit / (loss)	1,691	(3)	(181)	1,507
Total assets	3,016	1,383	4,039	8,438
Capital expenditures	2	32	—	34
Depreciation and amortization	19	26	—	45

(Dollars in thousands)	Test and Measurement Instrumentation	Cryptocurrency	Other	Condensed Consolidated Totals
Nine months ended September 30, 2020				
Product revenue	$ 7,484	$ —	$ —	$ 7,484
Cryptocurrency revenue	—	226	—	226
Research and product development expenses	1,127	—	—	1,127
Selling, general and administrative expenses	1,264	398	970	2,632
Segment profit / (loss) from operations before income taxes	2,650	(147)	(531)	1,972
Segment profit / (loss)	2,650	(147)	(531)	1,972
Total assets	3,016	1,383	4,039	8,438
Capital expenditures	16	366	—	382
Depreciation and amortization	62	35	—	97

The following table presents the details of "Other" segment loss:

(Dollars in thousands)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Corporate and other (expenses) income:		
Salaries and benefits	(192)	(433)
Income tax (expense) benefit	(3)	—
Other income (expense), net	14	(98)
Total expense	$ (181)	$ (531)

12. Line of Credit

On May 7, 2020, in connection with receipt of the $3.3 million United States Air Force delivery order, MTI Instruments obtained a $300 thousand secured line of credit from Pioneer Bank that will, among other things, assist with MTI Instruments' timely fulfillment of the delivery order. The line of credit may be drawn in the discretion of MTI Instruments and bears interest at a rate of Prime +1% per annum. Accrued interest is due monthly and principal is payable over a period of 30 days following lender's demand. The line of credit is secured by the assets of MTI Instruments and is guaranteed by the Company. As of September 30, 2020, there were no amounts outstanding under the line of credit.

13. Effect of Recent Accounting Updates

Accounting Updates Not Yet Effective

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

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

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

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

Accounting Updates Recently Adopted by the Company

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

14. Subsequent Events

In accordance with U.S. GAAP, the Company has evaluated subsequent events for disclosure between the condensed consolidated balance sheet date of September 30, 2020 and November 12, 2020, the date the financial statements were available to be issued.

On November 5, 2020, the Company announced that its Board of Directors has named Michael Toporek, an accomplished business builder and investor, as Chief Executive Officer of the Company, effective November 2, 2020. Mr. Toporek has been a board member of the Company since 2016.