

Advanced Emissions Solutions, Inc.
Form S-4
March 14, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Advanced Emissions Solutions, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	2890 (Primary Standard Industrial Classification Code Number)	27-5472457 (I.R.S. Employer Identification No.)
--	--	--

8100 SouthPark Way, Unit B, Littleton, Colorado 80120

(303) 734-1727

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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Mark H. McKinnies

8100 SouthPark Way, Unit B, Littleton, Colorado 80120

(303) 734-1727

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

Julie A. Herzog, Esq.

SCHUCHAT, HERZOG & BRENMAN, LLC

1900 Wazee Street, Suite 300

Denver, CO 80202

(303) 295-9700

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

CALCULATION OF REGISTRATION FEE

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Title of each class of securities to be registered	Amount to be registered	Proposed		Amount of registration fee
		maximum offering price per unit ⁽¹⁾	Proposed maximum aggregate offering price ⁽¹⁾	
Common Stock, par value \$0.001 per share	7,604,370	\$13.66	\$103,875,694	\$12,060

⁽¹⁾ Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(f)(1) and 457(c) of the Securities Act of 1933, as amended, based on the average high and low prices of ADA-ES, Inc. common stock on the NASDAQ Capital Market on March 11, 2011. **The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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EXPLANATORY NOTE

The proxy statement/prospectus that forms a part of this Registration Statement consists of (i) a proxy statement relating to the Annual Meeting of Shareholders of ADA-ES, Inc. (ADA-ES or the Company) and (ii) a prospectus relating to the common stock of Advanced Emissions Solutions, Inc. (AES).

Reference is made to the No-Action Letter issued to the Company by the Staff of the Office of Chief Counsel of the Division of Corporation Finance (the Staff) of the Securities and Exchange Commission (available March [14], 2011) and the Staff 's concurrence with the Company 's conclusion, among other things, that (i) the Reorganization (as defined herein) constitutes a succession for purposes of Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the Exchange Act), and that AES is deemed a smaller reporting company for purposes of Rule 12b-2 of the Exchange Act, (ii) actions taken by AES with respect to its assumption of obligations of the Company under certain stock-based benefit plans do not constitute actions that require disclosure of information under Item 10 of Schedule 14A of Regulation A promulgated under the Exchange Act and (iii) certain financial information required by Form S-4 may be omitted from this proxy statement/prospectus to the extent such information may be omitted pursuant to Instruction 4 of Item 14 of Schedule 14A under the Exchange Act.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 14, 2011

PROXY STATEMENT/PROSPECTUS

A REORGANIZATION IS PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Fellow Shareholder:

On behalf of the board of directors, we are pleased to invite you to the 2011 Annual Meeting of Shareholders of ADA-ES, Inc. (the Annual Meeting). The Annual Meeting will be held at 9:00 a.m. (local time) on May 25, 2011 at the Pinehurst Country Club, located at 6255 W. Quincy Avenue, Denver, Colorado, 80235.

At the Annual Meeting, in addition to electing nine directors, you will be asked to consider and vote on a proposal to reorganize our company into a holding company pursuant to which our present company will become a subsidiary of a new Delaware corporation named Advanced Emissions Solutions, Inc., which we refer to in this proxy statement/prospectus as AES and you will become a stockholder of this new Delaware holding company. We refer to this proposal in the proxy statement/prospectus as the reorganization proposal. You will also be asked to approve three additional proposals. The first is to ratify the Audit Committee's selection of Ehrhardt Keefe Steiner & Hottman PC as our independent registered public accounting firm for the fiscal year ending December 31, 2011. The second is to approve Amendment No. 1 to the Amended and Restated 2007 Equity Incentive Plan (the 2007 Plan) to increase the number of authorized shares under the 2007 Plan. The third is to approve the Amended and Restated 2010 Non-Management Compensation and Incentive Plan (the 2010 Plan) including approval of shares of common stock reserved for issuance under the 2010 Plan.

Upon completion of the reorganization, Advanced Emissions Solutions, Inc. will, in effect, replace our present company as the publicly held corporation. Advanced Emissions Solutions, Inc. and its subsidiaries will conduct all of the operations we currently conduct. Implementing the holding company structure will provide us with strategic, operational and financing flexibility and incorporating the new holding company in Delaware will allow us to take advantage of the flexibility, predictability and responsiveness that Delaware corporate law provides.

In the reorganization, your existing shares of ADA-ES common stock will be converted automatically into shares of AES common stock. You will own the same number of shares of AES common stock as you now own of ADA-ES common stock, and your shares will represent the same ownership percentage of AES as you have of ADA-ES. In addition, the reorganization generally will be tax-free for ADA-ES shareholders. Your rights as a stockholder of AES will be similar to your rights as a shareholder of ADA-ES, including rights as to voting and dividends, except as described herein.

We expect the shares of AES common stock to trade under the ticker symbol ADES on the NASDAQ Capital Market, which is the same symbol that ADA-ES is currently traded under. On March 11, 2011, the last trading day before the announcement of the reorganization proposal, the closing price per ADA-ES share was \$14.00. On April [], 2011, the most recent trading day for which prices were available, the closing price per ADA-ES share was \$[].

In order to implement the reorganization proposal, we need shareholders to adopt and approve the related reorganization agreement. Our board of directors has carefully considered the merger agreement, which provides for the merger of ADA-ES and a subsidiary of AES called ADA MergerCo and the related transactions described in this proxy statement/prospectus, and believes that it is advisable, fair to and in the best interest of our shareholders, and recommends that you vote **FOR** the reorganization proposal and **FOR** the other proposals described in this proxy statement/prospectus. Because adoption of the reorganization proposal requires the affirmative vote of holders of a majority of the outstanding shares entitled to vote at the Annual Meeting, your vote is important, no matter how many or how few shares you may own. Whether or not you plan to attend the Annual Meeting, please take the time to vote by completing, signing and mailing the enclosed proxy card in the postage- paid envelope provided or by voting by telephone or over the internet.

Your board of directors and management look forward to greeting those of you who are able to attend the Annual Meeting. The accompanying notice of meeting and this proxy statement/prospectus provide specific information about the Annual Meeting and explain the various proposals. Please read these materials carefully. **In particular, you should consider the discussion of risk factors beginning on page 9 before voting on**

the reorganization proposal.

Thank you for your continued support of and interest in ADA-ES.

Dr. Michael Durham

President and Chief Executive Officer

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Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated April [4], 2011 and is being first mailed to ADA-ES shareholders on or about April [8], 2011.

ADA-ES, INC.

8100 SouthPark Way, Unit B

Littleton, Colorado 80120

(303) 734-1727

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 25, 2011

To Our Shareholders:

The Annual Meeting of Shareholders of ADA-ES, Inc. (ADA-ES or the Company), a Colorado corporation, will be held at 9:00 a.m. (local time) on May 25, 2011 at the Pinehurst Country Club, located at 6255 W. Quincy Avenue, Denver, Colorado, or at any postponement or adjournment thereof, for the following purposes:

1. To consider and vote upon a proposal (the reorganization proposal or the reorganization) approving the Agreement and Plan of Merger, dated as of March 14, 2011 (the Reorganization Agreement), by and among ADA-ES, Advanced Emissions Solutions Inc., a Delaware corporation and a wholly-owned subsidiary of ADA-ES (AES or the Delaware Company) and ADA Merger Corp., a Colorado corporation (MergerCo) and a subsidiary of the Delaware Company;
2. To elect nine directors of the Company;
3. To ratify the Audit Committee s selection of Ehrhardt Keefe Steiner & Hottman PC as our independent registered public accounting firm for the fiscal year ending December 31, 2011;
4. To approve Amendment No. 1 to the Amended and Restated 2007 Equity Incentive Plan (the 2007 Plan) to increase the number of authorized shares under the 2007 Plan, including approval of the shares of common stock for issuance under the 2007 Plan;
5. To approve the Amended and Restated 2010 Non-Management Compensation and Incentive Plan (the 2010 Plan) including approval of shares of common stock reserved for issuance under the 2010 Plan; and
6. To consider and vote upon such other matters as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Shareholders of record at the close of business on March 29, 2011 are entitled to notice of and to vote at the Annual Meeting.

Our shareholders are cordially invited to attend the Annual Meeting in person. Whether or not you plan to attend the Annual Meeting, we urge you to vote your shares by telephone or Internet, or by completing, signing and dating the enclosed proxy card and returning it promptly in the

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accompanying postage prepaid (if mailed in the U.S.) return envelope.

Please call on our toll-free number (888-822-8617) if you require directions or have other questions concerning the meeting.

By Order of the Board of Directors,

Mark H. McKinnies

Secretary

April [8], 2011

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about ADA-ES from our Annual Report on Form 10-K for the year ended December 31, 2010 and from other documents that are not included in or being delivered with this proxy statement/prospectus. The incorporated information that is not included in or being delivered with this proxy statement/prospectus is available to you without charge upon your written or oral request. You can obtain any document that is incorporated by reference in this proxy statement/prospectus, excluding all exhibits that have not been specifically incorporated by reference, on the investor relations page of our website at www.adaes.com or by requesting it in writing or by telephone from us at the following address or telephone number:

ADA-ES, Inc.

8100 SouthPark Way, Unit B

Littleton, CO 80120

Telephone: (888) 822-8617

If you would like to request any documents, please do so no later than five business days before the date you must make your investment decision or by May 18, 2011 in order to receive them before the annual meeting.

In addition, if you have any questions about the proposals, you may contact:

Georgeson Inc.

199 Water Street, 26th floor

New York, NY 10038

Shareholders call toll-free: 866-729-6811

Banks and brokers call collect: 212-440-9800

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus and the registration statement of which this proxy statement/prospectus is a part to vote on the proposals being presented at the Annual Meeting. No person has been authorized to provide you with information that is different from what is contained in this document or in the incorporated documents.

This proxy statement/prospectus is dated April [4], 2011. You should not assume the information contained in this proxy statement/prospectus is accurate as of any date other than this date, and neither the mailing of this proxy statement/prospectus to shareholders nor the issuance of the AES common stock in the reorganization implies that information is accurate as of any other date.

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SUMMARY OF THIS PROXY STATEMENT/PROSPECTUS

ADA-ES, INC.

8100 SouthPark Way, Unit B

Littleton, CO 80120

Telephone: (303) 734-1727

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 25, 2011

This Proxy Statement is furnished to the shareholders of ADA-ES, Inc. (the "Company"), a Colorado corporation, in connection with the solicitation of proxies by the Company's Board of Directors (the "Board"), to be voted at our ANNUAL MEETING OF SHAREHOLDERS to be held on Wednesday, May 25, 2011, at the Pinehurst Country Club, located at 6255 W. Quincy Avenue, Denver, Colorado and any postponements or adjournments thereof. This Proxy Statement and accompanying form of proxy is first being mailed or given to our shareholders on or about April 8, 2011. The shares represented by all proxies that are properly executed and submitted will be voted at the Meeting in accordance with the instructions indicated thereon, and if no instructions are given, then to the extent permitted by law, in the discretion of the proxy holder. Throughout this Proxy Statement, the terms "we," "us" "our" and "our Company" refer to ADA-ES, Inc., and unless the context indicates otherwise, our consolidated subsidiaries.

VOTING RIGHTS AND VOTE REQUIRED

Our Board has fixed the close of business on March 29, 2011, as the record date (the "Record Date") for determination of shareholders entitled to notice of and to vote at the meeting. On the Record Date, [] shares of our Common Stock were issued and outstanding, each of which entitles the holder thereof to one vote on all matters that may come before the Annual Meeting. We do not have any class of voting securities outstanding other than our Common Stock. An abstention or withholding authority to vote will be counted as present for determining whether the quorum requirement is satisfied. If a quorum exists, actions or matters other than the election of the Board and the reorganization proposal are approved if the votes cast in favor of the action exceed the votes cast opposing the action unless a greater number is required by the Colorado Business Corporation Act or our Articles of Incorporation. The required vote for the reorganization proposal is the affirmative vote of holders of at least a majority of the outstanding shares entitled to vote at the Annual Meeting. Abstentions will not affect the election of directors or the vote on the reorganization proposal.

If as of the Record Date your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then that firm or organization is the shareholder of record for purposes of voting at the Annual Meeting and you are considered the beneficial owner of shares held in "street name." If you are a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares held in your account. If you do not instruct your broker on how to vote your shares, your brokerage firm, in its discretion, may vote your shares on routine matters or they may elect not to vote your shares. The proposal to ratify the appointment of our independent registered public accounting firm for the current fiscal year is considered a "routine matter," but the other proposals being voted on at the Annual Meeting are not considered "routine matters" and brokers will not be entitled to vote on those proposals absent specific instructions and authorization from the beneficial owners of the shares. If you hold shares beneficially in "street name" and do not provide your broker with voting instructions, your shares may constitute "broker non-votes." A broker non-vote occurs when a nominee holding shares for a beneficial holder does not have discretionary voting power and does not receive voting instructions from the beneficial owner. Broker non-votes on a particular proposal are considered present for purposes of determining a quorum, but will not be treated as shares present and entitled to vote on any proposal other than the ratification of our public accounting firm and accordingly will have no effect on such vote.

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We invite beneficial owners to attend the Annual Meeting. If you are a beneficial owner and not a shareholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker or other agent and bring such proxy to the Annual Meeting. If you want to attend the meeting, but not vote, you must provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to March 29, 2011, a copy of the voting instruction card provided by your broker or other agent or other similar evidence of ownership.

A minimum of one-third of the shares of Common Stock issued and outstanding must be represented at the meeting in person or by proxy in order to constitute a quorum. Cumulative voting is not allowed for any purpose. Assuming a quorum is present, the nine nominees receiving the highest number of votes cast will be elected as directors.

Unless instructions to the contrary are marked, or if no instructions are specified, shares represented by proxies will be voted:

FOR the approval of the reorganization proposal and to approve the Reorganization Agreement;

FOR the persons nominated by the Board for directors, being Robert N. Caruso, Michael D. Durham, John W. Eaves, Derek C. Johnson, Ronald B. Johnson, W. Phillip Marcum, Mark H. McKinnies, Jeffrey C. Smith and Richard J. Swanson;

FOR the ratification of the Audit Committee's selection of Ehrhardt Keefe Steiner & Hottman PC as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011;

FOR the approval of Amendment No. 1 to the Amended and Restated 2007 Equity Incentive Plan (the "2007 Plan") including approval of shares of common stock reserved for issuance under the 2007 Plan; and

FOR the approval of the Amended and Restated 2010 Non-Management Compensation and Incentive Plan (the "2010 Plan"), including approval of shares of common stock reserved for issuance under the 2010 Plan

We do not know of any other matter or motion to be presented at the meeting. If any other matter or motion should be presented at the meeting upon which a vote must be properly taken, to the extent permitted by law, the persons named in the accompanying form of proxy intend to vote such proxy in accordance with that person's judgment, including any matter or motion dealing with the conduct of the meeting.

Voting by Mail, via the Internet or by Telephone

Shareholders whose shares are registered in their own names may vote by mailing a completed proxy card, via the Internet or by telephone. Instructions for voting via the Internet or by telephone are set forth on the enclosed proxy card. To vote by mailing a proxy card, sign and return the enclosed proxy card in the enclosed prepaid and addressed envelope and your shares will be voted at the Annual Meeting in the manner you direct. If no directions are specified, such proxies will be voted as described above.

If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares over the Internet or by telephone rather than by mailing a completed voting instruction card provided by the bank or brokerage firm. Please check the voting instructions card provided by your bank or brokerage house for availability and instructions. If Internet or telephone voting is unavailable from your bank or brokerage house, please complete and return the enclosed voting instruction card in the self-addressed postage paid envelope provided.

Any shareholder who completes a proxy or votes via the Internet or by telephone may revoke the action at any time before it is exercised by delivering written notice of such revocation to the Company (c/o Mark H. McKinnies, Secretary), 8100 SouthPark Way, Unit B, Littleton, Colorado, 80120, by submitting a new proxy executed at a later date, or by attending the Annual Meeting and voting in person.

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2011 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 25, 2011

Copies of this proxy statement /prospectus and our Annual Report for the fiscal year ended December 31, 2010 are also available on our website www.adaes.com.

EXPENSES OF SOLICITATION

The accompanying proxy is solicited by and on behalf of the Board, and the cost of such solicitation will be borne by the Company. Georgeson Inc. will distribute proxy materials to beneficial owners, may solicit proxies by personal interview, mail, telephone, and electronic communications, and will request brokerage houses and other custodians, nominees, and fiduciaries to forward soliciting material to the beneficial owners of ADA's common stock held on the record date by such persons. The Company will pay Georgeson Inc. \$7,500 for its proxy solicitation services plus related fees for any additional services and will reimburse Georgeson Inc. for payments made to brokers and other nominees for their expenses in forwarding solicitation materials. Solicitations also may be made by personal interview, telephone, and electronic communications by directors, officers and other employees of the Company without additional compensation.

QUESTIONS AND ANSWERS

ABOUT THE REORGANIZATION PROPOSAL

What is the reorganization proposal?

We are asking you to approve an agreement and plan of merger (the Reorganization Agreement) that would result in your owning shares in a new Delaware holding company. Under the Reorganization Agreement, ADA-ES, Inc., a Colorado corporation, will merge with ADA Merger Corp., a Colorado corporation, with ADA-ES surviving the merger as a wholly owned subsidiary of Advanced Emissions Solutions, Inc., a Delaware corporation.

Upon completion of the reorganization, AES will, in effect, replace our present company as the publicly held corporation. AES and its subsidiaries will conduct all of the operations we currently conduct. As a result of the reorganization, the current shareholders of ADA-ES will become stockholders of AES with the same number and percentage of shares of AES as they hold of ADA-ES prior to the reorganization. The Reorganization Agreement, which sets forth the plan of reorganization and is the primary legal document that governs the reorganization, is attached as Annex I to this proxy statement/prospectus. You are encouraged to read the Reorganization Agreement carefully.

Why are you forming a holding company?

We are forming a holding company in Delaware to:

better align our corporate structure with our business operations;

provide us with greater strategic, business and administrative flexibility, which may allow us to acquire or form other businesses, if and when appropriate and feasible, that may be owned and operated by us, but which could be separate from our current businesses; and

take advantage of the benefits of Delaware corporate law.

To review the reasons for our reorganization in greater detail, see Reasons for the Reorganization; Recommendation of our Board.

What will happen to my stock?

In the reorganization, your shares of common stock will automatically be converted into the same number of shares of common stock of AES. As a result, you will become a stockholder of AES and will own the same number and percentage of shares of AES common stock that you now

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own of ADA-ES common stock. We expect that AES common stock will be listed on the NASDAQ Capital Market under the same symbol as ADA-ES's current symbol which is ADES.

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How will being an AES stockholder be different from being an ADA-ES shareholder?

After the reorganization, you will own the same number and percentage of shares of AES common stock that you owned of ADA-ES common stock immediately prior to the reorganization. You will own shares of a Delaware holding company that owns our operating businesses. In addition, as a stockholder of AES, your rights will be governed by Delaware corporate law and the charter documents of the Delaware corporation. Your rights as a stockholder of AES will be similar to your rights as a shareholder of ADA-ES, including rights as to voting and dividends, except as described in Description of AES Capital Stock, Description of ADA-ES Capital Stock and Comparative Rights of Holders of AES Capital Stock and ADA-ES Capital Stock below.

Will the management or the business of the company change as a result of the reorganization?

No. The management and business of our company will remain the same after the reorganization.

What will the name of the public company be following the reorganization?

The name of the public company following the reorganization will be Advanced Emissions Solutions, Inc.

Will the public company's CUSIP number change as a result of the reorganization?

Yes. Following the reorganization the public company's CUSIP number will be [].

Will I have to turn in my stock certificates?

No. Do not turn in your stock certificates. We will not require you to exchange your stock certificates as a result of the reorganization. After the reorganization, your ADA-ES common stock certificates will represent the same number of shares of AES common stock.

Will the reorganization affect my U.S. federal income taxes?

The proposed reorganization is intended to be a tax-free transaction under U.S. federal income tax laws. We expect that you will not recognize any gain or loss for U.S. federal income tax purposes upon your receipt of AES common stock in exchange for your shares of ADA-ES common stock in the reorganization; however, the tax consequences to you will depend on your own situation. You should consult your own tax advisors concerning the specific tax consequences of the reorganization to you, including any state, local or foreign tax consequences of the reorganization. For further information, see Material U.S. Federal Income Tax Consequences.

How will the reorganization be treated for accounting purposes?

For accounting purposes, our reorganization into a holding company structure will be treated as a merger of entities under common control. The accounting treatment for such events is similar to the former pooling of interests method. Accordingly, the consolidated financial position and results of operations of ADA-ES will be included in the consolidated financial statements of AES on the same basis as currently presented.

What vote is required to approve the reorganization proposal?

The required vote is the affirmative vote of holders of at least a majority of the outstanding shares entitled to vote at the Annual Meeting.

What percentage of the outstanding shares do directors and executive officers hold?

On the Record Date, directors, executive officers and their affiliates beneficially owned approximately []% of our outstanding shares of common stock.

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If the shareholders approve the reorganization, when will it occur?

We plan to complete the reorganization on or about June 1, 2011, provided that our shareholders approve the reorganization and all other conditions to completion of the reorganization are satisfied.

Do I have dissenters (or appraisal) rights?

No, holders of ADA-ES common stock do not have dissenters' rights under Colorado law as a result of the reorganization proposal.

What is the authorized capital of AES and ADA-ES?

ADA-ES's amended and restated articles of incorporation currently authorizes the issuance of 50,000,000 shares of common stock and 50,000,000 shares of preferred stock. AES's certificate of incorporation, which would govern the rights of the Company's stockholders as a result of the reorganization, currently authorizes the issuance of 50,000,000 shares of common stock and 25,000,000 shares of preferred stock. Upon completion of the reorganization, the number of shares of AES common stock that will be outstanding will be equal to the number of shares of ADA-ES common stock outstanding immediately prior to the reorganization.

Whom do I contact if I have questions about the reorganization proposal?

You may contact our proxy solicitor:

Georgeson Inc.

199 Water Street, 26th floor

New York, NY 10038

Shareholders call toll-free: 866-729-6811

Banks and brokers call collect: 212-440-9800

or us:

ADA-ES, Inc.

8100 SouthPark Way, Unit B

Littleton, CO 80120

Telephone: (888) 822-8617

Attn: Secretary

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SUMMARY OF THE REORGANIZATION PROPOSAL

*This section highlights key aspects of the reorganization proposal, including the Reorganization Agreement, that are described in greater detail elsewhere in this proxy statement/prospectus. It does not contain all of the information that may be important to you. To better understand the reorganization proposal, and for a more complete description of the legal terms of the Reorganization Agreement, you should read this entire document carefully, including the Annexes, and the additional documents to which we refer you. You can find information with respect to these additional documents in *Where You Can Find More Information*.*

The Principal Parties

ADA-ES, Inc.

8100 SouthPark Way, Unit B

Littleton, CO 80120

Telephone: (888) 822-8617

ADA-ES is a leader in clean coal technology and the associated equipment and specialty chemicals, serving the coal-fueled power plant industry. Our proprietary environmental technologies and equipment and specialty chemicals enable power plants to enhance existing air pollution control equipment, minimize mercury, CO₂ and other emissions, maximize capacity, and improve operating efficiencies, to meet the challenges of existing and pending emission control regulations. With respect to mercury emissions:

We supply activated carbon (AC) injection systems, mercury measurement instrumentation, and related services.

We are also a joint venture participant in ADA Carbon Solutions (ADA-CS), which has commenced operations at its state-of-the-art AC production facility.

Under an exclusive development and licensing agreement with Arch Coal, Inc., we are developing and commercializing an enhanced Powder River Basin (PRB) coal with reduced emissions of mercury and other metals.

Through our consolidated subsidiary, Clean Coal Solutions, LLC (CCS), we provide our patented refined coal technology, CyClean, to enhance combustion of and reduce emissions from burning PRB coals in cyclone boilers.

In addition, we are developing CO₂ emissions capture technologies under projects funded by the U.S. Department of Energy (DOE) and industry participants.

In connection with the reorganization, ADA-ES will merge with MergerCo, with ADA-ES surviving the merger as a wholly owned subsidiary of AES. After the reorganization, ADA-ES will continue to engage in the business currently conducted by ADA-ES, and all of ADA-ES' s contractual, employment and other business relationships will generally continue unaffected by the reorganization.

We are a Colorado corporation. Our headquarters are located at 8100 SouthPark Way, Unit B Littleton, CO 80120, and the telephone number at this location is (888) 822-8617. Information about us is available on our website at www.adaes.com. The contents of our website is not incorporated by reference herein and is not deemed to be part of this proxy statement/prospectus.

Advanced Emissions Solutions, Inc.

8100 SouthPark Way, Unit B

Littleton, CO 80120

Telephone: (888) 822-8617

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Advanced Emissions Solutions, Inc., or AES, a Delaware corporation, was formed as a wholly owned subsidiary of ADA-ES in order to effect the reorganization. Prior to the reorganization, AES will have no assets or operations other than those incident to its formation.

ADA Merger Corp.

8100 SouthPark Way, Unit B

Littleton, CO 80120

Telephone: (888) 822-8617

ADA Merger Corp., or MergerCo, a Colorado corporation was formed as a wholly owned subsidiary of AES in order to effect the reorganization. Prior to the reorganization, MergerCo will have no assets or operations other than those incident to its formation.

What You Will Receive in the Reorganization

In the reorganization, each outstanding share of common stock of ADA-ES will be converted automatically into one share of common stock of AES. In addition, each outstanding option to purchase shares of ADA-ES common stock, if not exercised before the completion of the reorganization, will become an option to acquire, at the same exercise price, an identical number of shares of AES common stock. Each outstanding restricted stock award (or any performance award payable in restricted stock) will become an award of restricted stock (or a performance award payable in restricted stock) in an identical number of shares of AES common stock. Finally, participants in the Company's equity incentive plans and 401(k) plan will be entitled to receive shares of AES common stock in accordance with the terms of the plans, and shares of common stock of ADA-ES currently held in the plans will be converted into shares of common stock of AES.

On the Record Date, there were outstanding [] shares of ADA-ES common stock and [] unvested shares of ADA-ES restricted stock, as well as options representing [] shares of ADA-ES common stock.

Conditions to Completion of the Reorganization

The completion of the reorganization depends on the satisfaction or waiver of a number of conditions, including, but not limited to, the following:

absence of any stop order suspending the effectiveness of the registration statement, of which this proxy statement/prospectus forms a part, relating to the shares of AES common stock to be issued in the reorganization;

approval of the Reorganization Agreement by ADA-ES's shareholders;

receipt of approval for listing on the NASDAQ Capital Market of shares of AES common stock to be issued in the reorganization;

absence of any order or proceeding that would prohibit or make illegal completion of the reorganization; and

receipt by ADA-ES and AES of a legal opinion with respect to the material U.S. federal income tax consequences of the reorganization.

Termination of the Reorganization Agreement

We may terminate the Reorganization Agreement, even after approval by our shareholders, if our Board determines to do so for any reason.

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Board of Directors and Executive Officers of AES Following the Reorganization

The board of directors of AES presently consists of the same persons comprising the ADA-ES Board. Upon consummation of the Reorganization, the AES board of directors will be the same as the directors elected by the shareholders of ADA-ES at the Annual Meeting. AES expects that its executive officers following the reorganization will be the same as those of ADA-ES immediately prior to the reorganization.

Markets and Market Prices

AES common stock is not currently traded or listed on any stock exchange or market. ADA-ES common stock is traded under the symbol ADES on the NASDAQ Capital Market, and we expect AES common stock to trade on the NASDAQ Capital Market under the same symbol ADES following the reorganization. On March 11, 2011, the last trading day before the announcement of the reorganization proposal, the closing price per ADA-ES share was \$14.00. On April [2], 2011, the most recent trading day for which prices were available, the closing price per ADA-ES share was \$[].

Certain Financial Information

We have not included pro forma financial comparative per share information concerning ADA-ES that gives effect to the reorganization because, immediately after the completion of the reorganization, the consolidated financial statements of AES will be the same as ADA-ES's consolidated financial statements immediately prior to the reorganization, and the reorganization will result in the conversion of each share of ADA-ES common stock into one share of AES common stock. In addition, we have not provided financial statements of AES because, prior to the reorganization, it will have no assets, liabilities or operations other than those incident to its formation.

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RISK FACTORS

In considering whether to vote in favor of the reorganization proposal, you should consider all of the information we have included in this proxy statement/prospectus, including its Annexes, and all of the information included in the documents we have incorporated by reference, including our Annual Report on Form 10-K for the year ended December 31, 2010 and the risk factors described in the other documents incorporated by reference. In addition, you should pay particular attention to the risks described below.

Our Board may choose to defer or abandon the reorganization.

Completion of the reorganization may be deferred or abandoned, at any time, by action of our Board, whether before or after the Annual Meeting. While we currently expect the reorganization to take place on or about June 1, 2011, assuming that the reorganization proposal is approved at the Annual Meeting, the Board may defer completion or may abandon the reorganization because of any determination by our Board that the reorganization would not be in the best interests of ADA-ES or its shareholders or that the reorganization would have material adverse consequences to ADA-ES or its shareholders.

We may not obtain the expected benefits of our reorganization into a holding company.

We believe our reorganization into a holding company will provide us with benefits in the future. These expected benefits may not be obtained if market conditions or other circumstances prevent us from taking advantage of the strategic, business and financing flexibility that we believe it will afford us. As a result, we may incur the costs of creating the holding company without realizing the possible benefits.

As a holding company, AES will depend in large part on dividends from its operating subsidiaries to satisfy its obligations.

After the completion of the reorganization, AES will be a holding company with no business operations of its own. Its only significant assets will be the outstanding capital stock of its subsidiaries, which will initially be ADA-ES and its subsidiaries. As a result, AES will rely on funds from ADA-ES and any subsidiaries that it may form in the future to meet its obligations.

The market for AES shares may differ from the market for ADA-ES shares.

Although it is anticipated that the AES common shares will be authorized for listing on the NASDAQ Capital Market, the market prices, trading volume and volatility of the AES shares could be different from those of the ADA-ES shares.

Anti-takeover provisions in AES's certificate of incorporation and bylaws may delay or prevent a third party acquisition of AES, which could decrease the value of AES's common stock.

The certificate of incorporation and bylaws of AES contain provisions that could make it more difficult for a third party to acquire it without the consent of its board of directors. These provisions, the first three of which are currently in effect with respect to ADA-ES, will:

limit the business at special meetings to the purpose stated in the notice of the meeting;

authorize the issuance of blank check preferred stock, which is preferred stock with voting or other rights or preferences that could impede a takeover attempt and that the board of directors can create and issue without prior stockholder approval;

establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting; and

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require the affirmative vote of the disinterested holders of a majority of our common stock to approve certain business combinations involving an interested stockholder or its affiliates, unless either minimum price criteria and procedural requirements are met, or the transaction is approved by a majority of our continuing directors (known as fair price provisions).

Although we believe all of these provisions will make a higher third-party bid more likely by requiring potential acquirors to negotiate with the board of directors, these provisions will apply even if an initial offer may be considered beneficial by some stockholders and therefore could delay and/or prevent a deemed beneficial offer from being considered. For more information, see Description of AES Capital Stock and Comparative Rights of Holders of AES Capital Stock and ADA-ES Capital Stock below.

As a stockholder of a Delaware corporation, your rights after the reorganization will be different from, and may be less favorable than, your current rights as a shareholder of a Colorado corporation.

After the completion of the reorganization, you will become a stockholder of a public company incorporated in Delaware instead of Colorado. As a result, your rights as a stockholder will be governed by Delaware corporate law as opposed to Colorado corporate law. Because they are separate bodies of law, Delaware corporate law will be different from Colorado corporate law. Although many of these differences will not have a significant impact on the rights of stockholders, some of these differences may be more or less favorable to stockholders. Some of the differences between Delaware and Colorado corporate law that may be less favorable to stockholders after the completion of the reorganization include the following:

under Delaware corporate law, fewer corporate transactions give rise to dissenters' rights than under Colorado corporate law; and

under Delaware corporate law and AES's bylaws, holders of 20% of the voting shares of AES will have the right to call a special meeting of stockholders, as opposed to Colorado corporate law, which gives holders of 10% of the voting shares the right to call a special meeting.

These differences may limit the significance of your rights as a stockholder in these contexts. For a discussion of these and other differences between Delaware and Colorado corporate law, see Description of AES Capital Stock, Description of ADA-ES Capital Stock and Comparative Rights of Holders of AES Capital Stock and ADA-ES Capital Stock below.

The proposed reorganization into a holding company may result in substantial direct and indirect costs whether or not completed.

The reorganization may result in substantial direct costs. These costs and expenses are expected to consist primarily of attorneys' fees, accountants' fees, filing fees and financial printing expenses and will be substantially incurred prior to the vote of our shareholders. The reorganization may also result in certain indirect costs by diverting the attention of our management and employees from our business and by increasing our administrative costs and expenses. These administrative costs and expenses will include keeping separate records and in some cases making separate regulatory filings for each of AES and ADA-ES. The reorganization may also result in certain state sales taxes and other transfer taxes.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this proxy statement/prospectus and in documents incorporated by reference in this proxy statement/prospectus contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act, which represent our management's beliefs and assumptions concerning future events. When used in this proxy statement/prospectus and in documents incorporated herein by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words "expects," "anticipates," "intends," "plans," "believes," "estimates," "predicts," "potential," "may," "will," "should" or the negative of these terms or other similar terminology. These forward-looking statements include statements regarding the costs, benefits and results related to the reorganization including the holding company structure and the impact of Delaware law; timing and completion of the reorganization; the trading symbol of AES's stock and on what exchange it will trade after the reorganization; who the directors and executive officers of AES will be after the reorganization; the transfer agent of AES's stock after the reorganization; the tax implications of the reorganization; the impact, cost, structure and use of the ADA-ES Plans (as defined below) and ADA-ES's compensation policies both after the reorganization or if the reorganization is not consummated; ADA-ES's reporting requirements after the reorganization, and the Annual Meeting, including whether a director nominee will accept nomination or election to the Board. These statements are subject to risks, uncertainties and assumptions that could cause our actual results and the timing of certain events to differ materially from those expressed in the forward-looking statements.

You should understand that many important factors, in addition to those discussed or incorporated by reference in this proxy statement/prospectus, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include those described in this proxy statement/prospectus under Risk Factors, and those identified in our Annual Report on Form 10-K for the year ended December 31, 2010 and in the other documents incorporated by reference. In light of these risks and uncertainties, the forward-looking results discussed or incorporated by reference in this proxy statement/prospectus may not occur.

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PROPOSAL ONE

THE REORGANIZATION PROPOSAL

This section of the proxy statement/prospectus describes the reorganization proposal. Although we believe that the description in this section covers the material terms of the reorganization proposal, this summary may not contain all of the information that is important to you. The summary of the material provisions of the Reorganization Agreement provided below is qualified in its entirety by reference to the Reorganization Agreement, which we have attached as Annex I to this proxy statement/prospectus and which we incorporate by reference into this proxy statement/prospectus. You should carefully read the entire proxy statement/prospectus and the Reorganization Agreement for a more complete understanding of the reorganization proposal. Your approval of the reorganization proposal will constitute your approval and adoption of the Reorganization Agreement, the reorganization, the certificate of incorporation of AES and the bylaws of AES.

Reasons for the Reorganization; Recommendation of our Board

At a meeting of the Board held on January 25, 2011 and in an action by written consent dated March 11, 2011, the Board concluded that the reorganization is advisable, determined that the terms of the Reorganization Agreement are fair to and in the best interest of ADA-ES and its shareholders, adopted the Reorganization Agreement and recommended that the Reorganization Agreement be approved by our shareholders.

During the course of its deliberations, our Board consulted with management and outside legal counsel and considered a number of positive factors, including the following:

Possible Future Strategic and Business Flexibility of the Holding Company Structure. We believe the holding company structure could facilitate future expansion of our business by providing a more flexible structure for acquiring other businesses or entering into joint ventures while continuing to keep the operations and risks of our other businesses separate. Although we have no present plans or any arrangements, understandings or agreements to make any acquisitions or enter into any joint ventures, we may do so in the future. In addition, if the cash generated over time by our businesses was determined by our Board to be greater than the amount necessary for the operation or capital needs of those businesses, this cash could be transferred to a separate corporate entity owned by the holding company and invested as our Board believes to be appropriate. Furthermore, implementing the holding company structure may reduce the risk that liabilities of our core businesses and other businesses, if any, that may be operated in the future by separate subsidiaries would be attributed to each other.

Possible Future Financing Flexibility of the Holding Company Structure. We believe that a holding company structure may be beneficial to stockholders in the future because it would permit the use of financing techniques that are more readily available to companies that hold a variety of diversified businesses under one corporate umbrella, without any impact on our capital structure. For example, AES, in addition to receiving dividends, as and when permitted, from ADA-ES and future subsidiaries, if any, would be able to obtain funds through its own debt or equity financings, and AES's direct and indirect subsidiaries and other entities in which it holds an ownership interest would be able to obtain funds from AES or other affiliates or through their own third party financings, which may include the issuance of debt or equity securities. However, we have no current plans to seek additional financing at this time.

Predictability, Flexibility and Responsiveness of Delaware Law to Corporate Needs. For many years, Delaware has followed a policy of encouraging incorporation in that state and has adopted comprehensive, modern and flexible corporate laws, which are updated regularly to meet changing business needs. As a result of this deliberate policy to provide a hospitable climate for corporate development, many major public corporations have chosen Delaware for their domicile. In addition, the Delaware courts have developed considerable expertise in dealing with corporate issues relating to public companies. Thus, a substantial body of case law has developed construing Delaware corporate law and establishing legal principles and policies regarding publicly held Delaware corporations. We

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believe that, for these reasons, Delaware law will provide greater legal predictability with respect to our corporate legal matters than we have under Colorado law. We further believe that Delaware law will provide greater efficiency, predictability and flexibility in our public Company's legal affairs than is presently available under Colorado law.

Attractiveness of Delaware Law to Directors and Officers. We believe that organizing under Delaware law will enhance our ability to attract and retain qualified directors and officers. The corporate law of Delaware, including its extensive body of case law, offers directors and officers of public companies more certainty and stability. Under Delaware law, the parameters of director and officer liability are more clearly defined and better understood than under Colorado law. To date, we have not experienced difficulty in retaining directors or officers, but directors of public companies are exposed to significant potential liability. We therefore believe that providing the benefits afforded directors by Delaware law will enable us to compete more effectively with other public companies in the recruitment of talented and experienced directors and officers. At the same time, we believe that Delaware law regarding corporate fiduciary duties provides appropriate protection for our stockholders from possible abuses by directors and officers. In addition, under Delaware law, directors' personal liability cannot be eliminated for:

any breach of the director's duty of loyalty to the corporation or its stockholders,

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,

unlawful payment of dividends or unlawful repurchases or redemptions of stock, or

any transactions from which the director derived an improper personal benefit.

In addition to the positive factors described above, our Board also considered the following potential negative factor associated with the reorganization proposal:

Increased Costs and Expenses Associated with Implementing the Reorganization Proposal and Administering a Holding Company Structure. The reorganization may result in substantial direct costs. These costs and expenses are expected to consist primarily of attorneys' fees, accountants' fees, filing fees and financial printing expenses and will be substantially incurred prior to the vote of our shareholders. The reorganization may also result in certain indirect costs by diverting the attention of our management and employees from our business and increasing our administrative costs and expenses. These administrative costs and expenses will include keeping separate records and in some cases making separate regulatory filings for each of AES and ADA-ES and future subsidiaries. The reorganization may also result in certain state sales taxes and other transfer taxes.

After careful consideration, our Board has determined that creation of a holding company offers a substantial net benefit to our shareholders. The Board has approved the reorganization proposal, determined that the terms of the Reorganization Agreement and the reorganization are advisable and in the best interest of our shareholders, and has adopted the Reorganization Agreement. Our Board recommends that our shareholders vote FOR adoption of the reorganization proposal at the Annual Meeting.

Reorganization Procedure

ADA-ES currently owns all of the issued and outstanding common stock of AES and AES currently owns all of the issued and outstanding common stock of MergerCo, the subsidiary formed for purposes of completing the proposed reorganization. Following the approval of the Reorganization Agreement by the ADA-ES shareholders and the satisfaction or waiver of the other conditions specified in the Reorganization Agreement (which are described below), ADA-ES will merge with MergerCo, the subsidiary of AES. As a result of this merger:

ADA-ES will be the surviving corporation, and the separate corporate existence of MergerCo will cease.

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Each outstanding share of ADA-ES common stock will automatically convert into one share of AES common stock, as described below, and the current shareholders of ADA-ES will become the stockholders of AES.

AES will own all of ADA-ES's common stock and each share of AES common stock now held by ADA-ES will be cancelled. The result of the reorganization will be that your current company, ADA-ES, will be merged with MergerCo and ADA-ES will become a subsidiary of AES. AES's certificate of incorporation is included as Annex II to this proxy statement/prospectus, and a copy of AES's bylaws is included as Annex III to this proxy statement/prospectus. For more information regarding your rights as a shareholder before and after the reorganization, see Description of AES Capital Stock, Description of ADA-ES Capital Stock and Comparative Rights of AES Capital Stock and ADA-ES Capital Stock below.

In all other respects, your company will remain the same. Upon consummation of the reorganization, the AES board of directors will be the same as the directors elected by the shareholders of ADA-ES at the Annual Meeting. AES expects that its executive officers following the reorganization will be the same as those of ADA-ES immediately prior to the reorganization. In addition, our current business and operations will remain the same.

What ADA-ES Shareholders Will Receive in the Reorganization

Each share of ADA-ES common stock will convert into one share of AES common stock. After the completion of the reorganization, you will own the same number and percentage of shares of AES common stock as you currently own of ADA-ES common stock.

ADA-ES Stock Options and Other Rights to Receive ADA-ES Stock

Each of the outstanding options to acquire shares of ADA-ES common stock in the aggregate will become options to acquire, on the same terms and conditions as before the reorganization, an identical number of shares of AES common stock. Each outstanding restricted stock award (or any performance award payable in restricted stock) will become an award of restricted stock (or a performance award payable in restricted stock) in an identical number of shares of AES common stock. There were outstanding options representing an aggregate of [] shares of ADA-ES common stock and outstanding restricted stock (including the number of shares of restricted stock payable under performance awards) representing an aggregate of [] shares of ADA-ES common stock on the Record Date. ADA-ES's existing stock-based compensation plans, which include the 2007 Plan and 2010 Plan, under the 2002 ADA-ES Stock Option Plan, the 2004 Executive Stock Option Plan, the 2005 Directors' Compensation Plan, the ADA-ES, Inc. Profit Sharing Retirement Plan (collectively the ADA-ES Plans), plan participants will be entitled to receive shares of AES common stock rather than shares of ADA-ES common stock, on the same terms otherwise provided for in the respective plans.

Corporate Name Following the Reorganization

The name of the public company following the reorganization will be Advanced Emissions Solutions, Inc.

No Exchange of Stock Certificates

In the reorganization, your shares of ADA-ES common stock will automatically convert into shares of AES common stock. Your certificates of ADA-ES common stock, if any, will represent, from and after the reorganization, an equal number of shares of AES common stock, and no action with regard to stock certificates will be required on your part.

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Conditions to Reorganization

We will complete the reorganization only if each of the following conditions is satisfied or waived:

absence of any stop order suspending the effectiveness of the registration statement, of which this proxy statement/prospectus forms a part, relating to the shares of AES common stock to be issued in the reorganization;

approval of the Reorganization Agreement by ADA-ES's shareholders;

receipt of approval for listing on the NASDAQ Capital Market of shares of AES common stock to be issued in the reorganization;

absence of any order or proceeding that would prohibit or make illegal completion of the reorganization; and

receipt by ADA-ES and AES of a legal opinion with respect to the material U.S. federal income tax consequences of the reorganization.

Effectiveness of Reorganization

The reorganization will become effective on the date we file a statement of merger with the Secretary of State of the State of Colorado or a later date that we specify therein. We will file the statement when the conditions to the reorganization described above have been satisfied or waived. We expect that we will specify in the statement that the reorganization will be effective on or about June 1, 2011.

Termination of Reorganization Agreement

The Reorganization Agreement may be terminated at any time prior to the completion of the reorganization (even after approval by our shareholders) by action of the Board if it determines that for any reason the completion of the transactions provided for therein would be inadvisable or not in the best interest of our company or our shareholders.

Amendment of Reorganization Agreement

The Reorganization Agreement may, to the extent permitted by the Colorado Business Corporation Act (the "CBCA") and Delaware General Corporation Law ("DGCL"), be supplemented, amended or modified at any time prior to the completion of the reorganization (even after approval by our shareholders), by the mutual consent of the parties thereto.

Material U.S. Federal Income Tax Consequences

The following discussion summarizes the material U.S. federal income tax consequences of the reorganization to U.S. holders of ADA-ES common stock. This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), current and proposed Treasury regulations and judicial and administrative decisions and rulings as of the date of this proxy statement/prospectus, all of which are subject to change (possibly with retroactive effect) and all of which are subject to differing interpretation. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to you in light of your particular circumstances or to persons subject to special treatment under U.S. federal income tax laws. In particular, this discussion deals only with shareholders that hold ADA-ES common stock as capital assets within the meaning of the Code. In addition, this discussion does not address the tax treatment of special classes of shareholders, such as banks, insurance companies, tax-exempt organizations, financial institutions, broker-dealers, persons holding ADA-ES stock as part of a hedge, straddle or other risk reduction, constructive sale or conversion transaction, U.S. expatriates, persons subject to the alternative minimum tax and persons who acquired ADA-ES stock in compensatory transactions. If you are not a U.S. holder (as defined below), this discussion does not apply to you.

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As used in this summary, a U.S. holder is:

an individual U.S. citizen or resident alien;

a corporation, partnership or other entity created or organized under U.S. law (federal or state);

an estate whose worldwide income is subject to U.S. federal income tax; or

a trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or certain trusts formed prior to August 20, 1996, if such trust has a valid election in effect to be treated as a domestic trust for U.S. federal income tax purposes.

If a partnership (including, for this purpose, any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of ADA-ES common stock, the U.S. federal income tax consequences to a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of ADA-ES common stock that is a partnership, and the partners in such partnership, should consult their own tax advisors regarding the U.S. federal income tax consequences of the reorganization.

ALL HOLDERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE REORGANIZATION TO THEIR PARTICULAR SITUATION, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE AND LOCAL, FOREIGN AND OTHER TAX LAWS.

The obligation of ADA-ES to complete the reorganization is conditioned upon, among other things, ADA-ES and AES having received a legal opinion from Sparkman + Foote LLP, dated as of the completion of the reorganization, that the merger will constitute an exchange of ADA-ES common stock for AES common stock governed by Section 351 of the Code, as well as a reorganization within the meaning of Section 368(a) of the Code, and, therefore, no gain or loss will be recognized by the shareholders of ADA-ES upon the receipt of AES common stock pursuant to the merger. The opinions of counsel will be based on then-existing law and based in part upon representations, made as of the effective time of the reorganization transactions, by AES, ADA-ES and MergerCo, which counsel will assume to be true, correct and complete. If the representations are inaccurate, the opinions of counsel could be adversely affected. Neither AES nor ADA-ES has requested nor will request a private letter ruling from the Internal Revenue Service as to the tax consequences of the reorganization transactions. The opinions of counsel will not be binding upon the Internal Revenue Service or any other taxing authority. Assuming the transactions are treated as described in this paragraph, the material U.S. federal income tax consequences of the transactions will be as follows:

No gain or loss will be recognized by AES or ADA-ES as a result of the merger;

No gain or loss will be recognized by you upon your receipt of AES common stock solely in exchange for your ADA-ES common stock;

The aggregate tax basis of the shares of AES common stock that you receive in exchange for your ADA-ES common stock in the merger will be the same as the aggregate tax basis of your ADA-ES common stock exchanged; and

The holding period for shares of AES common stock that you receive in the merger will include the holding period of your ADA-ES common stock exchanged.

The foregoing discussion is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences or any other consequences of the reorganization. In addition, the discussion does not address tax consequences, which may vary with, or are contingent on, your individual circumstances. Moreover, the discussion does not address state, local, foreign or non-income tax

consequences or tax return reporting requirements. Accordingly, you are strongly urged to consult with your own tax advisor to determine the particular U.S. federal, state, local or foreign income or other tax consequences to you of the reorganization.

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Anticipated Accounting Treatment

For accounting purposes, our reorganization into a holding company structure will be treated as a merger of entities under common control. The accounting treatment for such events is similar to the former pooling of interests method. Accordingly, the financial position and results of operations of ADA-ES will be included in the consolidated financial statements of AES on the same basis as currently presented.

Authorized Capital Stock

ADA-ES's amended and restated articles of incorporation currently authorizes the issuance of 50,000,000 shares of common stock, no par value and 50,000,000 shares of preferred stock, no par value. AES's certificate of incorporation, which would govern the rights of our stockholders after the reorganization, currently authorizes the issuance of 50,000,000 shares of common stock, par value \$0.001 and 25,000,000 shares of preferred stock, par value \$0.001. Upon completion of the reorganization, the number of shares of AES common stock that will be outstanding will be equal to the number of shares of ADA-ES common stock outstanding immediately prior to the reorganization.

The number of shares reserved for issuance under the ADA-ES Plans as of March 11, 2011 is 224,161. No other shares are presently reserved for any other purpose.

Listing of AES Common Stock on the NASDAQ Capital Market; De-listing and De-registration of ADA-ES Common Stock

The completion of the reorganization is conditioned on the approval for listing of the shares of AES common stock issuable in the reorganization (and any other shares to be reserved for issuance in connection with the reorganization) on the NASDAQ Capital Market. We expect that the AES common stock will trade under the ticker symbol ADES. In addition, AES will become a reporting company under the Exchange Act.

Following the reorganization, ADA-ES's common stock will no longer be quoted on the NASDAQ Capital Market and will no longer be registered under the Exchange Act. In addition, ADA-ES will cease to be a reporting company under the Exchange Act.

Board of Directors and Executive Officers of AES Following the Reorganization

Presently, the AES board and the ADA-ES Board are comprised of the same persons. We expect that immediately following the reorganization the AES board will be comprised of the directors of ADA-ES elected at the Annual Meeting. Nominees for director are Robert N. Caruso, Michael D. Durham, John W. Eaves, Derek C. Johnson, Ronald B. Johnson, W. Phillip Marcum, Mark H. McKinnies, Jeffrey Smith and Richard Swanson.

We expect that the executive officers of AES following the reorganization will be the same as those of ADA-ES immediately prior to the reorganization.

For information concerning persons expected to become directors of AES, see Proposal Two Election of Directors below.

Independent Registered Public Accounting Firm of AES

The approval by the holders of ADA-ES common stock of the Reorganization Agreement will also constitute ratification of Ehrhardt Keefe Steiner & Hottman PC as described under the caption Proposal Three Ratification of the Engagement of the Independent Registered Public Accounting Firm as the Independent Registered Public Accounting Firm of AES for the fiscal year ending December 31, 2011.

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Issuances of AES Common Stock under the ADA-ES Plans

The approval by the holders of ADA-ES common stock of the Reorganization Agreement will also constitute approval of the assumption by AES of the ADA-ES Plans and, where appropriate, the future issuance of shares of AES common stock in lieu of shares of ADA-ES common stock under the ADA-ES Plans, each as amended in connection with the reorganization without further shareholder action.

AES Certificate of Incorporation

The approval by the holders of ADA-ES common stock of the Reorganization Agreement will also constitute approval of the terms of the AES certificate of incorporation in the form attached to this proxy statement/prospectus as Annex II.

Restrictions on the Sale of AES Shares

The shares of AES common stock to be issued in the reorganization will be registered under the Securities Act. These shares will be freely transferable under the Securities Act, subject to existing restrictions on certain affiliates of ADA-ES who are affiliates of AES and subject to any restrictions on shares of restricted stock that have not vested.

Description of AES Capital Stock

AES is incorporated in the State of Delaware. The rights of stockholders of AES will generally be governed by Delaware law and AES's certificate of incorporation and bylaws. The following is a summary of the material provisions of AES's certificate of incorporation and bylaws. This summary is not complete and is qualified by reference to Delaware statutory and common law and the full texts of AES's certificate of incorporation and bylaws, which are attached as Annexes II and III to this proxy statement/prospectus.

General

Upon the completion of the reorganization, the authorized capital of AES will be 75,000,000 shares, consisting of 50,000,000 shares of common stock, par value \$0.001 per share, and 25,000,000 shares of preferred stock, par value \$0.001 per share. All of the shares issued and outstanding upon completion of the reorganization will be fully paid and nonassessable.

Upon completion of the reorganization, the number of shares of AES common stock that will be outstanding will be equal to the number of shares of ADA-ES common stock outstanding immediately prior to the reorganization (other than shares held in treasury, which will be cancelled).

Common Stock

Dividends and Distributions. Subject to preferences applicable to any shares of AES preferred stock issued in the future, the holders of outstanding shares of AES common stock will be entitled to receive dividends and other distributions out of assets legally available at times and in amounts as the board of directors of AES may determine from time to time. All shares of AES common stock are entitled to participate ratably with respect to dividends or other distributions.

Liquidation Rights. If AES is liquidated, dissolved or wound up, voluntarily or involuntarily, holders of AES common stock are entitled to share ratably in all assets of AES available for distribution to the AES stockholders after the payment in full of any preferential amounts to which holders of any AES preferred stock issued in the future may be entitled.

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Voting Rights. Holders of AES common stock are entitled to one vote per share on all matters to be voted upon by stockholders. There are no cumulative voting rights. Stockholders may vote by proxy.

Other. There are no preemption, redemption, sinking fund or conversion rights applicable to the AES common stock.

Preferred Stock

The board of directors of AES may, without further stockholder approval, issue up to 25,000,000 shares of preferred stock in one or more series and fix the number of shares constituting the designation, voting powers (if any), preferences and other rights, as well as the qualifications, limitations and restrictions, of the series. The powers, preferences and rights, and the qualifications, limitations or restrictions, if any, of each series of preferred stock may be different from those of any and all other series. The issuance of AES preferred stock may have the effect of delaying, deferring or preventing a change of control of AES without further action by the stockholders, may discourage bids for AES common stock at a premium over the market price of AES common stock and may adversely affect the market price of, and the voting and other rights of the holders of, AES common stock.

Delaware Anti-Takeover Law and Certain Charter Provisions

AES has opted out of provisions of Section 203 of the DGCL, which statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the stockholder became an interested stockholder unless certain criteria are met. Instead, the certificate of incorporation includes what is known as a fair price provision. The fair price provision is designed to prevent a purchaser from utilizing two-tier pricing and similar tactics in an attempted takeover. This provision requires the affirmative vote of holders of at least a majority of the outstanding shares of voting stock not owned directly or indirectly by any interested stockholder or any affiliate of an interested stockholder to approve any business combination with any related or interested person. If such business combination has been approved by a majority of continuing directors at a meeting at which a continuing director quorum is present or such business combination involves AES and a subsidiary in which a related person has no direct or indirect interest, subject to certain additional limitations, however, such heightened standard for shareholder approval will not apply and the business combination would require only such affirmative vote as may be required by law or otherwise.

AES's certificate of incorporation provisions provides the board of directors the authority to issue up to 25,000,000 shares of undesignated preferred stock and to determine the rights, preferences and privileges of these shares, without stockholder approval. In addition, the bylaws provide that only the board of directors and the holders of shares entitled to cast not less than twenty percent (20%) of the votes at a special meeting can call a special meeting, which is a higher percentage than the 10% percent level required under the CBCA. The bylaws also provide that all stockholder actions must be effected at a duly called meeting of stockholders or upon the unanimous written consent of all stockholders.

In addition, AES's bylaws require that for a stockholder to nominate a director or bring other business before an annual meeting of stockholders, they must satisfy certain advance notice and disclosure requirements. The stockholder must disclose, among other items, certain information related to the business to be proposed at the meeting, its beneficial ownership in AES and whether it is acting in concert with other stockholders or interested parties. Advance notice of any such business must be delivered to or mailed and received at the principal executive offices of the AES not less than one hundred twenty (120) calendar days in advance of the date specified in the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder to be timely must be

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so received not later than the close of business on the later of one hundred twenty (120) calendar days in advance of such annual meeting or ten (10) calendar days following the date on which of public disclosure of such meeting. AES's bylaws also specify requirements as to the form and content of a stockholder's notice. These advance notice provisions may delay a person from bringing matters before a stockholders meeting. The provisions provide enough time for us to begin litigation or take other steps to respond to these matters, or to prevent them from being acted upon, if we find it desirable to do so.

Such provisions described above may have the effect of delaying or preventing a change in control.

Limitation of Director Liability and Indemnification

AES's certificate of incorporation provides, to the fullest extent permitted by Delaware law, that directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Delaware law currently provides that this waiver may not apply to liability:

for any breach of the director's duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

under Section 174 of the DGCL (governing distributions to stockholders); or

for any transaction from which the director derived any improper personal benefit.

If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, however, then the liability of our directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. The certificate of incorporation of AES further provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law and may indemnify other persons as authorized by the DGCL. These provisions do not eliminate any monetary liability of directors under the federal securities laws.

Transfer Agent

We expect that the transfer agent for AES common stock will be Computershare Investor Services, 350 Indiana Street, Suite 800, Golden, Colorado 80401.

The NASDAQ Capital Market Listing

We expect that AES common stock will be listed on the NASDAQ Capital Market under the trading symbol ADES.

Description of ADA-ES, Inc. Capital Stock

ADA-ES, Inc. is incorporated in the State of Colorado. The rights of shareholders of ADA-ES are generally governed by Colorado law and ADA-ES's amended and restated articles of incorporation and second amended and restated bylaws. The following is a summary of the material provisions of ADA-ES's amended and restated articles of incorporation and second amended and restated bylaws. This summary is not complete and is qualified by reference to Colorado statutory and common law and the full texts of ADA-ES's certificate of incorporation and second amended and restated bylaws. A copy of ADA-ES's amended and restated articles of incorporation is attached as Exhibit 3.1 to the Form 10-QSB filed with the SEC on November 10, 2005. A copy of ADA-ES's second amended and restated bylaws is attached as Exhibit 3.2 to the Company's Form 10-Q filed with the SEC on November 12, 2010.

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General

ADA-ES is authorized to issue 50,000,000 shares of common stock, no par value per share, and 50,000,000 shares of preferred stock, no par value per share. As of the Record Date, ADA-ES had [] shares outstanding shares of common stock outstanding held of record by approximately [1500] shareholders. The outstanding shares of ADA-ES s stock are fully paid and nonassessable.

Common Stock

Dividends and Distributions. Subject to preferences applicable to any shares of outstanding ADA-ES preferred stock, the holders of outstanding shares of ADA-ES common stock are entitled to receive dividends and other distributions out of assets legally available at times and in amounts as the Board of ADA-ES may determine from time to time. All shares of ADA-ES common stock are entitled to participate ratably with respect to dividends or other distributions.

Liquidation Rights. If ADA-ES is liquidated, dissolved or wound up, voluntarily or involuntarily, holders of ADA-ES common stock are entitled to share ratably in all net assets of ADA-ES available for distribution to the ADA-ES shareholders after the payment in full of any preferential amounts to which holders of any ADA-ES preferred stock may be entitled.

Voting Rights. Holders of ADA-ES common stock are entitled to one vote per share on all matters to be voted upon by shareholders. There are no cumulative voting rights. Shareholders may vote by proxy.

Other. There are no preemption, redemption, sinking fund or conversion rights applicable to the ADA-ES common stock.

Preferred Stock

The Board has authority to issue 50,000,000 shares of ADA-ES preferred stock in one or more series and to fix the voting powers, designations, preferences and participating, optional, relative or other special rights, and qualifications, limitations or restrictions of the ADA-ES preferred stock, without any further vote or action by ADA-ES s shareholders. No shares of preferred stock are issued or outstanding. The issuance of ADA-ES preferred stock may have the effect of delaying, deferring or preventing a change of control of ADA-ES without further action by the shareholders, may discourage bids for the ADA-ES common stock at a premium over the market price of the ADA-ES common stock and may adversely affect the market price of, and the voting and other rights of the holders of, ADA-ES common stock.

Anti-Takeover Provisions Contained in ADA-ES s Articles of Incorporation and Bylaws

Certain provisions of ADA-ES s amended restated articles of incorporation and second amended and restated bylaws make it less likely that ADA-ES s management would be changed or someone would acquire voting control of the company without the board s consent. These provisions may delay, deter or prevent tender offers or takeover attempts that ADA-ES shareholders may believe are in their best interests, including tender offers or attempts that might allow shareholders to receive premiums over the market price of their common stock. These provisions include:

the authority of the Board to issue up to 50,000,000 shares of undesignated preferred stock and to determine the rights, preferences and privileges of these shares, without approval; and

all shareholder actions must be effected at a duly called meeting of shareholders or by unanimous written consent. Such provisions may have the effect of delaying or preventing a change in control.

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Indemnification of Directors and Officers

ADA-ES's amended and restated articles of incorporation and second amended and restated bylaws provide that ADA-ES shall indemnify its directors and officers, to the fullest extent permitted by law, for any liability or expense including any obligation with respect to an employee benefit plan and any matters covered by the CBCA, except liability that as to which the CBCA prohibits expressly the elimination or limitation of liability.

Transfer Agent

The transfer agent for ADA-ES common stock is Computershare Investor Services, 350 Indiana Street, Suite 800, Golden, Colorado 80401.

The NASDAQ Capital Market Listing

ADA-ES common stock is listed on the NASDAQ Capital Market under the trading symbol ADES.

Comparative Rights of Holders of AES Capital Stock and ADA-ES Capital Stock

At the effective time of the merger, ADA-ES common stock will be converted on a one-for-one basis into AES common stock. As a result, AES's certificate of incorporation and bylaws and the applicable provisions of the DGCL will govern the rights of the former holders of ADA-ES common stock who receive shares of AES common stock pursuant to the merger. The rights of ADA-ES shareholders are currently governed by the CBCA and common law, ADA-ES's amended and restated articles of incorporation (the "articles") and ADA-ES's second amended and restated bylaws (the "bylaws"). The rights of AES stockholders after the completion of the reorganization will be governed by the DGCL and common law, AES's certificate of incorporation (the "certificate") and AES's bylaws (the "bylaws"). The following summary compares the material rights that ADA-ES shareholders currently have and the rights that they will have as stockholders of AES following the reorganization. This summary is qualified in its entirety by reference to the full text of the articles, certificate, bylaws, CBCA and DGCL. For detailed descriptions of the capital stock of ADA-ES and AES, see "Description of ADA-ES Capital Stock" and "Description of AES Capital Stock" in this proxy statement/prospectus.

COLORADO (ADA-ES)

DELAWARE (AES)

Authorized Shares

The authorized capital stock of ADA-ES consists of 50,000,000 shares of common stock, no par value, and 50,000,000 shares of preferred stock, no par value. No shares of preferred stock have been issued.

The authorized capital stock of AES consists of the 50,000,000 shares of common stock, par value per share of \$0.001 and 25,000,000 preferred stock, par value per share of \$0.001. One share of common stock is outstanding and held by ADA-ES. No shares of preferred stock have been issued.

Voting Requirements

Holders of common are entitled to one vote per share and vote together as a single class on all matters to be voted upon by shareholders.

Same: Holders of common stock will be entitled to one vote per share and will vote together as a single class on all matters to be voted upon by stockholders.

Under the CBCA, shareholders have the right to cumulate their votes in the election of directors under specified procedures unless the articles of incorporation or bylaws of specified categories of corporations provide otherwise. The right of shareholders to cumulate votes has been eliminated in ADA-ES's articles.

Same: Under the DGCL, stockholders do not have the right to cumulate their votes in the election of directors unless such right is granted in the certificate of incorporation. AES's certificate does not provide for cumulative voting.

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Voting Required For Election Of Directors

The CBCA provides that the vote of a plurality of the shares entitled to vote for directors is required in order to elect a director.

Same: AES's bylaws provide that a vote of a plurality of the votes cast at a meeting of the stockholders by the holders of stock entitled to vote in the election will be required to elect a director.

Classified Board of Directors

ADA-ES's articles do not provide for a classified board of directors. Accordingly, under the CBCA, all of ADA-ES's directors are elected annually.

Same: AES's certificate does not provide for a classified board of directors. Accordingly, under the DGCL all directors of AES will be elected annually.

Number of Directors

Under the CBCA, the number of directors must be specified in a corporation's bylaws. ADA-ES's bylaws provide that the board of directors is to be set by the board within a range of between 1 and 15 members. The CBCA, unlike the DGCL, provides that shareholders may amend a corporation's bylaws without the approval of the board of directors. Accordingly, under the CBCA, shareholders of ADA-ES have the ability to determine the size of the Board of Directors.

The DGCL permits a corporation's certificate of incorporation to specify the number of directors if it is not specified in the bylaws. The number of directors is specified in AES's bylaws and states that the board of directors of AES is to be set by the board within a range of 1 and 15 members.

Blank Check Preferred Stock

ADA-ES's articles provide for up to 50,000,000 shares of blank check preferred stock.

AES's certificate provides for up to 25,000,000 shares of blank check preferred stock.

Action By Shareholders Without A Meeting

The CBCA requires unanimous written consent for any shareholder action taken without a meeting, unless a provision is contained in a corporation's articles of incorporation that allows holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted to take such action by consent. ADA-ES's articles do not contain such a provision.

Same effect: AES's certificate and bylaws provide that stockholders may take any action permitted at an annual or special meeting of stockholders by unanimous written consent.

Removal of Directors

Consistent with the CBCA, ADA-ES's bylaws provide that its stockholders may remove directors of the company with or without cause.

Same: Consistent with the DGCL, AES's bylaws provide that its stockholders may remove directors of the company with or without cause.

Vacancies on the Board of Directors

Under the CBCA, because ADA-ES's articles do not provide otherwise, any vacancies on the board of directors may be filled either by the remaining directors or the shareholders.

Same: Under the DGCL and AES's certificate, vacancies on the board of directors of AES will be filled by the remaining directors.

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COMMITTEES OF THE BOARD OF DIRECTORS

ADA-ES's bylaws provide that the board may designate from among its members, an executive and one or more other committees. With the exception of certain actions set forth in the CBCA, which generally prohibit committees from approving significant transactions or taking significant actions, the committees may exercise the authority granted to them by the board.

AES's bylaws provide that the board may designate one or more committees, each of which shall consist of one or more members of the board. With the exception of certain actions set forth in the DGCL, which generally prohibit committees from amending the certificate, approving a significant merger or acquisition or declaring dividends, the committees may exercise all of the authority of the board to the extent provided in a resolution of the board.

Shareholders Power to Call Special Meetings

In accordance with the CBCA, a special meeting of shareholders may be called by (i) the board of directors or the person authorized by the bylaws to call such a meeting (in the case of ADA-ES, the President or any member of the board of directors), or (ii) at the request of holders of not less than 10% of the outstanding shares of ADA-ES.

Under the DGCL, special stockholder meetings may be called by (i) the board of directors, or (ii) stockholders to the extent authorized by the company's certificate of incorporation or bylaws. AES's bylaws provide that a special meeting of shareholders may be called at the request of holders of not less than 20% of the outstanding shares of AES.

Notice of Shareholder Meetings

Consistent with the CBCA, ADA-ES's bylaws require that (i) if the authorized shares of ADA-ES are to be increased, at least 30 days' notice shall be given to the shareholders of record and (ii) if a shareholder meeting is adjourned for more than 120 days (in which case a new record date is to be fixed by the board of directors of ADA-ES), notice shall be given to record holders as of the new record date. In all other cases, shareholders must be given at least 10 days' notice, but not more than 60 days' notice, of shareholder meetings.

AES's bylaws provide for the same notice requirements as ADA-ES's bylaws (i.e. between no less than 10 but not more than 60 days written notice), except that (i) the set notice period for an increase in the authorized shares was eliminated because the DGCL does not require a set notice period and (ii) the 120-day notice in the case of adjournments was changed to a 30-day notice to be consistent with the DGCL.

Notice of Shareholder Nominations for Directors and Business to be Brought Before Meetings

ADA-ES's bylaws provide that a shareholder may propose business to be brought before an annual meeting of shareholders only if such proposal is (i) properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (ii) included in the notice of meeting given by or at the direction of the board of directors or (iii) otherwise permitted by Colorado law. In addition, if a special meeting is properly called by shareholders, the Board shall determine the time and place of such special meeting, which shall be held ninety (90) days from the last date of proper demand for such, unless another earlier date is established by the Board.

AES's bylaws provide that no business may be brought before any meeting of stockholders, including the nomination or election of persons to the board of directors, by a stockholder unless the stockholder satisfies certain advance notice and disclosure requirements. The stockholder must disclose, among other items, certain information related to the business to be proposed at the meeting, its beneficial ownership in AES and whether it is acting in concert with other stockholders or interested parties. Advance notice of any such business must be delivered to or mailed and received at the principal executive offices of the AES not less than one hundred twenty (120) calendar days in advance of the date specified in the Corporation's proxy statement released to stockholders in connection with the previous year's

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annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder to be timely must be so received not later than the close of business on the later of one hundred twenty (120) calendar days in advance of such annual meeting or ten (10) calendar days following the date on which of public disclosure of such meeting. Notice of a special meeting called by stockholders must comply with similar information disclosure requirements as stated above. In addition, if a special meeting is properly called by stockholders, the board of directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request.

Indemnification/Limitation of Liability

ADA-ES's articles and bylaws provide that ADA-ES shall indemnify its directors and officers, to the fullest extent permitted by law, for any liability or expense including any obligation to with respect to an employee benefit plan and any matters covered by the CBCA, except liability that as to which the CBCA prohibits expressly the elimination or limitation of liability. In addition, as required by the CBCA, the Company is required to give shareholders, with or before the notice for the next shareholders' meeting, a notice of all indemnification of, or advancement of expenses to, directors of the ADA-ES in connection with a proceeding by or in the right of the corporation.

AES's certificate provides that, to the fullest extent permitted by the DGCL, directors of AES shall not be held personally liable to AES or its stockholders for monetary damages for breach of any fiduciary duty as a director. In addition, AES's certificate and bylaws provide that AES shall indemnify, to the fullest extent permitted by the laws of Delaware, any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person is or was a director or officer of AES or serves or served at any other enterprise as a director or officer at the request of AES.

Record Date

Consistent with the CBCA, ADA-ES's bylaws provide that with respect to all actions requiring the fixing of a record date, the record date is not to be more than seventy (70) days (nor fewer than (10) days in the event of a meeting) before a meeting or action requiring a determination of shareholders.

Consistent with the DGCL, AES's bylaws provide that the record date is not to be more than 60 days (nor fewer than 10 days in the event of a meeting) before a meeting or action requiring determination of stockholders.

Amending the Charter

The CBCA provides that amendments to a corporation's articles of incorporation (other than certain ministerial amendments that may be made by the board of directors, without shareholder action) may be proposed by the board of directors or by the holders of shares representing at least 10% of all of the votes entitled to be cast on the amendment.

In accordance with the DGCL, amendments to AES's certificate generally require that the Board adopt a resolution setting forth the amendment, declaring its advisability and submitting it to a vote of the stockholders (i.e., stockholders are not entitled to enact an amendment to the AES's certificate without any Board action).

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The board must recommend the amendment to the shareholders, unless the amendment is being proposed by the shareholders, or unless the board determines that because of a conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders.

Corporate Records (Form of Records)

Under the CBCA, ADA-ES is required to keep as permanent records minutes of all meetings of the shareholders and the Board of ADA-ES, a record of all actions taken by the shareholders or the Board of ADA-ES without a meeting, a record of all actions taken by a committee of the Board of ADA-ES, and a record of all waivers of notices of meetings of shareholders and of the Board of the or any committee of the Board. In addition, the CBCA requires ADA-ES to keep specific records at its principal office, including the Colorado Articles, the Colorado Bylaws, the minutes of all shareholders meetings, and records of all action taken by shareholders without a meeting, for the past three years, all written communications within the past three years to shareholders as a group or to holders of any class or series of shares as a group, a list of the names and business addresses of current directors and officers, a copy of ADA-ES's most recent Colorado annual corporate report, and all financial statements prepared for periods ending during the last three years that a shareholder has a right to request under the CBCA.

Pursuant to the DGCL, any records maintained by AES in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time.

Examination of Books and Records

Pursuant to the CBCA, any record or beneficial shareholder of the ADA-ES may, upon 5 days' written demand, inspect certain records, including the articles of incorporation, bylaws, minutes of shareholder meetings or records of all actions taken by consent without a meeting, communications with shareholders during the previous three years, the list of names and business addresses of current directors and officers, the most recent Colorado corporate annual report, and all financial statements prepared during the last three years as that a shareholder has a right to request under the CBCA. In addition, upon 5 days' written demand, any shareholder may inspect the list of shareholders and certain other corporate records, including (a) excerpts of minutes of any meetings of the Board, a board committee or shareholders of ADA-ES, (b) excerpts of actions taken by the Board, a Board committee

Pursuant to the DGCL, the inspection rights of the stockholders of AES are the same as under Colorado law, except: (i) there is no requirement that a stockholder has been a stockholder for at least 3 months or is a stockholder of at least 5% of all outstanding shares of any class of shares when the demand is made, and (ii) if AES refuses to permit inspection or does not reply to the demand within 5 business days after the demand has been made, the stockholder may apply to the Delaware Court of Chancery for an order to compel such inspection.

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or shareholders by consent without a meeting, (c) waivers of notices of any meetings of the Board, a Board committee or shareholders, and (d) accounting records of the corporation, if the shareholder either (i) has been a shareholder for at least 3 months or (ii) is a shareholder of at least 5% of all outstanding shares of any class of shares when the demand is made, provided that the demand is made in good faith and for a proper purpose (as defined), the shareholder describes with reasonable particularity the purpose and the records the shareholder desires to inspect, and the records are directly connected with the described purpose.

Business Combination Statute/Fair Price Provisions

The CBCA does not contain any business combination provisions which would serve to prevent or delay combinations with interested shareholders.

ADA-ES's articles do not contain any fair price provisions.

Section 203 of the DGCL provides for a three-year moratorium on certain business combination transactions with interested stockholders (generally, persons who beneficially own 15% or more of the corporation's outstanding voting stock). AES's certificate includes fair price provisions that will be in lieu of Section 203. Accordingly, AES has opted out of Section 203 of the DGCL in its certificate.

AES's certificate contains a fair price provision. The fair price provision is designed to prevent a purchaser from utilizing two-tier pricing and similar tactics in an attempted takeover. This provision requires the affirmative vote of holders of at least majority of the outstanding shares of voting stock not owned directly or indirectly by any interested stockholder or any affiliate of an interested stockholder to approve any business combination with any related or interested person. If such business combination has been approved by a majority of continuing directors at a meeting at which a continuing director quorum is present or such business combination involves AES and a subsidiary in which a related person has no direct or indirect interest, subject to certain additional limitations; however, however, such heightened standard of shareholder approval will not apply and the business combination would require only such affirmative vote as may be required by law or otherwise.

Dissenters and Appraisal Rights

Pursuant to the CBCA, with certain exceptions that apply to corporations listed on a national securities exchange or the NASDAQ stock market, or that are held by more than 2,000 shareholders of record (including for such purpose both record

Under the DGCL, appraisal rights are available only in connection with statutory mergers or consolidations. Even in those cases, unless the certificate of incorporation provides otherwise (and AES's certificate does not so provide), the DGCL

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and beneficial holders of shares), as is the case for ADA-ES shareholders are entitled to exercise dissenters' rights in the event of certain mergers, share exchanges, sales, leases, exchanges or other dispositions of all or substantially all of the property of the corporation and conversions. Shareholders also may dissent in the case of a reverse stock split that reduces the number of shares owned to a fraction of a share or to scrip if such scrip is to be acquired for cash or voided. Dissenters' rights in Colorado are available to both record holders and beneficial holders, however such rights are not available in connection with the reincorporation proposal.

does not provide appraisal rights for any class or series of stock (i) listed on a national securities exchange or (ii) held of record by more than 2,000 stockholders, except that appraisal rights are available for stockholders who, by the terms of the agreement of merger or consolidation, are required to accept anything other than: (i) shares of the corporation surviving or resulting from the merger or consolidation; (ii) shares of any other corporation which at the effective time of the merger or consolidation are either listed on a national securities exchange or held of record by more than 2,000 stockholders; (iii) cash in lieu of fractional shares; or (iv) any combination of the foregoing shares and cash in lieu of fractional shares.

Derivative Actions

Pursuant to the CBCA, if following final judgment, a court finds that an action by a shareholder by or in the right of the corporation (i.e., a derivative action) was brought without reasonable cause, the court shall require the plaintiff to pay the defendants' reasonable expenses attributable to the defense of such action, exclusive of attorney's fees. In addition, ADA-ES may, at any time before final judgment, require the plaintiff to give security for the costs and reasonable expenses which may be incurred by ADA-ES or other parties named as defendants in the defense of such action, but not including attorney's fees, if the shareholder instituting the action holds less than 5% of the outstanding shares of any class of ADA-ES, unless the shares so held have a market value in excess of \$25,000. If the court then finds that the action was instituted without reasonable cause, the corporation shall have recourse to such security in the amount determined by the court upon termination of the action.

The DGCL's requirements for bringing derivative actions are substantially similar to those contained in the CBCA, except that the DGCL does not impose (i) the reasonable cause requirement or (ii) the security requirement imposed by the CBCA.

Franchise Tax

There is no franchise tax in Colorado. There is a nominal annual fee assessed to maintain the good standing of a corporation in the State of Colorado.

The DGCL requires corporations to pay franchise tax annually. The amount of such franchise tax will be significantly more than the nominal annual fee ADA-ES is paying in Colorado.

Board Recommendation

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO APPROVE THE REORGANIZATION PROPOSAL AND TO APPROVE THE REORGANIZATION AGREEMENT.

Table of Contents**PROPOSAL 2****ELECTION OF DIRECTORS**

Our Board of Directors consists of nine members. Our Nominating and Governance Committee recommended to our Board of Directors the slate of nine directors for re-election by our shareholders, and the Board approved the recommendation and the slate of directors. Each director will hold office until the next Annual Meeting of Shareholders and thereafter until a successor is elected and qualified. If the reorganization proposal is approved and the Reorganization Agreement is effected, the directors will serve as the directors of the new holding company AES. Cumulative voting is not permitted in the election of directors. IN THE ABSENCE OF INSTRUCTIONS TO THE CONTRARY, THE INDIVIDUALS NAMED IN THE ACCOMPANYING PROXY WILL VOTE IN FAVOR OF THE ELECTION OF THE FOLLOWING PERSONS NAMED AS OUR NOMINEES FOR DIRECTORS: ROBERT N. CARUSO, MICHAEL D. DURHAM, JOHN W. EAVES, DEREK C. JOHNSON, RONALD B. JOHNSON, W. PHILLIP MARCUM, MARK H. MCKINNIES, JEFFREY C. SMITH and RICHARD J. SWANSON.

All of the nominees are currently members of the Board. Each of the nominees has consented to be named herein and to serve if elected. We do not anticipate that any nominee will become unable or unwilling to accept nomination or election, but if this should occur, the persons named in the proxy intend to vote for the election in his stead of such other person as the Board may recommend. It is the policy and practice of the Company that all directors attend the Meeting. Six of our directors serving at the time of our 2010 Annual Meeting of Shareholders attended that meeting.

The following table sets forth certain information as to each nominee (and current director) of the Company:

Name	Age	Position and Offices	Director Since
Robert N. Caruso	59	Director, Chairman of the Compensation Committee, Member of the Nominating and Governance Committee	2006
Michael D. Durham	61	Director, President and Chief Executive Officer	2003
John W. Eaves (1)	53	Director, Member of the Compensation and Nominating and Governance Committees	2004
Derek C. Johnson (2)	50	Director, Member of the Audit and Nominating and Governance Committees	2006
Ronald B. Johnson	79	Director, Member of the Audit and Compensation Committees	2003
W. Phillip Marcum (3)	67	Chairman of the Board of Directors, Member of the Compensation and Nominating and Governance Committees	2008
Mark H. McKinnies	59	Director, Senior Vice President, Chief Financial Officer and Secretary	2003
Jeffrey C. Smith	59	Director, Chairman of the Nominating and Governance Committee and Member of the Compensation Committee	2003
Richard J. Swanson (4)	75	Director, Chairman of the Audit Committee, Member of the Compensation Committee	2006

- (1) Mr. Eaves is a director of Arch Coal, Inc., a public company located in St. Louis, Missouri (NYSE: ACI). The initial appointment of Mr. Eaves to our Board was made pursuant to a 2003 Subscription and Investment Agreement with Arch Coal, Inc. whereby our management agreed to make available one seat on

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the Board for an Arch Coal designee and to vote all shares and proxies they are entitled to vote in favor of such designee for so long as Arch Coal continues to hold at least 100,000 shares of our common stock.

- (2) Mr. Johnson has served as a director of Qualmark Corporation, a public company (OTC.PK: QMRK), since 2008.
- (3) Mr. Marcum has served as a chairman of the board of Applied Natural Gas Fuels, Inc., a public company located in Westlake Village, California (OTC: AGAS) since 2008. He has served as a director of Key Energy Services, Inc., a public company located in Houston, Texas (NYSE: KEG) since 1996.
- (4) Mr. Swanson has served as a director and Audit Committee Chairman of Ascent Solar Technologies, Inc., a public company located in Thornton, Colorado (NASDAQ: ASTI) since January 2007.

Other than as set forth in footnote above with respect to Mr. Eaves, there are no arrangements or understandings between any directors or executive officers and any other person or persons pursuant to which they were selected as directors or executive officers.

EXPERIENCE AND QUALIFICATIONS OF DIRECTOR NOMINEES

The Nominating and Governance Committee seeks directors with strong reputations and experience in areas relevant to our strategy and operations, such as mining, environmental and chemical technologies, government regulation and relations and supply chain management. Each of the nominees for election as director holds or has held senior executive positions in complex organizations and has operating experience that meets this objective, as described below. In these positions, the nominees have also gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management and leadership development. The Nominating and Governance Committee also believes that each of the nominees has other key attributes that are critical to the composition of an effective Board: integrity and demonstrated impeccable ethical standards, sound judgment, analytical skills, the ability to work together in a constructive and collaborative fashion and the commitment to devote significant time and energy to service on the Board and its Committees.

The specific experience, qualifications and background of each nominee follows:

Mr. Caruso currently serves as a managing partner of B/3 Management Resources, LLC, a management consulting and technical services firm, and has held that position since 1988. Mr. Caruso has served as the general manager of Design Net Engineering, LLC, an aerospace engineering company, since 2006. Mr. Caruso has also served as Vice President of IngeniumCare, LLC, a developer of remote healthcare monitoring systems, since 2003. From 1999 to 2001, Mr. Caruso was Vice President and General Manager of Applied Science & Technology, a public company at the time, providing reactive gas processing systems and specialty power sources to the semiconductor and medical equipment markets. Previously, Mr. Caruso was an executive officer of a division of Adolph Coors Company and held several management positions with the Aluminum Company of America (ALCOA). From June 2008 to April 2010, Mr. Caruso served as Chairman of the Board of American Shipping Company ASA, a Norwegian company with U.S. operations based in Philadelphia, PA (OSL:ASMC). Mr. Caruso has a B.S. in Engineering Mechanics and B.A. in General Arts and Sciences from Pennsylvania State University and an MBA from Wayne State University. Mr. Caruso served as Chairman of the Nominating and Governance Committee from January 1 to October 13, 2010 and has served as Chairman of the Compensation Committee since October 13, 2010.

Director Qualifications:

Leadership Experience Managing Partner of B/3 Management Resources, LLC; General Manager of Design Net Engineering, LLC; Vice President of IngeniumCare, LLC; Vice President and General Manager of Applied Science & Technology; Executive Officer of a division of Adolph Coors Company; Management Positions with ALCOA; Chairman of the Board of American Shipping Company ASA; Director of ADA-ES; MBA from Wayne State University.

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Industry Experience Senior manager at large industrial companies of technical projects including engineering product and manufacturing systems at the entities and in the capacities described above.

Dr. Durham was a co-founder in 1985 of ADA Technologies, Inc., an Englewood, Colorado private company which contracts to the federal government and others for development of emission technologies. ADA Environmental Solutions, LLC, our wholly owned subsidiary, was originally spun-out of ADA Technologies in 1996. Dr. Durham has been President, CEO and a director of the Company since 2003 and President of ADA Environmental Solutions, LLC since its formation in 1996. Dr. Durham served as a manager of ADA-CS, our joint venture with Energy Capital Partners and affiliated funds of which we own a 25.9% interest, in 2009. Dr. Durham has a B.S. in Aerospace Engineering from Pennsylvania State University, an M.S. and Ph.D. in Environmental Engineering from the University of Florida and an Executive MBA from the University of Denver. Dr. Durham is a member of the Board of the American Coal Council, a trade association of companies that sell, use and provide services related to coal, a Board member and officer of the Institute of Clean Air Companies, a trade association of companies that provide equipment to measure and control air pollution, and was appointed a member of the National Coal Council, which advises the Secretary of Energy on coal-related issues.

Director Qualifications:

Leadership Experience President, CEO and a director of ADA-ES since 2003; Co-founder of ADA Technologies Inc.; President of ADA Environmental Solutions, LLC; Manager of ADA-CS; Executive MBA from the University of Denver.

Industry Experience M.S. and Ph.D. in Environmental Engineering from the University of Florida; Member of the Board of American Coal Council; Board member and officer of the Institute of Clean Air Companies; Member of the National Coal Council. Senior manager of technical projects and intellectual property development at the entities and in the capacities described above.

Mr. Eaves currently serves as President, Chief Operating Officer and a director of Arch Coal, Inc., one of the nation's largest and most efficient coal producers. Mr. Eaves previously held the position of Vice President of Marketing for Arch Coal since that company's formation on July 1, 1997. Prior to that time, he served as President of the marketing subsidiary of Arch Mineral Corporation, one of Arch Coal's predecessor companies. He also held various positions in sales and administration with Diamond Shamrock Company and Natomas Coal Company. Mr. Eaves holds a B.S. degree from the University of Kentucky and attended an Executive Management Program at the Wharton School of Business and an Advanced Management Program at Harvard Business School.

Director Qualifications:

Leadership Experience President, Chief Operating Officer and a director of Arch Coal; various positions in sales and administration with Diamond Shamrock Company and the Natomas Coal Company; attendance at an Executive Management Program at the Wharton School of Business and an Advanced Management Program at Harvard Business School.

Industry Experience In capacity as President of Arch Coal, understands coal industry and market and related coal industry product development. Arch Coal serves many of the same customers as ADA-ES.

Mr. Derek Johnson serves as the President of Fusion Specialties, a specialty supplier to the retail industry, and has held that position since September 2009 and previously from November 2005 to October 2008. Mr. Johnson previously served as the Vice President of new business development for Kennametal, a public company based in Pittsburgh, PA, a global provider of metalworking solutions using tungsten carbide inserts. Mr. Johnson held this position from October 2008 to August 2009. Since 2008, Mr. Johnson has served as a Director of Qualmark

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Corporation (OTC.PK: QMRK), a company that designs, manufactures, and markets proprietary equipment that rapidly and efficiently exposes product design and manufacturing-related defects for the purpose of improving product quality and reliability. From 1984 to 2005, Mr. Johnson was employed in various positions, including as President and Chief Operating Officer, by CoorsTek, a manufacturer of technical products, supplying critical components and assemblies for mining, automotive, semiconductor, aerospace, electronic, power generation, telecommunication and other high-technology applications on a global basis. He has a Higher National Certificate from Kirkcaldy College in Scotland and an Executive MBA from the University of Denver.

Director Qualifications:

Leadership Experience President of Fusion Specialties; Vice President of Kennametal; Director of Qualmark Corporation; President and Chief Operating Officer of CoorsTek; Executive MBA from the University of Denver.

Industry Experience Senior management and experience in the development and manufacturer of technical products in diverse international markets at the entities and in the capacities described above.

Mr. Ronald Johnson has been involved in all phases of the chemical industry, including production, compounding and distribution in domestic and international markets, for 50 years. He held a marketing position in strategic planning with DuPont, a global provider of a wide range of innovative products and services, in its Industrial and Biochemical Department; Gamlen Chemical, an international compounding company as manager of worldwide development; and Univar, a large global chemical distributor from 1968 to 1984. He served as a Board member of Charter National Bank and Trust from 1998 to 2002. Mr. Johnson also served on the Board of Earth Sciences, Inc. from 1999 to 2003.

Mr. Johnson has been President of Twin-Kem International, Inc., a distributor of agricultural and industrial chemicals, since 1984, and President of ExecuVest, Inc., an oil & gas exploration company, since 1987. Mr. Johnson was Chairman of the Compensation Committee from January 1 to October 13, 2010.

Director Qualifications:

Leadership Experience Strategic planning position with DuPont; Manager at Gamlen Chemical and Univar. Board member of Charter National Bank and Trust, Earth Sciences, Inc. and ADA-ES; Chairman of ADA-ES Compensation Committee; President of ExecuVest, Inc. and Twin-Kem International, Inc.

Industry Experience Over 50 years of domestic and international experience in the industrial chemicals market at the entities and the capacities described above.

Mr. Marcum was appointed a director of the Company in January 2008. Mr. Marcum has served as a chairman of the board of Applied Natural Gas Fuels, Inc., a liquefied natural gas producer based in Westlake Village, California (OTC: AGAS) since 2008. He served as a director of Key Energy Services (NYSE: KEG), an oilfield services company based in Houston, Texas, since 1996. Prior to his appointment to the Board of Key Energy Services, he was the non-executive Chairman of the Board of WellTech, Inc., an energy production services company, from 1994 until March 1996, when WellTech was merged into Key Energy Services. From January 1991 to April 2007, Mr. Marcum was Chairman of the Board, President and Chief Executive Officer of Metretek Technologies, Inc., currently known as PowerSecure International (NASDAQ: POWR), which develops energy and smart grid solutions for electric utilities, and their commercial, institutional, and industrial customers. He retired in April 2007. Mr. Marcum has been a principal in MG Advisors, LLC since April 2007. He holds a bachelor's degree in Business Administration from Texas Tech University. Mr. Marcum has served as chairman of the Board since June 2009.

Director Qualifications:

Leadership Experience Chairman of the board Applied Natural Gas Fuels; Director of Key Energy Services; Non-executive Chairman of WellTech; Chairman, President and CEO of Metretek Technologies; Chairman of the Board of ADA-ES.

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Industry Experience Extensive experience in oil and gas development stage and public companies at the entities and in the capacities described above.

Mr. McKinnies has served as our Chief Financial Officer and Secretary since 2003 and was appointed as Senior Vice President in September 2005. Mr. McKinnies was employed by Earth Sciences from 1978 through 2000. A CPA, Mr. McKinnies worked for Peat, Marwick, Mitchell & Co., a national accounting firm, before commencing employment at Earth Sciences in 1978. Mr. McKinnies holds a bachelors degree in Accounting from the University of Denver.

Director Qualifications:

Leadership Experience Senior Vice President, Chief Financial Officer and Director of ADA-ES; Manager of ADA-CS and Clean Coal.

Industry Experience Served in various capacities at Earth Sciences (the predecessor of ADA-ES) and at ADA-ES for over 30 years.

Finance Experience CPA and worked at the national accounting firm Peat, Marwick, Mitchell & Co; Accounting degree from University of Denver; CFO of ADA-ES.

Mr. Smith was appointed a director of the Company in August 2003. He has unique experience with the air pollution control industry, the industry in which the Company operates, which has given him keen insight into clean air rules, as well as market dynamics and corporate decision-making within the industry. For over 17 years, as the Executive Director of ICAC, he led strategy discussions on government affairs with top management of scores of companies in the air pollution control industry. He has testified over ten times before the U.S. Congress and dozens of times before state clean air regulators. He has also written testimony on nearly 100 proposed clean air rules. He has spoken at conferences (often as the keynote speaker) focused on clean air rules and policy. Most of these national and international conferences were sponsored by organizations of industrial and utility companies who purchase air pollution controls. He is the author of over a dozen articles on clean air policy, and has been quoted widely in clean air trade journals, as well as *The Washington Post*, *New York Times*, and *Wall Street Journal*. Early in his career Mr. Smith served as an appellate litigation attorney for the U.S. Environmental Protection Agency, for which he received two special bonus awards for negotiation and brief-writing in matters involving the utility and coal industries. Mr. Smith also was a founder and acted as managing partner in ESI International from 1981 until April 2003. ESI is a consulting company that employs attorneys, engineers and scientists, and ESI's primary client base is companies in the air pollution control field. After leaving ESI in 2005, Mr. Smith had his own consulting firm, the Law Offices of Jeffrey C. Smith, until December 2009, representing members of the air pollution control industry on government affairs. He has been retired for one year. Mr. Smith holds a B.A., *magna cum laude*, in economics from Duke University, where he was elected to Phi Beta Kappa. He also has a J.D. from The University of Michigan Law School. Mr. Smith is chairman of the Nominating and Governance Committee, a position he has held since October 13, 2010. He served on the Company's audit committee from January 1 to October 13, 2010 and as our Chairman of the Board from March 2006 until June 2009.

Director Qualifications:

Leadership Experience Executive Director of ICAC; Founder and Managing Partner of ESI and the Law Offices of Jeffrey Smith; Chairman of ADA-ES.

Industry Experience Extensive and varied experience within the air pollution control industry and author of over a dozen articles on clean air policy.

Government Experience Testified before Congress and state regulators. Appellate litigation attorney for the EPA.

Mr. Swanson was appointed a director of the Company in July 2006. Mr. Swanson has been an advisor and performance coach to CEOs and business owners in Colorado for 15 years through an affiliation with Vistage

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International, Inc. (formerly the Executive Committee), the world's leading CEO membership organization. Previously he was with Accenture, an international consulting firm, was the CFO of the Denver Regional Transportation District (DRTD), a \$200 million company, and was the founder and president of Real Estate Associates, Inc. (REA), a commercial real estate investment and development company in Denver, Colorado. He has accomplished corporate turnaround projects, has served on a number of private company boards, and is also a director and Audit Committee Chairman of Ascent Solar Technologies Inc. (NASDAQ: ASTI), a developer and manufacturer of solar technology. He has a B.A. in History from the University of Colorado and an MBA from Harvard Business School. Mr. Swanson is Chairman of the Audit Committee.

Director Qualifications:

Leadership Experience Advisor and performance coach to CEO's and business owners in Colorado for 15 years through an affiliation with Vistage International, Inc; CFO of the DRTD and founder and president of REA; MBA from Harvard Business School; Director and Audit Committee Chairman of ADA-ES and Ascent Solar Technologies Inc.

Finance Experience Consultant at Accenture and experience in the senior finance positions at the entities and the capacities described above.

No family relationship exists between any directors or executive officers.

CORPORATE GOVERNANCE

Director Independence

The Board maintains audit, compensation and nominating and governance committees. In our fiscal year 2010 all directors other than Dr. Durham and Mr. McKinnies qualified as independent directors as defined in NASD Rule 4200(a)(15), and each Board committee was comprised solely of independent directors. The charters of each committee are available on our website at www.adaes.com under Investor Relations.

Board Meetings and Committees

Our Board is responsible for establishing broad corporate policies and monitoring the overall performance of the Company. However, in accordance with corporate legal principles, the Board is not involved in day-to-day operating matters. Members of the Board are kept informed of the Company's business by participating in Board and committee meetings, by reviewing analyses and reports sent to them weekly and monthly, and through discussions with the President and other officers.

The Board of Directors met eight times in 2010. At each of the Board of Directors meetings the independent directors were polled to determine if they believed an Executive Session was needed. On three occasions such sessions were held where management of the Company was excluded. Each of the Audit, Compensation and Nominating and Governance Committees met seven times in 2010. All of the directors were present for more than 75% of the meetings of the Board of Directors and the committees of which they were members held during their individual terms.

Audit Committee

Our Board has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act), which consists of Messrs. Derek Johnson, Ronald Johnson and Richard Swanson. Mr. Swanson serves as the chairman of the Audit Committee. Our Board has determined that Mr. Swanson is an Audit Committee Financial Expert. Mr. Swanson is independent as that term is used in the listing requirements for the Nasdaq Stock Market, and a brief listing of his relevant experience is stated in his biography above under the caption entitled Experience and Qualifications of Director Nominees.

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The role and functions of the Audit Committee are set out in the Audit Committee Charter, as amended, originally adopted by the Company's Board and most recently amended on September 23, 2005. The role of the Audit Committee is one of oversight of our accounting and financial reporting processes and audits of our financial statements. The Audit Committee's functions include the following: reviewing and assessing the Audit Committee Charter annually; overseeing the Company's compliance with legal, ethical and regulatory requirements; overseeing the Company's processes to identify and manage business and financial risk; appointing, approving the compensation of and reviewing the Company's relationships with its independent registered public accounting firm and/or other auditors and assessing the impact such relationships may have on the auditors' objectivity and independence; taking other appropriate action to oversee the independence of the outside auditors; reviewing and considering the matters identified in Statement on Auditing Standards No. 61 with the outside auditors and management; reviewing and discussing the Company's financial statements with the outside auditors and management; recommending whether the Company's audited financial statements should be included in the Company's Form 10-K for filing with the Securities and Exchange Commission (SEC); and reporting to the Board on all such matters. In performing its oversight function, the Audit Committee relies upon advice and information received in its discussions with the Company's management and independent registered public accounting firm.

Report of the Audit Committee

We expect to include the following language in this proxy statement/prospectus after the filing of ADA-ES Annual Report on Form 10-K for the year ended December 31, 2010:

The Audit Committee has (i) reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2010 with the Company's management; (ii) discussed with the Company's independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB) regarding communication with audit committees (AICPA Professional Standards, Vol. 1, AU section 380); and (iii) received the written disclosures and the letter from the Company's independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence and has discussed with the Company's independent accountants the independent accountants' independence.

Based on the review and discussions with management and the Company's independent registered public accounting firm referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements as of and for the years ended December 31, 2010 and 2009 be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for filing with the SEC.

Respectfully submitted,

The Audit Committee: [Richard Swanson,
Chairman

Derek Johnson

Ronald Johnson]

Nominating and Governance Committee

Our Board has appointed a Nominating and Governance Committee consisting of Messrs. Caruso, Eaves, Derek Johnson, Marcum and Smith. Mr. Smith serves as the chairman of the Nominating and Governance Committee. The responsibilities of the Committee, as set forth in the Nominating and Governance Committee Charter, include selecting director nominees for the Board, reviewing director compensation and benefits and submitting the same to the entire Board for approval, overseeing the annual self-evaluation of the Board and its committees, recommending the structure and composition of Board committees to the entire Board for approval and monitoring in conjunction with the Audit Committee compliance with our Code of Conduct and granting any

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waivers thereto with respect to directors and executive officers, recommending individuals to serve as Chairperson of the Board and Chief Executive Officer and reviewing the Chief Executive Officer's recommendations for individuals to serve as executive officers and analyzing and recommending such persons to the Board.

Criteria established for the selection of candidates for the Board include:

- a. An understanding of business and financial affairs and the complexities of an organization that operates as a public company in the business of the Company;
- b. A genuine interest in representing all of our shareholders and the interests of the Company overall;
- c. A willingness and ability to spend the necessary time required to function effectively as a director;
- d. An open-minded approach to matters and the resolve and ability to independently analyze matters presented for consideration;
- e. A reputation for honesty and integrity that is above reproach;
- f. Any qualifications required of independent directors by the NASDAQ Stock Market and applicable law; and
- g. As to any candidate who is an incumbent director (who continues to be otherwise qualified), the extent to which the continuing service of such person would promote stability and continuity in the Boardroom as a result of such person's familiarity and insight into the Company's affairs, and such person's prior demonstrated ability to work with the Board as a collective body.

Director nominees are generally identified by our officers, directors or shareholders based on industry and business contacts. Regardless of the source of the nomination, nominees are interviewed and evaluated by the Nominating and Governance Committee, other members of the management team and the Board as deemed appropriate by the Nominating and Governance Committee. The Nominating and Governance Committee then presents qualified candidates to the Board for a final discussion and vote.

We do not have a formal policy with respect to the consideration of diversity in the identification of director nominees, but the Nominating and Governance Committee strives to select candidates for nomination to the Board with a variety of complementary skills so that, as a group, the Board possesses the appropriate talent, skills and expertise to oversee the Company's businesses.

Under the Nominating and Governance Committee Charter, the Nominating and Governance Committee will consider nominees submitted by our shareholders. Recommendations of individuals that meet the criteria set forth in the Nominating and Governance Committee Charter for election at our 2012 annual meeting of shareholders may be submitted to the Committee in care of Mark H. McKinnies, Secretary, at 8100 SouthPark Way, Unit B, Littleton, Colorado 80120 no later than December 12, 2011.

The Committee has recommended to our Board the slate of directors for this Annual Meeting as set forth above. No third party was used in identifying or evaluating nominees, and we received no shareholder recommendations for nominees. The initial appointment of Mr. Eaves to our Board was made pursuant to a 2003 Subscription and Investment Agreement with Arch Coal, Inc. whereby our management agreed to make available one seat on the Board for an Arch Coal designee and to vote all shares and proxies they are entitled to vote in favor of such designee for so long as Arch Coal continues to hold at least 100,000 shares of our common stock.

Compensation Committee

Our Board has appointed a Compensation Committee consisting of Messrs. Caruso, Eaves, Ronald Johnson, Marcum, Smith and Swanson. Mr. Caruso serves as the chairman of the Compensation Committee. The responsibilities of the Compensation Committee, as set forth in the

Compensation Committee Charter, most

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recently amended on June 17, 2008, include reviewing our executive compensation programs to analyze their alignment with attracting, retaining and motivating our executive officers to achieve our business objectives; establishing annual and long-term performance goals for our executive officers and evaluating their performance in light of such goals, reviewing and making recommendations concerning our long-term incentive plans and shareholder proposals related to compensation and administering our equity-based and employee benefit plans. See Executive Compensation below for additional information.

Shareholder Communications to Directors

Any shareholder may communicate directly with the Board (or any individual director) by writing to the Chairman of the Board, ADA-ES, Inc., 8100 SouthPark Way, Unit B, Littleton, Colorado 80120 or by emailing the Board through the Contact the Board link on our website at www.adaes.com. Any such communication should state the number of shares beneficially owned by the shareholder making the communication. Provided that such communication addresses a legitimate business issue, the Company or the Chairman will forward the shareholder's communication to the appropriate director. For any communication relating to accounting, auditing or fraud, such communication will be forwarded promptly to the Chairman of the Audit Committee.

Code of Ethics

We have adopted a Code of Conduct that applies to our officers, directors and employees, including the principal executive officer, principal financial officer, principal accounting officer or controller or other persons performing similar functions, which includes a code of ethics as defined in Item 406(b) of SEC Regulation S-K. A copy of our Code of Conduct, which was most recently amended in January 2011, is available on our website at www.adaes.com. We intend to disclose any amendments to certain provisions of our Code of Conduct, or waivers of such provisions granted to executive officers and directors, on our website.

Board Leadership Structure and Role in Risk Oversight

We have a policy of keeping the roles of Chief Executive Officer and Chairman of the Board separate, and the roles are currently filled by two different individuals. We believe this arrangement is appropriate as it recognizes the distinction between the role played by the Chief Executive Officer, which is a position being more heavily oriented towards day-to-day management, while the Chairman's functions as an independent director whose role is to oversee the Board of Directors and is also able to participate in and chair executive sessions of the Board.

The Board has designated the Audit Committee to take the lead in overseeing risk management, and the Audit Committee periodically reports to the Board regarding briefings provided by management and advisors as well as the Committee's own analysis and conclusions regarding the adequacy of the Company's risk management processes. In addition to this compliance program, the Board encourages management to promote a corporate culture that incorporates risk management into the Company's strategy and day-to-day business operations. The Board and management continually work together to assess and analyze our most likely areas of risk.

Board Recommendation

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PERSONS NOMINATED BY THE BOARD FOR DIRECTORS, BEING ROBERT N. CARUSO, MICHAEL D. DURHAM, JOHN W. EAVES, DEREK C. JOHNSON, RONALD B. JOHNSON, W. PHILLIP MARCUM, MARK H. MCKINNIES, JEFFREY C. SMITH AND RICHARD J. SWANSON.

Table of Contents**PROPOSAL 3****RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC****ACCOUNTING FIRM****Relationship with Independent Registered Public Accounting Firm**

Ehrhardt Keefe Steiner & Hottman PC (EKS&H) served as the Company's independent registered public accounting firm for fiscal years 2009 and 2010 and has performed procedures related to the financial statements.

Shareholder ratification of the Audit Committee's selection of EKS&H as our independent registered public accounting firm as requested in Proposal 3 is not required by our bylaws or otherwise. The Board is submitting this proposal to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain this firm. We anticipate that a representative of EKS&H, who conducted the audits for the years ended December 31, 2009 and 2010, will be present at the Annual Meeting of Shareholders. There have been no disagreements on matters of accounting principles or practices, financial statement disclosures or audit scope or procedures between the Company and EKS&H, during the most recent fiscal year or any subsequent interim period. The representative of EKS&H will be available to respond to shareholder questions and will have the opportunity to make a statement at that time if the representative desires to do so.

Audit Fees

	EKS&H	
	2010	2009
Audit Fees (1)	\$ 188,911	\$ 181,750
Audit Related Fees	\$	\$
Tax Fees (2)	\$ 5,618	\$
All Other Fees (3)	\$ 4,000	\$ 4,859

- (1) Includes annual and quarterly review services related to our Form 8-K, 10-Q, 10-K filings, Section 404 internal control audit service and review services related to the filings of Registration Statements on Form S-3 and Form S-8.
- (2) Includes services related to a sales and use tax audit for the years 2005 through 2009 from the state of Colorado.
- (3) Includes consultation services related to the application of certain accounting principles related to revenue recognition and financial statement disclosures.

Audit Committee Approval of Services

The Audit Committee pre-approves all audit or non-audit services performed by our independent accountant in accordance with Audit Committee policy and applicable law. The Audit Committee generally provides pre-approval of audit services and services associated with SEC registration statements, other SEC filings and responses to SEC comment letters (Audit Fees) and services related to internal control reviews, internal control reporting requirements and consultations with our management as to accounting or disclosure treatment of transactions or events and the impact of rules, standards or interpretations by the SEC and other regulatory or standard-setting bodies (Audit-Related Fees) for each 12-month period within a range of approved fees. To avoid certain potential conflicts of interest, the law prohibits us from obtaining certain non-audit services from our independent accountant. The Audit Committee has delegated authority to approve permissible services to its Chairman. The Chairman reports such pre-approvals to the full Audit Committee at its next scheduled meeting. The Audit Committee Chairman pre-approved 100% of the services provided by the independent accountants in 2010. None of the services of the independent accountants in 2010 were of the type specified in Rule 2-01(c)(7)(i)(C) of SEC Regulation S-X.

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OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE AUDIT COMMITTEE'S SELECTION OF EHRHARDT KEEFE STEINER & HOTTMAN PC AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011.

EXECUTIVE OFFICERS

Information concerning our executive officers who are not director nominees is provided below. See "Election of Directors" above for information regarding Dr. Durham and Mr. McKinnies.

Name	Age	Positions and Offices
C. Jean Bustard	53	Chief Operating Officer
Cameron E. Martin	53	Vice President Emissions Control Systems
Richard L. Miller	57	Vice President Business Development
Richard J. Schlager	59	Vice President Technology Services Division
Sharon M. Sjoström	44	Vice President Technology

Each of the officers named above serves at the pleasure of the Board.

Ms. Bustard was appointed Chief Operating Officer of the Company in June 2004. Ms. Bustard served as Interim President of ADA-CS from October 2008 through September 2010 and has served as a member of its Board of Managers since October 2008. Prior to her appointment as COO, she served as Executive Vice President of ADA Environmental Solutions, LLC, our wholly-owned subsidiary, beginning with its formation in 1996. Ms. Bustard was employed by ADA Technologies from 1988 through 1996. Ms. Bustard holds a B.S. in Physics Education from Indiana University, an M.A. in Physics from Indiana State University and an Executive MBA from the University of Colorado.

Mr. Martin was appointed Vice President Emissions Control Systems of the Company in December 2007. Prior to that appointment he served the Company as a Director of Mercury Control since 2003, Director of Engineering since 1997 and Project Manager in 1996. Mr. Martin has a B.S. in Environmental Science from West Virginia University.

Mr. Miller has served as our Vice President Business Development since January 2011. Prior to that appointment he served as Vice President Business Development of Utility Systems from November 2005 to December 2010. He was previously employed by Hamon Research-Cottrell (HRC), a major provider of air pollution control technology solutions for utilities, refineries and other industries serving the North American market, from 1990 to November 2005, most recently as Vice President of Sales with primary responsibility in Particulate and Mercury Control Technologies. Prior to 1989, Mr. Miller was employed by Buell/General Electric Environmental Services, Inc. (now a part of Fisher-Klosterman, Inc., a CECO Environmental Company), in various technical and sales positions with direct responsibility for all fabric filter technologies. Mr. Miller currently serves as Co-Chair of ICAC's Mercury Control division and has previously served as Chairman of ICAC's Fabric Filter Division. Mr. Miller has an A.A.S. in Marine Science Technology from Southern Maine University, a B.S. Degree in Management from Lebanon Valley College and an Executive MBA from Colorado Technical University.

Mr. Schlager was appointed as our Vice President of Technology Services Division in August 2010. Prior to that appointment he served as Vice President of Administration of the Company since August 2007, served as the Vice President, Contract Research and Development from 2000 to 2007 and was employed by ADA Technologies from 1989 until that time. Mr. Schlager holds a B.S. in Chemistry and an M.S. in Metallurgical Engineering from the Colorado School of Mines.

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Ms. Sjoström served as Vice President of Technology from January 2007 to December 2010. Effective January 1, 2011, she was promoted to Chief Technology Officer. Previously she served the Company as Director, Technology Development since 2003 when we acquired her company EMC Engineering, LLC, an engineering services company, where she served as President since 2002. From 1998 until September 2002, Ms. Sjoström served as Director of Emissions Control for Apogee Scientific, LLC, a provider of advanced engineering and environmental technologies. Ms. Sjoström has a B.S. in Mechanical Engineering from Colorado State University, an M.S. in Mechanical Engineering from the California Institute of Technology and an Executive MBA from the University of Denver.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL SHAREHOLDERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The following table provides information with respect to the beneficial ownership of the Company's common stock by (1) each of our shareholders whom we believe are beneficial owners of more than 5% of our outstanding common stock, (2) each of our directors and named executive officers and (3) all of our directors and executive officers as a group. We base the share amounts shown on each person's beneficial ownership as of February 25, 2011 (including options exercisable within 60 days thereof), unless we indicate some other basis for the share amounts. Percentage ownership is calculated based on 7,603,176 shares outstanding as of February 25, 2011. Except as noted below, each of the individuals named below has sole voting and investment power for the respective shares.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class
C. Jean Bustard (Chief Operating Officer)		
8100 SouthPark Way, Littleton, CO	105,936(1)	1.4%
Robert N. Caruso (Director)		
8100 SouthPark Way, Littleton, CO	31,558(2)	*
Michael D. Durham (Director, President and CEO)		
8100 SouthPark Way, Littleton, CO	290,755(3)	3.8%
John W. Eaves (Director)		
8100 SouthPark Way, Littleton, CO	1,000(4)	*
Derek Johnson (Director)		
8100 SouthPark Way, Littleton, CO	31,550(5)	*
Ronald B. Johnson (Director)		
8100 SouthPark Way, Littleton, CO	29,363(6)	*
W. Phillip Marcum(Director)		
8100 SouthPark Way, Littleton, CO	36,849(7)	*
Cameron E. Martin (VP Emissions Control Systems)		
8100 SouthPark Way, Littleton, CO	24,882(8)	*
Mark H. McKinnies (Director, Secretary, Senior VP and CFO)		
8100 SouthPark Way, Littleton, CO	140,601(9)	1.8%
Richard Miller (VP Business Development for Utility Systems)		
8100 SouthPark Way, Littleton, CO	36,203(10)	*
Richard J. Schlager (VP Technology Services Division)	57,833(11)	*

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8100 SouthPark Way, Littleton, CO Sharon M. Sjostrom (VP Technology)		
8100 SouthPark Way, Littleton, CO Jeffrey C. Smith (Director)	26,656(12)	*
8100 SouthPark Way, Littleton, CO Stiassni Capital Partners, LP, Stiassni Capital, LLC and Nicholas C. Stiassni	37,783	*
3400 Palos Verdes Drive West, Rancho Palos Verdes, CA 90275 Richard Swanson (Director)	400,000(13)	5.3%
8100 SouthPark Way, Littleton, CO Trafelet Capital Management, L. P., Trafelet & Company, LLC and Remy Trafelet	31,723(14)	*
590 Madison Avenue, 39 th Floor, New York, NY 10022	377,231(15)	5.0%
Directors and Officers as a Group (14 individuals)	882,692(16)	11.1%

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* Less than 1%.

Notes:

- (1) Included in the amount shown are 24,543 shares to which Ms. Bustard has the right to acquire beneficial ownership through stock options, 12,000 shares of restricted stock which have not yet vested and are subject to certain repurchase rights and 16,230 shares held in Ms. Bustard's Retirement Plan account.
- (2) Included in the amount shown are 5,000 shares to which Mr. Caruso has the right to acquire beneficial ownership through stock options and 4,509 shares held by B/3 Management Resources, LLC, which is controlled by Mr. Caruso as a Managing Director.
- (3) Included in the amount shown are 52,909 shares held in Dr. Durham's Retirement Plan account, 15,000 shares of restricted stock which have not yet vested and are subject to certain repurchase rights, and 49,010 shares to which Dr. Durham has the right to acquire beneficial ownership through stock options.
- (4) Does not include 288,023 shares held by Arch Coal, Inc. Mr. Eaves is President, Chief Operating Officer and a director of Arch Coal, Inc. and disclaims beneficial ownership of such shares.
- (5) Included in the amount shown are 5,000 shares to which Mr. Johnson has the right to acquire beneficial ownership through stock options.
- (6) Included in the amount shown are 4,783 shares held by the Johnson Family Trust and 24,580 shares held by Twin-Kem International, Inc., which is controlled by Mr. Johnson as the President and Owner.
- (7) Included in the amount shown are 5,000 shares to which Mr. Marcum has the right to acquire beneficial ownership through stock options.
- (8) Included in the amount shown are 2,417 shares to which Mr. Martin has the right to acquire beneficial ownership through stock options, 689 shares of restricted stock which have not vested and are subject to certain repurchase rights and 9,916 shares held in Mr. Martin's Retirement Plan account.
- (9) Included in the amount shown are 38,067 shares held in Mr. McKinnies' Retirement Plan account, 500 shares held as trustee for the MJ Kraft Trust, 12,500 shares of restricted stock which have not vested and are subject to certain repurchase rights and 34,210 shares to which Mr. McKinnies has the right to acquire beneficial ownership through stock options.
- (10) Included in the amount shown are 13,000 shares to which Mr. Miller has the right to acquire beneficial ownership through stock options, 1,500 shares of restricted stock which have not vested and are subject to certain repurchase rights and 4,666 shares held in Mr. Miller's Retirement Plan account.
- (11) Included in the amount shown are 28,300 shares to which Mr. Schlager has the right to acquire beneficial ownership through stock options and 17,135 shares held in Mr. Schlager's Retirement Plan account.
- (12) Included in the amount shown are 2,363 shares to which Ms. Sjoström has the right to acquire beneficial ownership through stock options and 5,511 shares held in Ms. Sjoström's Retirement Plan account.
- (13) As of December 31, 2010 per joint Schedule 13G/A filed with the SEC on January 25, 2011, which reported as follows: Stiassni Capital Partners, LP owns all of the 400,000 shares, and Stiassni Capital, LLC is the general partner of Stiassni Capital Partners, LP. Mr. Nicholas C. Stiassni is managing member of Stiassni Capital LLC. Stiassni Capital Partners, LP, Stiassni Capital, LLC and Mr. Stiassni all have shared voting and dispositive power over the 400,000 shares.
- (14) Included in the amount shown are 5,000 shares to which Mr. Swanson has the right to acquire beneficial ownership through stock options.
- (15) As of January 31, 2011 per joint Schedule 13G filed with the SEC on February 10, 2011, which reported as follows: Trafelet Capital Management, L. P. owns all of the 377,231 shares. Trafelet Capital Management, L.P., Trafelet & Company, LLC and Remy Trafelet all have shared voting and dispositive power over the 377,231 shares.
- (16) The amount shown includes options to purchase 173,843 shares of our common stock held by individuals in the group.

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EXECUTIVE COMPENSATION

Our philosophy for executive compensation is set forth in a document entitled ADA-ES Executive Compensation Plan (the EC Plan) which was adopted by the Board on November 4, 2004. The EC Plan applies to the Executive Team, which includes the President/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, and all Vice Presidents of the Company. Executives become eligible to participate in this plan after completing 12 months of continuous service with ADA-ES. Participation may be modified based on the Board's approval.

The Compensation Committee establishes the base salary for all executive officers and establishes annual performance incentive metrics. The CEO makes recommendations as to base salary and incentive compensation of all other executive officers to the Committee. Base salary is defined as ongoing, cash compensation paid bi-weekly based on such factors as job responsibilities, external competitiveness, and the individual's experience and performance. Pay ranges are set based on the local market for similar positions, with consideration given to regional and national rates of pay for employees serving similar functions in comparable companies. Base salary is typically increased annually based on cost of labor/living increases. In determining appropriate merit increases, we consider the actual market change for various job families in addition to published local CPI-U data. The market change is determined by tracking the year-over-year change in the median rate for a given position or job family using regional salary surveys. ADA-ES attempts to ensure middle market pay for solid performers and consider higher levels of pay for outstanding performers. ADA-ES does not intend to be a market leader in base compensation. A decision to materially increase or decrease compensation would be based on the aforementioned factors. Mountain States Employers Council, a regional compensation consultant (MSEC), has been engaged by the Compensation Committee and has assisted with the design and application of the EC Plan, advised on the appropriateness of incentive levels for executive positions and provided assistance in setting the weight for metrics in modeling the EC Plan.