Midwest Energy Emissions Corp.
Form 10-Q/A
July 02, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q/A

AMENDMENT No. 3

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from to ______

Commission file number **000-33067**

MIDWEST ENERGY EMISSIONS CORP.

(Exact name of Registrant as Specified in its Charter)

Delaware	87-0398271

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

500 West Wilson Bridge Road, Suite 140

Worthington, Ohio 43085

(Address of principal Executive offices) (Zip Code)

(614) 505-6115

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Yes No

State the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date: Common, $.001 par value per share; 33,239,878 outstanding as of July 2, 2012.

EXPLANATORY NOTE

We are filing this Amendment No. 1 of Form 10-Q/A (the "Amended 10-Q") to our quarterly report on Form 10-Q for the period ended June 30, 2011 (the "Original Report"), as amended and filed with the SEC on December 23, 2011, to primarily restate the unaudited interim financial statements for the period ended June 30, 2011 included in the Original Report as a result of certain accounting errors identified by management. The Company first addressed these errors in the Company's Current Report on Form 8-K filed with the SEC on March 21, 2012 (the "Non-reliance 8-K"). The restatement is required as a result of accounting errors relating to the Agreement and Plan of Merger involving the Company and Midwest Energy Emissions Corp., a North Dakota corporation, on June 21, 2011. The prior accounting incorrectly accounted for which entity survived the transaction in the recording of the merger, which was treated as a reverse merger for accounting purposes. Except as otherwise reflected below, this Amendment speaks as of the filing date of the Original Report and does not reflect events that may have occurred subsequent to the filing of the Original Report. During the preparation of this Amended 10-Q (subsequent to the filings of the Non-reliance 8-K) additional errors associated with the recording of liabilities for shares issued for consulting services, depreciation of assets and capitalization of interest were also identified and those corrections have been reported herein. In addition, certain expenses have been reclassified on the statement of operations from the Original Report to reflect the expense classifications and descriptions used in the 2011 Form 10-K filed with the SEC on April 12, 2012. As a result, the financial tables included in Non-reliance 8-K should no longer be relied upon. In addition, please see note 16 to the Condensed Consolidated Financial Statements (Subsequent Events) regarding recent developments related to advances payable to certain shareholders and new employment agreements entered into with our senior management.

MIDWEST ENERGY EMISSIONS CORP.

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PART I – FINANCIAL INFOMATION

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements,” as defined in Section 21E of the Securities Exchange Act of 1934, as amended, that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and reflect our current expectations regarding our future growth, results of operations, cash flows, performance and business prospects, and opportunities, as well as assumptions made by, and information currently available to, our management. Forward-looking statements are generally identified by using words such as “anticipate,” “believe,” “plan,” “expect,” “intend,” “will,” and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. Forward-looking statements in this report are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. These statements are based on information currently available to us and are subject to various risks, uncertainties, and other factors, including, but not limited to, those discussed under the caption “Risk Factors in the Company’s 2011 Form 10-K”. In addition, matters that may cause actual results to differ materially from those in the forward-looking statements include, among other factors, the gain or loss of a major customer, change in environmental regulations, disruption in supply of materials, a significant change in general economic conditions in any of the regions where our customer utilities might experience significant changes in electric demand, a significant disruption in the supply of coal to our customer units, the loss of key management personnel, failure to obtain adequate working capital to execute the business plan and any major litigation regarding the Company. Except as expressly required by the federal securities laws, we undertake no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances or for any other reason. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including those detailed in Midwest Energy Emissions Corp.’s filings and with the Securities and Exchange Commission.

ITEM 1 – FINANCIAL STATEMENTS

MIDWEST ENERGY EMISSIONS CORP AND SUBSIDIARIES

Index to Financial Information

Period Ended June 30, 2011

MIDWEST ENERGY EMISSIONS CORP
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2011 AND DECEMBER 31, 2010

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	$ 8,665	$ 7,310
Other current assets	579	-
Total current assets	9,244	7,310
Property and Equipment, Net	1,037,896	1,746
License, Net	85,295	88,236
TOTAL ASSETS	$ 1,132,435	$ 97,292
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	882,645	-
Advances payable - related party	1,338,770	377,389
Current liabilities of discontinued operations	451,026	-
Advances payable - related party of discontinued operations	153,984	-
Total current liabilities	2,826,425	377,389
Convertible note payable of discontinued operations	50,000	-
TOTAL LIABILITIES	2,876,425	377,389
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.001 par value: 2,000,000 shares authorized;		
Series A Preferred Stock, $0.001 par value; 500,000 shares authorized;		
zero shares issued and outstanding at June 30, 2011;		
zero shares issued and outstanding at December 31, 2010;	-	-
Series B Preferred Stock, $0.001 par value; 10,000 shares authorized;		
10,000 shares issued and outstanding at June 30, 2011;	10	-
zero shares issued and outstanding at December 31, 2010;		
Common stock; $.001 par value; 500,000,000 shares authorized;		
334,727,476 shares issued and outstanding as of June 30, 2011		
9,890 shares issued and outstanding at December 31, 2010;	334,727	9,890
Additional paid-in capital	2,943,639	62,328
Accumulated deficit	(5,022,366)	(352,315)

Total stockholders' deficit		(1,743,990)		(280,097)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	1,132,435	$	97,292

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

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CHINA YOUTH MEDIA, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010
AND THE CUMULATIVE PERIOD DECEMBER 17, 2008 (INCEPTION) THROUGH JUNE 30, 2011
(Unaudited)

	For the Three Months Ended June 30, 2011	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010	December 17, 2008 (Inception) Through June 30, 2011
Revenues	$ -	$ 7,000	$ -	$ 7,000	$ 314,025
Costs and expenses:					
Cost of goods sold	-	-	-	-	242,075
Operating expenses	24,456	-	55,612	-	55,612
License maintenance fees	37,500	25,000	75,000	50,000	225,000
Marketing and development	120,500	2,000	195,328	2,000	321,162
Selling, general and administrative expenses	57,006	25,911	114,644	25,911	247,601
Professional fees	427,956	-	485,478	63,600	650,952
Impairment of goodwill	3,555,304	-	3,555,304	-	3,555,304
Total costs and expenses	4,222,722	52,911	4,481,366	141,511	5,297,706
Operating loss	(4,222,722)	(45,911)	(4,481,366)	(134,511)	(4,983,681)
Other Income (expense)					
Interest income (expense)	(8,475)	-	(17,835)	-	(17,835)
Total other income (expense)	(8,475)	-	(17,835)	-	(17,835)

Net loss from continuing operations	(4,231,197)	(45,911)	(4,499,201)	(134,511)	(5,001,516)
Net loss from discontinued operations	(20,850)	-	(20,850)	-	(20,850)
Net Loss	$ (4,252,047)	$ (45,911)	$ (4,520,051)	$ (134,511)	$ (5,022,366)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED:					
Continuing operations	(0.02)	(4.64)	(0.03)	(13.62)	
Discontined operations	-	-	-	-	
	(0.02)	(4.64)	(0.03)	(13.62)	
Weighted average common shares outstanding	176,407,990	9,890	167,767,727	9,876	

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

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CHINA YOUTH MEDIA, INC.
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2011 AND 2010
AND THE CUMULATIVE PERIOD DECEMBER 17, 2008 (INCEPTION) THROUGH MARCH 31, 2012
(Unaudited)

	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010	December 17, 2008 (Inception) Through June 30, 2011
Cash flows from operating activities			
Net loss	$ (4,520,051)	$ (134,511)	$ (5,022,366)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock issued for services	125,000	63,600	188,600
Amortization of license fees	2,941	2,940	14,705
Depreciation expense	7,706	-	7,751
Impairment of goodwill	3,555,304	-	3,555,304
Change in assets and liabilities			
Increase in prepaid expenses and other assets	1,297	-	1,297
Increase in accounts payable and accrued liabilities	468,632	50,509	593,632
Increase in accounts payable attributable to discontinued operations	8,770	-	8,770
Net cash used in operating activities	(350,401)	(17,462)	(652,307)
Cash flows used in investing activities			
Purchase of license	-	-	(100,000)
Cash assumed in reverse merger	11,150	-	11,150
Purchase of equipment	(747,137)	-	(748,928)
Net cash used in investing activities	(735,987)	-	(837,778)
Cash flows from financing activities			
Net proceeds from related party advances	936,381	17,462	1,338,770
	150,000	-	150,000

Proceeds from issuance of common stock converted to Series B preferred stock			
Proceeds from the issuance of common stock	1,362	-	9,980
Net cash provided by financing activities	1,087,743	17,462	1,498,750
Net increase in cash and cash equivalents	1,355	-	8,665
Cash and cash equivalents - beginning of period	7,310	-	-
Cash and cash equivalents - end of period	$ 8,665	$ -	$ 8,665
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ -	$ -	$ -
Taxes	$ -	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS			
Stock issued for services	$ 125,000	$ 63,600	$ 188,600

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

Midwest Energy Emissions Corp. and Subsidiaries

(A Development Stage Company)

Notes to Consolidated Condensed Financial Statements

Note 1 - Organization

Midwest Energy Emissions Corp.

Midwest Energy Emissions Corp. (the “Company") was organized under the laws of the State of Utah on July 19, 1983 under the name of Digicorp. Pursuant to shareholder approval, on October 6, 2006, the Board of Directors of the Company approved and authorized the Company to enter into an Agreement and Plan of Merger by and between the Company and Digicorp, Inc., a Delaware corporation and newly formed wholly-owned subsidiary of the Company that was incorporated under the Delaware General Corporation Law for the purpose of effecting a change of domicile. Effective February 22, 2007, the Company changed its domicile from Utah to Delaware with the name of the surviving corporation being Digicorp, Inc.

Reverse Merger

On June 21, 2011, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Midwest Energy Emissions Corp., a North Dakota corporation (“Midwest Energy Emissions”) pursuant to which at closing China Youth Media Merger Sub, Inc., the Company’s wholly-owned subsidiary formed for the purpose of such transaction (the “Merger Sub”), merged into Midwest Energy Emissions , the result of which Midwest Energy Emissions would become the Company’s wholly-owned subsidiary (the “Merger”). The Merger closed effective on June 21, 2011 (the “Closing”). As a result of the Closing and the Merger, the Merger Sub merged with and into Midwest Energy Emissions with Midwest Energy Emissions surviving. Effective at the time of the Closing, Midwest Energy Emissions changed its name to MES, Inc. For accounting purposes, the Merger was treated as a reverse merger and a recapitalization of the Company. See Note 4 for further discussion.

Pursuant to a Certificate of Amendment to our Certificate of Incorporation filed with the State of Delaware and effective as of October 7, 2011, the Company (i) changed its corporate name from “China Youth Media, Inc.” to “Midwest Energy Emissions Corp.”, and (ii) effected a reverse stock split of all the outstanding shares of our common stock at an exchange ratio of one for one hundred ten (1:110) (the “Reverse Stock Split”) and changed the number of our authorized shares of common stock, par value $.001 per share, from 500,000,000 to 100,000,000.

No adjustment to share or per share amounts has been reflected in the accompanying financial statements which resulted from the Reverse Stock Split.

Midwest Energy Emissions Corp

On December 17, 2008, Midwest Energy Emissions Corp. (a corporation in the development stage) was incorporated in the State of North Dakota. Midwest Energy Emissions is engaged in the business of developing and commercializing state of the art control technologies relating to the capture and control of mercury emissions from coal fired boilers in the United States and Canada.

Dissolution of subsidiaries

Pursuant to the terms of the Merger Agreement, the Company is in the process of dissolving the following entities.

- Youth Media (BVI) Ltd.
- Youth Media (Hong Kong) Limited
- Youth Media (Beijing) Limited
- Rebel Crew Films, Inc.

The operations and cash flows of these subsidiaries have been eliminated from the accounts of the Company's ongoing operations and major classes of assets and liabilities related thereto have been segregated. The losses from discontinued

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operations, including the impairment of certain assets of discontinued operations, have been reflected in the consolidated financial statements. The Company does not expect to derive any revenues from the discontinued entities in the future and does not expect to incur any significant ongoing operating expenses.

Note 2 - Summary Of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the United States of America ("GAAP").

Development Stage Company

The Company is considered to be in the development stage as defined by Accounting Standards Codification ("ASC") 915 *Development Stage Entities*. The Company has devoted substantially all of its efforts to the corporate formation, the raising of capital and attempting to generate customers for the sale of the Company's products.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with maturity of three months or less, when purchased, to be cash equivalents. The Company maintains its operating cash in two accounts with one financial institution, which at times may exceed federally insured limits.

Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 5 years.

Expenditures for repairs and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. Management periodically reviews the carrying value of its property and equipment for impairment.

The Company capitalizes interest cost on borrowings incurred during new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. For the year to date ended June 30, 2011 and 2010, the Company capitalized $35,151 and zero, respectively of interest in connection with a capital expansion project.

Recoverability of Long-Lived and Intangible Assets

The Company has adopted ASC 360-10, *Property, Plant and Equipment* (“ASC 360-10”). ASC 360-10 requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets would be adjusted, based on estimates of future discounted cash flows. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Goodwill

The Company evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. In conjunction with our reverse merger, the Company evaluated the carrying amount of the resulting goodwill and determined that the entire amount of goodwill of $3,555,304 was impaired.

Stock-Based Compensation

The Company accounts for stock-based compensation awards in accordance with the provisions of ASC 718, *Compensation—Stock Compensation* ("ASC 718"), which requires equity-based compensation, be reflected in the consolidated financial statements over the period of service which is typically the vesting period based on the estimated fair value of the awards.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, advances payable from related parties and debt. The fair value of these financial instruments approximate their carrying values due to their short maturities.

Foreign Currency Transactions

The Company's functional currency is the United States Dollar (the "US Dollar"). In the past, with the Company's operations in China, the Company entered into transactions denominated in foreign currencies, such as, the People's Republic of China and SAR Hong Kong, whose principal units are the Renminbi ("RMB") and the Hong Kong Dollar ("HK Dollar"), respectively. However, pursuant to the terms of the Merger agreement, the Company is in the process of dissolving its foreign entities.

Transactions denominated in currencies other than the US Dollar are re-measured to the US Dollar at the period-end exchange rates. Any associated transactional currency re-measurement gains and losses are recognized in current operations.

Revenue Recognition

The Company records revenue from sales in accordance with ASC 605, *Revenue Recognition* (“ASC 605”). The criteria for recognition are as follows:

1. Persuasive evidence of an arrangement exists;

2. Delivery has occurred or services have been rendered;

3. The seller’s price to the buyer is fixed or determinable; and

4. Collectability is reasonably assured.

Determination of criteria (3) and (4) will be based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments will be provided for in the same period the related sales are recorded.

The Company generated all revenue for the six months ended September 30, 2010 in connection with a 2009 sub-award project from the University of North Dakota Energy and Environmental Research Center for “Full Scale Testing of Sorbent Injection Technology on Mercury Control.” We recognized revenue for services performed upon completion of the test work and approval of the invoices submitted to the University of North Dakota Energy and Environment Research Center.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s consolidated financial statements is based on a more-likely-than-not recognition threshold. The Company did not have any unrecognized tax benefits at June 30, 2011. When necessary, the Company would accrue penalties and interest related to unrecognized tax benefits as a component of income tax expense.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and three state jurisdictions. The Company is no longer subject to U.S. federal examinations for years prior to 2008 or state tax examinations for years prior to 2007. Prior to the reverse merger, the MES, Inc. was taxed as an S corporation and income and losses were passed through to the stockholders.

Basic and Diluted Loss Per Common Share

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted loss per share reflects the potential dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. There were no dilutive potential common shares as of June 30, 2011, because the Company incurred net losses and basic and diluted loss per common share were the same.

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash and equivalents on deposit with financial institutions and accounts receivable. The Company's excess cash as of June 30, 2011 is on deposit in a non-interest-bearing transaction account that is fully covered by FDIC deposit insurance.

Contingencies

Certain conditions may exist which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management assess such contingent liabilities, and such assessment

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inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company’s legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company’s consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they arise from guarantees, in which case the guarantees would be disclosed.

Statement of operations expense classification

Certain expenses have been reclassified on the statement of operations from the previously filed Form 10-Q/A to reflect the expense classifications and descriptions used in the 2011 Form 10-K filed on April 12, 2012.

Recently Issued Accounting Standards

Management does not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

Note 3 - Going Concern

The accompanying consolidated financial statements as of June 30, 2011 have been prepared assuming the Company will continue as a going concern. From the period of inception (December 17, 2008) through June 30, 2011, the Company has experienced a net loss, negative cash flows from operations and has an accumulated deficit of $5 million. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is converting some of its short term liabilities to long term convertible debt-to-equity and intends to raise near term financing to fund future operations through a convertible debt-to-equity offering. The Company also intends to raise additional equity financing to fund future operations. There is no assurance that its plan can be implemented; or that the results will be of a sufficient level necessary to meet the Company’s ongoing cash needs. No assurances can be given that the Company can obtain sufficient working capital through borrowings or that the continued implementation of its business plan will generate sufficient revenues in the future to sustain ongoing operations.

The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

Note 4 – Reverse Merger

Merger Agreement

On June 21, 2011, the Company entered into a Merger Agreement with Midwest Energy Emissions pursuant to which at closing the Merger Sub, would merge into Midwest Energy Emissions, the result of which Midwest Energy Emissions would become the Company's wholly-owned subsidiary ("Acquisition"). The Merger closed effective on June 21, 2011.

As a result of the Acquisition, the former stockholders of Midwest Energy Emissions received an aggregate number of shares of China Youth Media common stock constituting approximately 90% of the outstanding shares of China Youth Media common stock, after giving effect to the Acquisition. Warrants and options to purchase China Youth Media common stock that were outstanding prior to the Acquisition remained outstanding following the Acquisition. These consist of warrants to purchase a total of 24,092 shares of China Youth Media common stock with prices ranging from $3.30 to $9.00 and options to

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purchase a total of 371,818 shares of China Youth Media common stock with prices ranging from $14.30 to $22.

In connection with the transactions contemplated by the Merger Agreement, and pursuant to Midwest Energy Emissions' obligations under a Business Consulting Agreement dated March 18, 2011, on July 6, 2011, the Company issued 45,455 shares of our common stock to Eastern Sky, LLC as compensation for consulting services rendered in connection with the transaction. The shares were valued at $77,500. The Lebrecht Group, APLC received a cash fee of $22,315 and 18,258 shares of common stock as compensation for legal services rendered in connection with the Merger Agreement. The shares were valued at $31,130. Total transactions costs incurred in connection with the Merger Agreement were $318,835.

Purchase Accounting

The Acquisition was accounted for using the purchase method of accounting as a reverse acquisition. In a reverse acquisition, the post-acquisition net assets of the surviving combined company includes the historical cost basis of the net assets of the accounting acquirer (Midwest Energy Emissions) plus the fair value of the net assets of the accounting acquiree (China Youth Media). Further, under the purchase method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values and the excess of the purchase price over the estimated fair value of the identifiable net assets is allocated to any intangible assets with the remaining excess purchase price over net assets acquired allocated to goodwill.

The fair value of the consideration transferred in the Acquisition was $2,777,778 and was calculated as the number of shares of common stock that Midwest Energy Emissions would have had to issue in order for China Youth Media shareholders to hold a 10% equity interest in the combined Company post-acquisition, multiplied by the estimated fair value of the Company's common stock on the acquisition date. The estimated fair value of the Company's common stock was based on the offering price of the common stock sold in a private placement of share subscriptions which was completed most recently prior to the merger. This price was determined to be the best indication of fair value on that date since the price was based on an arm's length negotiation with a group consisting of both new and existing investors that had been advised of the pending Acquisition and assumed similar liquidity risk as those investors holding the majority of shares being valued as purchase consideration. The following table summarizes the Company's determination of fair values of the assets acquired and the liabilities as of the date of acquisition.

Consideration - issuance of securities	$	2,777,778
Cash	$	11,150
Prepaid expenses and other assets		3,876
Fixed assets		5,706
Accounts payable and accrued liabilities		(748,258)
Notes Payable		(50,000)
Goodwill		3,555,304

Total purchase price	$ 2,777,778

The Company performed an impairment test related to goodwill as of the date of the merger and it was determined that goodwill was impaired. At that time, the Company recorded a charge to operations for the amount of the impairment of $3,555,304.

Note 5 - Property And Equipment, Net

Property and equipment at June 30, 2011 and December 31, 2010 are as follows:

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	2011	2010
Equiptment & Installation	$ 1,045,309	$ 479
Computer equipment	1,312	1,312
Total Equipment	1,046,621	1,791
Less: accumulated depreciation and impairment charges	8,725	45
Property and equipment, net	$ 1,037,896	$ 1,746

The Company uses the straight-line method of depreciation over 3 to 10 years. During the years ended June 30, 2011 and 2010, depreciation expense charged to operations was $7,706 and zero, respectively.

Note 6 - License Agreement

On January 15, 2009, the Company entered into an "Exclusive Patent and Know-How License Agreement Including Transfer of Ownership" with the Energy and Environmental Research Center Foundation (“EERC”), a non-profit entity. Under the terms of the Agreement, the Company has been granted an exclusive license for the technology to develop, make, have made, use, sell, offer to sell, lease, and import the technology in any coal-fired combustion systems (power plant) worldwide and to develop and perform the technology in any coal-fired power plant in the world. The patent “Sorbents of Oxidation and Removal of Mercury” was filed by EERC on August 22, 2005 and granted on October 14, 2008. In addition, the Company has the same rights to other related patents in Canada, China and Europe.

The Company paid $100,000 in 2009 for the license to use the patents and at the option of the Company can pay $1,000,000 for the assignment of the patents after January 15, 2011 or pay the greater of the license maintenance fees or royalties on product sales for continued use of the patents. The license maintenance fees are $100,000 due January 1, 2010, $150,000 due January 1, 2011 and $200,000 due January 1, 2012 and each year thereafter. The running royalties are $100 per one megawatt of electronic nameplate capacity and $100 per three megawatt per hour for the application to thermal systems to which licensed products or licensed processes are sold by the Company, associate and sublicensees. Running royalties are payable by the Company within 30 days after the end of each calendar year to the licensor and may be credited against license maintenance fees paid.

The Company is required to pay the licensor 35% of all sublicense income received by the Company, excluding royalties on sales by sublicensees. Sublicense income is payable by the Company within 30 day after the end of each calendar year to the licensor.

License costs capitalized as of June 30, 2011 and December 31, 2010 are as follows:

	2011	2010
License	$ 100,000	$ 100,000
Less: accumulated amortization	14,705	11,764
License, net	$ 85,295	$ 88,236

The Company is currently amortizing its patents over their estimated useful life of 17 years when acquired. Amortization expense charged to cost and expenses was $2,941 during the periods ended June 30, 2011 and 2010. Estimated amortization for each of the next five years is approximately $5,900.

Note 7 – Convertible Note Payable

On March 30, 2011, the Company entered into an agreement with an unrelated third party pursuant to which such party agreed to assist the Company to effect a reverse merger or similar transaction with an operating business to be identified as the parties shall mutually agree. Such party agreed to immediately loan the Company the principal amount of $50,000 which shall be due and payable in one year, bear interest at the rate of 8.0% per annum, and be convertible into shares of common stock

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of the Company at the rate of $0.004 per share at the option of such party at any time following an exclusivity period granted to such party and until the maturity date of the loan. Interest expense for the period ended June 30, 2011 was $1,019.

Note 8 - Advances Payable – Related Party

As of June 30, 2011, the Company had advances payable totaling $1,340,132, to Richard MacPherson, a director of the Company. These advances bear interest at 9% per annum, have no fixed terms of repayment and are unsecured. Accrued interest on these advances at June 30, 2011 was $32,851 and interest expense for the period ended June 30, 2011 was $19,983

Note 9 – Advances Payable-Related Party of Discontinued Operations

As a result of the reverse merger, the Company assumed $169,894 of advances payable due to Jay Rifkin, a current director who is also a former officer of the Company. These advances bear interest at 9% per annum, have no fixed terms of repayment and are unsecured. Accrued interest on these advances at June 30, 2011 was $347 and interest expense for the quarter ended June 30, 2011 was $347.

Note 10 – Commitments and Contingencies

As discussed in Note 6, the Company has entered in an "Exclusive Patent and Know-How License Agreement Including Transfer of Ownership" that requires minimum license maintenance costs. The Company is planning on using the intellectual property granted by the patents for the foreseeable future. The license agreement is considered expired on the October 14, 2025, the date the patent expires. Future minimum maintenance fee payments are as follows:

Twelve months ended September 30,		
2012	$	200,000
2013		200,000
2014		200,000
2015		200,000
2016		200,000
Thereafter		1,800,000
	$	2,800,000

Property Leases

On June 1, 2011, the Company entered into a 36 month lease for warehouse space in Centralia, Washington, commencing August 1, 2011. The lease provides for the option to extend the lease on a month to month basis. Rent is $1,900 monthly throughout the term of the lease.

Future minimum lease payments under this non-cancelable leases are approximately as follows:

Twelve months ended June 30,		
2012	$	22,800
2013		22,800
2014		20,900
2015	-	
Thereafter	-	
	$	66,500

The Company also leases office space in Grand Forks, ND, which has a renewable annual term and requires quarterly rental payments of $1,259.

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Note 11 – Equity

The Company was established with two classes of stock, common stock – 500,000,000 shares authorized at a par value of $0.001 and preferred stock – 2,000,000 shares authorized at a par value of $0.001.

Series B Convertible Preferred Stock

As a result of the Merger on June 21, 2011, all of the outstanding shares of common stock of Midwest Energy Emissions were exchanged for 10,000 shares of our newly created Series B Convertible Preferred Stock. The Series B Convertible Preferred Stock is convertible into 3,012,550,000 (27,386,826 post Reverse Stock Split) shares of our common stock.

On December 18, 2008, Midwest Energy Emissions entered into a stock subscription agreement for the issuance 8,618 voting shares of common stock due from the Company's founder, Richard MacPherson, our then President. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

On October 8, 2009, Midwest Energy Emissions collected $4,167 ($1 per share) due from the Midwest Energy Emissions' founder, Richard MacPherson, our then President, and issued 4,167 shares. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

On August 31, 2010, Midwest Energy Emissions collected $4,451 ($1 per share) due from Midwest Energy Emissions' founder, Richard MacPherson, our then President, and issued 4,451 shares. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

On January 2, 2010, Midwest Energy Emissions issued 1,272 shares to consultants for services rendered including engineering, scientific and technical advisory and business advisory services at a fair value of $63,600 ($50 per share). The value was based upon the contracted value of the services performed. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

On March 14, 2011, Midwest Energy Emissions issued 40 shares to investors for $100,000 or $2,500 per share. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

On March 16, 2011, Midwest Energy Emissions issued 50 shares to a consultant for a value of $125,000. The shares were valued at $2,500 per share based upon Midwest Energy Emissions' then most recently completed equity financing transactions. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

On April 18, 2011, Midwest Energy Emissions issued 20 shares to investors for $50,000 or $2,500 per share. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

Note 12 - Stock Based Compensation

Effective July 20, 2005, the Board of Directors of the Company approved the 2005 Stock Option and Restricted Stock Plan (the "*2005 Plan*"). The 2005 Plan reserves 15,000,000 (approximately 136,364 post Reverse Stock Split) shares of common stock for grants of incentive stock options, nonqualified stock options, warrants and restricted stock awards to employees, non-employee directors and consultants performing services for the Company. Options and warrants granted under the 2005 Plan have an exercise price equal to or greater than the fair market value of the underlying common stock at the date of grant and become exercisable based on a vesting schedule determined at the date of grant. The options expire 10 years from the date of grant whereas warrants generally expire 5 years from the date of grant. Restricted stock awards granted under the 2005 Plan are subject to a vesting period determined at the date of grant.

On May 6, 2009, the Board of Directors adopted, subject to stockholder approval, which was obtained at the annual stockholders meeting held on June 19, 2009, an amendment to the 2005 Plan that increased the number of shares subject to the

Stock Plan from 15,000,000 shares to 50,000,000 (approximately 454,545 post Reverse Stock Split) shares.

The Company accounts for stock-based compensation awards in accordance with the provisions of *Share-Based Payment*, which addresses the accounting for employee stock options which requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the financial statements over the vesting period based on the estimated fair value of the awards.

A summary of stock option activity for the quarter ended June 30, 2011 is presented below:

			Outstanding Options		
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
June 21, 2011	9,041,667	40,958,333	0.13	9.3	-
Grants	-	-	-	-	-
Cancellations	50,000	(50,000)	0.25	-	-
September 30, 2011	9,091,667	40,908,333	0.13	8.3	-
Options exercisable at:					
June 21, 2011		15,037,500	0.13	8.2	
September 30, 2011		23,637,500	0.13	7.8	

The numbers in the foregoing table have not been adjusted for the Reverse Stock Split.

The Company utilized a Black-Scholes options pricing model.

On March 16, 2011, Midwest Energy Emissions issued 50 shares to a consultant for a value of $125,000. The shares were valued at $2,500 per share upon Midwest Energy Emissions' then most recently completed equity financing transactions. These shares were converted into Series B Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

In connection with the transactions contemplated by the Merger Agreement, and pursuant to Midwest Energy Emissions’ obligations under a Business Consulting Agreement dated March 18, 2011, on July 6, 2011, we issued 5,000,000 (45,455 post Reverse Stock Split) shares of our common stock to Eastern Sky, LLC as compensation for consulting services rendered in connection with the transaction. The shares were valued at $77,500.

On July 6, 2011, we issued 2,008,365 (18,258 post Reverse Stock Split) shares of our common stock to The Lebrecht Group, APLC as compensation for legal services rendered in connection with the Merger Agreement. The shares were valued at $31,130.

Note 13 - Warrants

As a result of the reverse merger, the Company has warrants outstanding from September 2008, in which China Youth Media, Inc. entered into subscription agreements with Year of the Golden Pig, LLC and with Mojo Music, Inc., in which the Company issued an aggregate of 4 Units, with each Unit consisting of a $100,000 principal amount of a 12% Convertible Promissory Note due three years from its issuance and 3,182 Common Stock Purchase Warrants outside of its 2005 Plan, with each Warrant entitling the holder thereof to purchase at any time beginning from the date of issuance through five years thereafter one share of Common Stock at a price of $9.90 per share. These notes were settled in connection with the Merger.

On May 11, 2009, the Company granted a consultant, as consideration for services on behalf of the Company, a vested warrant with a term of 7 seven years to purchase 11,364 shares of common stock with an exercise price of $3.30 per share. The issuance of this warrant was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended.

The following table summarizes information about common stock warrants outstanding at June 30, 2011:

Outstanding				Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.09	875,000	2.17	$ 0.09	875,000	$ 0.09
0.09	525,000	2.25	0.09	525,000	0.09
0.03	1,250,000	4.87	0.03	1,250,000	0.03
$ 0.03 - $ 0.09	2,650,000			2,650,000	

The numbers in the foregoing table have not been adjusted for the Reverse Stock Split.

Note 14 - Tax

As of June 30, 2011, our deferred tax asset primarily related to our net operating losses. A 100% valuation allowance has been established using an effective tax rate of 34% due to the uncertainty of the utilization of the operating losses in future periods. As a result, the deferred tax asset was reduced to zero and no income tax benefit was recorded. The net operating loss carry forward will begin to expire in 2030.

Section 382 of the Internal Code allows post-change corporations to use pre-change net operating losses, but limit the amount of losses that may be used annually to a percentage of the entity value of the corporation at the date of the ownership change. The applicable percentage is the federal long-term tax-exempt rate for the month during which the change in ownership occurs.

Note 15 – Discontinued Operations

Pursuant to the Merger Agreement, on June 21, 2011, the Company ceased operations of the following entities: Youth Media (BVI) Limited, Youth Media (Hong Kong) Limited, Youth Media (Beijing) Limited and Rebel Crew Films, Inc. Accordingly, the results of operations of these entities are reported as losses from discontinued operations in the consolidated statements of operations.

The Company does not expect to derive any revenues from the Discontinued Group in the future and does not expect to incur any significant ongoing operating expenses.

Results for discontinued operations for the quarter ended June 30, 2011 are as follows:

	2011	
China Youth Media, Inc.	$	7,815
Youth Media (Hong Kong)	-	
Youth Media (Beijing)		13,035
Net Loss discontinued operations	$	20,850

Assets and liabilities of discontinued operations were comprised of the following at June 30, 2011:

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	2011	
Cash	$	8,652
Total Assets	$	8,652
Accounts payable and accrued expenses	$	448,988
Related party note payable		153,984
Convertible note payable		50,000
Total liabilities	$	652,972

Note 16 – Subsequent Events

On June 29, 2012, the Company converted $500,000 of advances payable to Rick MacPherson (see Note 8) and $169,984 of advances payable to Jay Rifkin (see Note 9) to convertible notes. The notes bear interest at 12% per annum and are convertible into units, where each unit consists of: (i) 1 share of common stock of the Issuer, par value $0.001 per share, and (ii) a warrant to purchase 0.25 shares of common stock of the Issuer at an exercise price of $1.25 per share. The notes may be converted at any time and from time to time in whole or in part prior to the maturity date thereof. These securities were sold in reliance upon the exemption provided by Section 4(2) of the Securities Act and the safe harbor of Rule 506 under Regulation D promulgated under the Securities Act.

On July 1, 2012, the Company and R. Alan Kelley entered into an amended employment agreement (the "New Employment Agreement") that replaced and terminated the then existing employment agreement between Mr. Kelley and the Company, dated October 17, 2011. Under the New Employment Agreement, Mr. Kelley has agreed to be employed by the Company as President and Chief Operating Officer for a period of three years (the "Term"). The Term of Mr. Kelley's employment may be extended by the Board of Directors of the Company. Under the New Employment Agreement, Mr. Kelley will receive an annual base salary of $240,000 per year through December 31, 2012. Beginning on January 1, 2013 and continuing during the Term, Mr. Kelley will be paid an annual base salary of $280,000. Beginning January 1, 2014, Mr. Kelley will be eligible for a raise in base salary if a raise is deemed appropriate by the Board. In addition, Mr. Kelley is entitled to participate in all Company 401(k) programs and customary health and benefit plans. Under the New Employment Agreement, the Company shall also issue to Mr. Kelley 650,000 shares of common stock upon the earlier of a change in control of the Company or January 1, 2014 (the "Stock Grant") provided that Mr. Kelley remains an employee of the Company on January 1, 2014. In addition, the Company shall make the Stock Grant to Mr. Kelley if his employment is terminated without cause, if he resigns for good reason, or on his death or disability. Under the New Employment Agreement, Mr. Kelley is also entitled to participate in any stock option and incentive plans adopted by the Company. If Mr. Kelley is terminated without cause or resigns for good reason, subject to the receipt of a release in favor of the Company from Mr. Kelley, Mr. Kelley shall be entitled to a continuation of his base salary then in effect for the remainder of the term of the New Employment Agreement. The New Employment Agreement contains customary covenants by Mr. Kelley regarding non-competition and non-solicitation and use of confidential information. The foregoing summary of the New Employment Agreement is qualified in its entirety by reference to the copy of the New Employment Agreement attached hereto as Exhibit 10.1 and incorporated herein by reference.

On July 1, 2012, the Company and Johnny F. Norris, Jr. entered into an amended employment agreement (the “New Employment Agreement”) that replaced and terminated the then existing employment agreement between Mr. Norris and the Company, dated November 1, 2011. Under the New Employment Agreement, Mr. Norris has agreed to be employed by the Company as Chief Executive Officer and Chairman for a period of three years (the “Term”). The Term of Mr. Norris’s employment may be extended by the Board of Directors of the Company. Under the New Employment Agreement, Mr. Norris will receive an annual base salary of $180,000 per year through December 31, 2012. Beginning on January 1, 2013 and

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continuing during the Term, Mr. Norris will be paid an annual base salary of $240,000. Beginning January 1, 2014, Mr. Norris will be eligible for a raise in base salary if a raise is deemed appropriate by the Board. In addition, Mr. Norris is entitled to participate in all Company 401(k) programs and customary health and benefit plans. Under the New Employment Agreement, the Company shall also issue to Mr. Norris 1,500,000 shares of common stock upon the earlier of a change in control of the Company or January 1, 2014 (the “Stock Grant”) provided that Mr. Norris remains an employee of the Company on January 1, 2014. In addition, the Company shall make the Stock Grant to Mr. Norris if his employment is terminated without cause, if he resigns for good reason, or on his death or disability. Under the New Employment Agreement, Mr. Norris is also entitled to participate in any stock option and incentive plans adopted by the Company. If Mr. Norris is terminated without cause or resigns for good reason, subject to the receipt of a release in favor of the Company from Mr. Norris, Mr. Norris shall be entitled to a continuation of his base salary then in effect for the remainder of the term of the New Employment Agreement. The New Employment Agreement contains customary covenants by Mr. Norris regarding non-competition and non-solicitation and use of confidential information. The foregoing summary of the New Employment Agreement is qualified in its entirety by reference to the copy of the New Employment Agreement attached hereto as Exhibit 10.2 and incorporated herein by reference.

On July 1, 2012, the Company and Richard H. Gross entered into an amended employment agreement (the “New Employment Agreement”) that replaced and terminated the then existing employment agreement between Mr. Gross and the Company, dated September 19, 2011. Under the New Employment Agreement, Mr. Gross has agreed to be employed by the Company as Chief Financial Officer for a period of three years (the “Term”). The Term of Mr. Gross’s employment may be extended by the Board of Directors of the Company. Under the New Employment Agreement, Mr. Gross will receive an annual base salary of $130,000 per year through December 31, 2012. Beginning on January 1, 2013 and continuing during the Term, Mr. Gross will be paid an annual base salary of $150,000. Beginning January 1, 2014, Mr. Gross will be eligible for a raise in base salary if a raise is deemed appropriate by the Board. In addition, Mr. Gross is entitled to participate in all Company 401(k) programs and customary health and benefit plans. Under the New Employment Agreement, the Company shall also issue to Mr. Gross 100,000 shares of common stock upon the earlier of a change in control of the Company or January 1, 2014 (the “Stock Grant”) provided that Mr. Gross remains an employee of the Company on January 1, 2014. In addition, the Company shall make the Stock Grant to Mr. Gross if his employment is terminated without cause, if he resigns for good reason, or on his death or disability. Under the New Employment Agreement, Mr. Gross is also entitled to participate in any stock option and incentive plans adopted by the Company. If Mr. Gross is terminated without cause or resigns for good reason, subject to the receipt of a release in favor of the Company from Mr. Gross, Mr. Gross shall be entitled to a continuation of his base salary then in effect for the remainder of the term of the New Employment Agreement. The New Employment Agreement contains customary covenants by Mr. Gross regarding non-competition and non-solicitation and use of confidential information. The foregoing summary of the New Employment Agreement is qualified in its entirety by reference to the copy of the New Employment Agreement attached hereto as Exhibit 10.3 and incorporated herein by reference.

ITEM 2– MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Midwest Energy Emissions Corp. ("the Company") was organized under the laws of the State of Utah on July 19, 1983 under the name of Digicorp. Pursuant to shareholder approval, on October 6, 2006, the Board of Directors of the Company approved and authorized the Company to enter into an Agreement and Plan of Merger by and between the Company and Digicorp, Inc., a Delaware corporation and newly formed wholly-owned subsidiary of the Company that was incorporated under the Delaware General Corporation Law for the purpose of effecting a change of domicile. Effective February 22, 2007, the Company changed its domicile from Utah to Delaware with the name of the surviving corporation being Digicorp, Inc.

Pursuant to a Certificate of Amendment to our Certificate of Incorporation filed with the State of Delaware, which took effect as of October 16, 2008, the Company's name changed from "Digicorp, Inc." to "China Youth Media, Inc.". Pursuant to a Certificate of Amendment to our Certificate of Incorporation filed with the State of Delaware and effective as of October 7, 2011, the Company (i) changed its corporate name from “China Youth Media, Inc.” to “Midwest Energy Emissions Corp.”, and (ii) effected a reverse stock split of all the outstanding shares of our common stock at an exchange ratio of one for one hundred ten (1:110) and changed the number our authorized shares of common stock, par value $.001 per share, from 500,000,000 to 100,000,000.

Recent Developments

On June 21, 2011, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Midwest Energy Emissions Corp., pursuant to which at closing China Youth Media Merger Sub, Inc., the Company’s wholly-owned subsidiary formed for the purpose of such transaction (the “Merger Sub”), would merge into Midwest Energy Emissions Corp., the result of which Midwest Energy Emissions Corp. would become the Company’s wholly-owned subsidiary (the “Merger”). The Merger closed effective on June 21, 2011 (the “Closing”). As a result of the Closing and the Merger, the Merger Sub merged with and into Midwest Energy Emissions Corp. with Midwest Energy Emissions Corp. surviving. Effective at the time of the Closing, Midwest Energy Emissions Corp. changed its name to MES, Inc. (hereinafter referred to as “Midwest Energy Emissions”). For accounting purposes, the Merger was treated as a reverse merger and a recapitalization of China Youth Media, Inc. The recapitalization required pursuant to this merger resulted in a negative additional paid-in capital balance.

Midwest Energy Emissions

On December 17, 2008, Midwest Energy Emissions Corp. (a corporation in the development stage) was incorporated in the State of North Dakota. Midwest Energy Emissions is engaged in the business of developing and commercializing state of the art control technologies relating to the capture and control of mercury emissions from coal fired boilers in the United States and Canada.

Unless the context otherwise requires, the terms “we,” “us” or “our” refer to Midwest Energy Emissions Corp. and its consolidated subsidiaries.

Dissolution of subsidiaries

Pursuant to the terms of the Merger agreement, the Company is in the process of dissolving the following entities.

- Youth Media (BVI) Ltd.
- Youth Media (Hong Kong) Limited
- Youth Media (Beijing) Limited
- Rebel Crew Films, Inc.

The operations and cash flows of these subsidiaries have been eliminated from the accounts of the Company’s ongoing operations and major classes of assets and liabilities related thereto have been segregated. The losses from discontinued operations, including the impairment of certain assets of discontinued operations, have been reflected in the financial statements of this quarterly report. The Company also does not expect derive any revenues from the discontinued entity in the future and does not expect to incur any significant ongoing operating expenses.

The Company does not expect to have any continuing involvement in the discontinued operations.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial conditions and results of operation are based upon the accompanying financial statements which have been prepared in accordance with the generally accepted accounting principles in the U.S. The preparation of the consolidated financial statements requires that we make estimates and assumptions that affect the amounts reported in assets, liabilities, revenues and expenses. Management evaluates on an on-going basis our estimates with respect to the valuation allowances for accounts receivable, income taxes, accrued expenses and equity instrument valuation, for example. We base these estimates on various assumptions and experience that we believe to be reasonable. The following critical accounting policies are those that are important to the presentation of our consolidated financial condition and consolidated results of operations and require management’s most difficult, complex, or subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

The following critical accounting policies affect our more significant estimates used in the preparation of our consolidated financial statements and, in particular, our most critical accounting policy relates to recognition of revenue and the valuation of our stock based compensation.

Revenue Recognition

The Company records revenue from sales in accordance with ASC 605, *Revenue Recognition* (“ASC 605”). The criteria for recognition are as follows:

1. Persuasive evidence of an arrangement exists;

2. Delivery has occurred or services have been rendered;

3. The seller's price to the buyer is fixed or determinable; and

4. Collectability is reasonably assured.

Determination of criteria (3) and (4) will be based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments will be provided for in the same period the related sales are recorded.

Recoverability of Long-Lived and Intangible Assets

The Company has adopted ASC 360-10, *Property, Plant and Equipment* ("ASC 360-10"). ASC 360-10 requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of the Long-Lived and or intangible assets would be adjusted, based on estimates of future discounted cash flows. Impairment charges of $400,000 and zero were recognized for the quarters ended June 30, 2011 and 2010, respectively. Due to the short-term idling of both power plant units at the Company's commercial customer, the Company evaluated the recoverability of the carrying value of the Company's' equipment at that site. Based on a review of the discounted expected cash flows associated with the value contract with the customer, an impairment charge was recorded during the quarter ended June 30, 2011 against the value of the equipment. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Goodwill

The Company evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate; (2) unanticipated competition, or; (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. In conjunction with our reverse merger, the Company evaluated the carrying amount of the resulting goodwill and determined that the entire amount of goodwill of $3,555,000 was impaired.

Stock-Based Compensation

We have adopted the provisions of *Share-Based Payment*, which requires that share-based payments be reflected as an expense based upon the grant-date fair value of those grants. Accordingly, the fair value of each option grant, non-vested stock award and shares issued under our employee stock purchase plan, were estimated on the date of grant. We estimate the fair value of these grants using a Black-Scholes model which requires us to make certain estimates in the assumptions used in this model, including the expected term the award will be held, the volatility of the underlying common stock, the discount rate, dividends and the forfeiture rate. The expected term represents the period of time that grants and awards are expected to be outstanding. Expected volatilities were based on historical volatility of our stock. The risk-free interest rate approximates the U.S. treasury rate corresponding to the expected term of the option. Dividends were assumed to be zero. Forfeiture estimates are based on historical data. These inputs are based on our assumptions, which we believe to be reasonable but that include complex and subjective variables. Other reasonable assumptions could result in different fair values for our stock-based awards. Stock-based compensation expense, as determined using a Black-Scholes option-pricing model, is recognized on a straight-line basis over the service period, net of estimated forfeitures. To the extent that actual results or revised estimates differ from the estimates used, those amounts will be recorded as a cumulative adjustment in the period that estimates are revised.

Results of Operations

Pursuant to the terms of the Merger Agreement, the Company is in the process of dissolving the following entities that remained in existence after the Merger of Midwest and China Youth Media, Inc.:

- Youth Media (BVI) Ltd.
- Youth Media (Hong Kong) Limited
- Youth Media (Beijing) Limited
- Rebel Crew Films, Inc.

The operations and cash flows of these subsidiaries have been eliminated from the accounts of the Company's ongoing operations and major classes of assets and liabilities related thereto have been segregated. The losses from discontinued operations, including the impairment of certain assets of discontinued operations, have been reflected in the consolidated financial statements of this report. The Company does not expect to derive any revenues from the discontinued entities in the future and does not expect to incur any significant ongoing operating expenses.

Revenues

Sales - We generated no revenues three and six months ended June 30, 2011 and zero and $7,000 for the three and six months ended June 30, 2010 respectively. We generated all of our revenue for the six months ended June 30, 2010 in connection with a 2009 sub-award project from the University of North Dakota Energy and Environmental Research Center for "Full Scale Testing of Sorbent Injection Technology on Mercury Control." We recognized revenue for services performed upon completion of the test work and approval of the invoices submitted to the University of North Dakota Energy and Environment Research Center.

Operating Expenses

See *Recent Developments* in *Note 1 Organization* in the Notes to the Financial Statements as filed herewith to our Form 10-Q, which describes that pursuant to the Merger Agreement, and for accounting purposes, the Merger was treated as a reverse merger and a recapitalization of the Company.

Costs and expenses were $4,223,000 and $53,000 during the quarter ended June 30, 2011 and 2010, respectively and were $4,481,000 and $142,000 during the six months ended June 30, 2011 and 2010, respectively. The increase in costs and expenses is attributable to (i) the impairment of goodwill of $3,555,000 discussed below, and (ii) the increase in operating expenses is attributable almost entirely to marketing and development expenses, professional fees and general and administrative expenses which when taken together all are associated with our recent efforts to commercializing our mercury emissions control technologies from coal fired boilers in the United States and Canada.

License Maintenance Fees were $37,500 and $25,000 for the three months ended June 30, 2011 and 2010, respectively, and $75,000 and $50,000 for the six months ended June 30, 2011 and 2010, respectively. The expenses in these periods relates to the amortization of the annual maintenance fee for the respective year.

Marketing and development expenses were $121,000 and $2,000 for the three months ended June 30, 2011 and 2010, respectively, and were $195,000 and $2,000 for the six months ended June 30, 2011 and 2010, respectively. The increase in marketing and development expenses during the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010 is primarily attributed to our increase efforts to commercialize our mercury emissions control technologies and the increase expenses associated with expanding our operations.

Selling, general and administrative expenses were $57,000 and $26,000 for the three months ended June 30, 2011 and 2010, respectively, and were $115,000 and $26,000 for the six months ended June 30, 2011 and 2010, respectively. The increase in selling, general and administrative expenses during these periods over the same periods in the prior year is primarily attributed to our increase efforts to commercialize our mercury emissions control technologies and the increase expenses associated with expanding our operations.

Professional fees were $428,000 and zero for the three months ended June 30, 2011 and 2010, respectively, and were $485,000 and $64,000 for the six months ended June 30, 2011 and 2010, respectively. The increase in professional fees during these periods over the same periods in the prior year is primarily attributed to our increase efforts to commercialize our mercury emissions control technologies and the increase expenses associated with expanding our operations.

Goodwill impairment expenses were $3,555,000 and for the quarter and six months ended June 30, 2011. The expense was related to the determination of management that the goodwill created in the Merger was impaired.

Net Loss

For the quarter ended June 30, 2011 and 2010 we had a net loss from operations of approximately $4,252,000 and $46,000, respectively and for the six months ended June 30, 2011 and 2010 we had a net loss from operations of approximately $4,520,000 and $135,000, respectively. The net loss is primarily attributed to our recent efforts to commercializing our control technologies relating to the capture and control of mercury emissions from coal fired boilers in the United States and Canada and the associated increase in our operations and hiring of employees.

Interest Income and Other, Net

Given our financial constraints and our reliance on financing activities, interest expense related to the financing of capital was $8,000 and zero during the quarter ended June 30, 2011 and 2010, respectively. Interest expense related to the financing of capital was $18,000 during the six months ended June 30, 2011 and zero during the six months ended June 30, 2010.

Taxes

As of June 30, 2011, our deferred tax asset primarily related to our net operating losses. A 100% valuation allowance has been established using an effective tax rate of 34% due to the uncertainty of the utilization of the operating losses in future periods. As a result, the deferred tax asset was reduced to zero and no income tax benefit was recorded. The net operating loss carryforward will begin to expire in 2030.

Section 382 of the Internal Code allows post-change corporations to use pre-change net operating losses, but limit the amount of losses that may be used annually to a percentage of the entity value of the corporation at the date of the ownership change. The applicable percentage is the federal long-term tax-exempt rate for the month during which the change in ownership occurs.

Liquidity and Capital Resources

Our principal sources of liquidity are cash generated from financing activities. As of June 30, 2011, our cash and cash equivalents were $9,000. We had a working capital deficit of approximately $2.8 million at June 30, 2011 and we continue to have recurring losses. Our anticipated cash needs for working capital and capital expenditures for at least the next twelve months is approximately $5 million. In the past we have primarily relied upon financing activities and loans from related parties to fund our operations. These conditions raise substantial doubt about our ability to continue as a going concern. We are actively seeking sources of additional financing in order to maintain and potentially expand our operations and to fund our debt repayment obligations. Even if we are able to obtain funding, there can be no assurance that a sufficient level of sales will be attained to fund such operations or that unbudgeted costs will not be incurred. Future events, including the problems, delays, expenses and difficulties frequently encountered by similarly situated companies, as well as changes in economic, regulatory or competitive conditions, may lead to cost increases that could make the net proceeds of any new funding and cash flow from operations insufficient to fund our capital requirements. There can be no assurances that we will be able to obtain such additional funding from management or other investors on terms acceptable to us, if at all.

Total assets were $1.1 million at June 30, 2011 versus $97,000 at December 31, 2010. The change in total assets is almost exclusively attributable to recent purchases of heavy equipment related to the deployment of our mercury emissions control technologies from coal fired boilers in the United States and Canada.

Operating activities used $330,000 of cash during the six months ended June 30, 2011 compared to $17,000 during the six months ended June 30, 2010. The change in cash used for operating activities resulted primarily from our recent efforts to commercializing our mercury emissions control technologies from coal fired boilers in the United States and Canada and the associated increase in operating expenses.

Investing activities used $757,000 of cash during the six months ended June 30, 2011 compared to $0 during the months ended June 30, 2011. This change resulted from the purchase of equipment during the first six months of 2011.

Financing activities provided $1,088,000 during the six months ended June 30, 2011 primarily due to related party advances of $938,000, compared to net cash provided by financing activities of $17,000 during the six months ended June 30, 2010 primarily due to related party advances.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4 – CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2011, these disclosure controls and procedures were not effective to ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rule and forms; and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the evaluation of the effectiveness of our disclosure controls and procedures by our management, our newly appointed Chief Financial Officer, who was appointed by the Board of Directors on October 10, 2011, identified deficiencies in our internal controls and disclosure controls by determining that certain transactions had been recorded in error during the preceding periods. The detection of these errors was contained in the Company's Current Report on Form 8-K as filed with the Commission on November 4, 2011.

We are in the process of improving our internal control over financial reporting in an effort to remediate these deficiencies through the recent appointment of our newly retained Chief Financial Officer and improved supervision and training of our accounting staff. We believe that these efforts will be sufficient to fully remedy these deficiencies and will improve and strengthen our control processes and procedures. Our Chief Financial Officer and other personnel will continue to work with our auditors and other outside advisors to ensure that our control processes and procedures are adequate and effective.

Changes in Internal Control over Financial Reporting

There have been no changes in the company's internal control over financial reporting during the year that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

We are not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of our business. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

ITEM 1a – RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM – 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(Subsequent to the quarter ended June 30, 2011, and effective as of October 7, 2011, the Company effected a reverse stock split of all the outstanding shares of its common stock at an exchange ratio of one for one hundred ten (1:110) (the “Reverse Stock Split”). Except as otherwise indicated, all numbers reflected below are pre-split numbers.)

As a result of the Merger on June 21, 2011, all of the outstanding shares of common stock of Midwest Energy Emissions were exchanged for 10,000 shares of our newly created Series B Convertible Preferred Stock. Each share of Series B Convertible Preferred Stock will automatically convert into 301,255 shares of our common stock, representing 3,012,550,000 (27,386,826 post Reverse Stock Split) shares in the aggregate, upon the effectiveness of a Certificate of Amendment to our Articles of Incorporation sufficient to increase our authorized common stock to allow for the conversion.

Prior to the Closing of the Merger, effective on the date of Closing, we agreed to issue and did issue 39,774,247 (361,585 post Reverse Stock Split) shares of our Common Stock to Mojo Music, Inc. (“Mojo Music”) in connection with the conversion of $198,871 in principal and accrued interest associated with an outstanding promissory note and

21,439,062 (194,901 post Reverse Stock Split) shares of our Common Stock to Rebel Holdings, LLC ("Rebel Holdings") in connection with the conversion of $107,195 of debt associated with outstanding promissory notes at a conversion rate of $0.005 per share. Both Mojo Music and Rebel Holdings are beneficially owned and controlled by Jay Rifkin, one of our directors and our Chief Executive Officer at the time of the transactions. We agreed to issue Jay Rifkin an aggregate of 34,882,706 (317,116 post Reverse Stock Split) shares of our Common Stock as payment for $174,414 of accrued salary and unreimbursed expenses at a value of $0.005 per share.

In addition, effective on the date of Closing, we agreed to issue and did issue 66,800,000 (607,273 post Reverse Stock Split) shares of our Common Stock to Year of the Golden Pig, LLC ("Golden Pig") in connection with the conversion of $334,000 in principal and accrued interest associated with an outstanding promissory note at a conversion rate of $0.005 per share. Golden Pig is beneficially owned and controlled by Dennis Pelino. We also agreed to issue an aggregate of 12,800,000 (116,364 post Reverse Stock Split) shares of our Common Stock to two former employees as payment for accrued salaries totaling $64,000 at a value of $0.005 per share, which includes 800,000 (7,273 post Reverse Stock Split) shares to the wife of Jay Rifkin as payment for accrued salary of $4,000.

In connection with the transactions contemplated by the Merger Agreement, and pursuant to Midwest Energy Emissions' obligations under a Business Consulting Agreement dated March 18, 2011, on July 6, 2011 , we issued 5,000,000 (45,455 post Reverse Stock Split) shares of our common stock to Eastern Sky, LLC as compensation for consulting services rendered in connection with the transaction. The shares were valued at $77,500.

On July 6, 2011, we issued 2,008,365 (18,258 post Reverse Stock Split) shares of our common stock to The Lebrecht Group, APLC as compensation for legal services rendered in connection with the Merger Agreement. The shares were valued at $31,130.

ITEM – 3 DEFAULT UPON SENIOR SECURITIES

Not applicable.

ITEM – 4 MINE SAFETY DISCLOSURES

Not applicable.

ITEM – 5 OTHER INFORMATION

See note 16 - Subsequent Events above.

ITEM – 6 EXHIBITS

Exhibit Number	Description
10.1*	Amended and Restated Employment Agreement between R. Alan Kelley and Midwest Energy Emissions Corp, dated July 1, 2012**
10.2*	Amended and Restated Employment Agreement between John F. Norris and Midwest Energy Emissions Corp, dated July 1, 2012**
10.3*	Amended and Restated Employment Agreement between Richard H. Gross and Midwest Energy Emissions Corp, dated July 1, 2012**
31.1*	Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
31.2*	Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
32.1*	Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2*	Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
101*(1)	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements

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* Filed herewith.

** Compensation-related Agreement

(1) In accordance with Rule 406T of Regulation S-T, the XBRL information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MIDWEST ENERGY EMISSIONS CORP.

(Registrant)

Dated: July 2, 2012

By: */s/ John F. Norris, Jr.*

John F. Norris, Jr.

Chief Executive Officer

(Principal Executive Officer)

Dated: July 2, 2012

By: */s/ Richard H. Gross*

Richard H. Gross

Chief Financial Officer

(Principal Financial Officer)