

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

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

(State or other jurisdiction of incorporation or organization)

87-0398271

(I.R.S. Employer Identification No.)

500 West Wilson Bridge Road, Suite 140

Worthington, Ohio

(Address of principal Executive offices)

43085

(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 May 10, 2012.

MIDWEST ENERGY EMISSIONS CORP.

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PART I – FINANCIAL INFORMATION

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 Condensed Financial Information

Period Ended March 31, 2012

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MIDWEST ENERGY EMISSIONS CORP AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2012 AND DECEMBER 31, 2011

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,980	\$ 99,713
Accounts receivable	-	206,545
Inventory	-	30,622
Prepaid expenses and other assets	93,863	33,234
Total current assets	95,843	370,114
Property and Equipment, Net	1,034,922	1,566,697
License, Net	80,882	82,353
Prepaid expenses	40,584	43,019
Total assets	<u>\$ 1,252,231</u>	<u>\$ 2,062,183</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	\$ 346,478	\$ 368,908
Accrued legal and consulting fees	784,915	656,507
Advances payable - related party	951,034	951,034
Convertible note payable of discontinued operations	50,000	50,000
Notes payable	150,000	150,000
Current liabilities of discontinued operations	432,051	430,973
Note payable -related party of discontinued operations	169,984	169,984
Total current liabilities	2,884,462	2,777,406
Total liabilities	2,884,462	2,777,406
Stockholders' deficit		
Preferred stock, \$.001 par value: 2,000,000 shares authorized		
Common stock; \$.001 par value; 100,000,000 shares authorized; 33,239,878 shares issued and outstanding as of March 31, 2012		
32,678,650 shares issued and outstanding at December 31, 2011	33,240	32,679
Additional paid-in capital	9,464,468	9,251,529
Deficit accumulated during development stage	(11,129,939)	(9,999,431)
Total stockholders' deficit	(1,632,231)	(715,223)
Total liabilities and stockholders' deficit	<u>\$ 1,252,231</u>	<u>\$ 2,062,183</u>

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

MIDWEST ENERGY EMISSIONS CORP AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS ENDED MARCH 31, 2012 AND 2011
AND THE CUMULATIVE PERIOD DECEMBER 17, 2008 (INCEPTION) THROUGH MARCH 31, 2012

	<u>For the Quarter Ended March 31, 2012 (Unaudited)</u>	<u>For the Quarter Ended March 31, 2011</u>	<u>December 17, 2008 (Inception) Through March 31, 2012</u>
Revenues	\$ 85,540	\$ -	\$ 857,645
Costs and expenses:			
Cost of goods sold	67,013	-	510,938
Operating expenses	12,463	31,156	509,564
License maintenance fees	50,000	37,500	350,000
Marketing and development	63,000	74,828	952,880
Selling, general and administrative expenses	448,238	57,640	4,482,532
Professional fees	146,450	57,522	1,117,776
Impairment of fixed assets	400,000	-	400,000
Impairment of goodwill	-	-	3,555,304
Total costs and expenses	<u>1,187,164</u>	<u>258,646</u>	<u>11,878,994</u>
Operating loss	(1,101,624)	(258,646)	(11,021,349)
Other expense			
Interest expense	(27,806)	(9,360)	(82,063)
Total other expense	<u>(27,806)</u>	<u>(9,360)</u>	<u>(82,063)</u>
Net loss from continuing operations	<u>(1,129,430)</u>	<u>(268,006)</u>	<u>(11,103,412)</u>
Net loss from discontinued operations	<u>(1,078)</u>	<u>-</u>	<u>(26,527)</u>
Net loss	<u>\$ (1,130,508)</u>	<u>\$ (268,006)</u>	<u>\$ (11,129,939)</u>
Net loss per common share - basic and diluted:			
Continuing operations	\$ (0.03)	\$ (0.01)	
Discontinued operations	<u>-</u>	<u>-</u>	
	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	
Weighted average common shares outstanding	<u>32,824,065</u>	<u>27,129,086</u>	

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

MIDWEST ENERGY EMISSIONS CORP AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE PERIOD FROM DECEMBER 17, 2008 (INCEPTION) THROUGH MARCH 31, 2012

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated (Deficit)</u>	<u>Common</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>			<u>Stock</u>	<u>Stockholders'</u>
					<u>Subscribed</u>	<u>Deficit</u>
Balance - December 17, 2008	-	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock subscribed	23,601,967	-	-	-	23,601,967	23,601,967
Subscription receivable	(23,601,967)	-	-	-	(23,601,967)	(23,601,967)
Net loss for the period	-	-	-	-	-	-
Balance - December 31, 2008	-	-	-	-	-	-
Proceeds received from subscriptions receivable	11,412,090	11,412	(7,245)	-	-	4,167
Net loss for the period	-	-	-	(30,750)	-	(30,750)
Balance - December 31, 2009	<u>11,412,090</u>	<u>11,412</u>	<u>(7,245)</u>	<u>(30,750)</u>	<u>-</u>	<u>(26,583)</u>
Proceeds from subscriptions receivable	12,189,877	12,190	(7,739)	-	-	4,451
Stock issued for services	3,483,604	3,484	60,116	-	-	63,600
Net loss for the period	-	-	-	(471,565)	-	(471,565)
Balance - December 31, 2010	<u>27,085,571</u>	<u>27,086</u>	<u>45,132</u>	<u>(502,315)</u>	<u>-</u>	<u>(430,097)</u>
Proceeds from the issuance of common stock (pre merger)	164,321	164	149,836	-	-	150,000
Shares issued for services (pre merger)	136,934	137	124,863	-	-	125,000
Issuance of common stock in a business combination	3,042,977	3,043	2,774,735	-	-	2,777,778
Stock issued for services	63,712	64	108,566	-	-	108,630
Proceeds from the issuance of preferred stock subsequently converted to common stock, net of issuance costs	507,500	508	464,853	-	-	465,361
Issuance of common stock in lieu of fractional shares from reverse split	337	-	-	-	-	-
Issuance of warrants	-	-	18,139	-	-	18,139
Proceeds from the issuance of common stock, net of issuance costs	1,677,298	1,677	1,612,212	-	-	1,613,889
Common stock to be issued	-	-	3,953,193	-	-	3,953,193
Net loss for the period	-	-	-	(9,497,116)	-	(9,497,116)
Balance - December 31, 2011	<u>32,678,650</u>	<u>\$ 32,679</u>	<u>\$ 9,251,529</u>	<u>\$ (9,999,431)</u>	<u>\$ -</u>	<u>\$ (715,223)</u>
Proceeds from the issuance of common stock, net of issuance costs	213,500	213	213,287	-	-	213,500
Stock issued for services performed in						

prior periods	347,728	348	(348)	-	-	-
Net loss for the period	-	-	-	(1,130,508)	-	(1,130,508)
Balance - March 31, 2012						
(Unaudited)	<u>33,239,878</u>	<u>\$ 33,240</u>	<u>\$ 9,464,468</u>	<u>\$ (11,129,939)</u>	<u>\$ -</u>	<u>\$ (1,632,231)</u>

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

MIDWEST ENERGY EMISSIONS CORP AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2012 AND 2011
AND THE CUMULATIVE PERIOD DECEMBER 17, 2008 (INCEPTION) THROUGH MARCH 31, 2012

	For the Quarter Ended March 31, 2012 (Unaudited)	For the Quarter Ended March 31, 2011	December 17, 2008 (Inception) Through March 31, 2012
Cash flows from operating activities			
Net loss	\$ (1,130,508)	\$ (268,006)	\$ (11,129,939)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock based compensation	-	-	3,487,400
Stock issued for services	-	20,833	763,023
Amortization of license fees	1,471	1,471	19,118
Depreciation expense	131,775	3,852	148,563
Impairment of fixed assets	400,000	-	400,000
Impairment of goodwill	-	-	3,555,304
Change in assets and liabilities			
Decrease in accounts receivable	206,545	-	-
Decrease in inventory	30,622	-	-
Increase in prepaid expenses and other assets	(58,194)	-	(132,571)
Increase in accounts payable and accrued liabilities	105,978	155,818	961,972
Increase in accounts payable attributable to discontinued operations	1,078	-	(146,223)
Net cash used in operating activities	<u>(311,233)</u>	<u>(86,032)</u>	<u>(2,073,353)</u>
Cash flows used in investing activities			
Purchase of license	-	-	(100,000)
Cash assumed in reverse merger	-	-	11,150
Purchase of equipment	-	(289,915)	(1,406,358)
Net cash used in investing activities	<u>-</u>	<u>(289,915)</u>	<u>(1,495,208)</u>
Cash flows from financing activities			
Net proceeds from related party advances	-	269,416	951,034
Proceeds from note payable	-	-	150,000
Proceeds from the issuance of preferred stock, net	-	-	483,500
Proceeds from the issuance of common stock, net	213,500	100,000	1,986,007
Net cash provided by financing activities	<u>213,500</u>	<u>369,416</u>	<u>3,570,541</u>
Net increase in cash and cash equivalents	(97,733)	(6,531)	1,980
Cash and cash equivalents - beginning of period	<u>99,713</u>	<u>7,310</u>	<u>-</u>
Cash and cash equivalents - end of period	<u>\$ 1,980</u>	<u>\$ 779</u>	<u>\$ 1,980</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	\$ 2,275	\$ -	\$ 4,962
Taxes	\$ -	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS			
Equipment purchases included in accounts payable	<u>\$ -</u>	<u>\$ 741,072</u>	<u>\$ 169,421</u>

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.

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."

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.

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 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.

Inventory

Inventories are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

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 quarter ended March 31, 2012 and 2011, the Company capitalized zero and \$2,809, 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 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 March 31, 2012 and 2011, 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 March 31, 2012 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 \$3,555,304 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 revenues of \$85,540 and \$0 for the quarter ended March 31, 2012 and 2011, respectively. The Company generated revenue for the quarter ended March 31, 2012 by delivering product to its first commercial customer for use in the system operations. Revenues were curtailed in February as the units were shut down due to reduced load demand and low natural gas prices. The Company anticipates that these units will remain idle until at least late summer.

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 March 31, 2012. 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 March 31, 2012, 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 March 31, 2012 is on deposit in a non-interest-bearing transaction account that is fully covered by FDIC deposit insurance. For the quarter ended March 31, 2012, 100% of the Company's revenues related to one customer.

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 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.

Recently Issued Accounting Standards

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards ("IFRSs")*. This standard updates accounting guidance to clarify the measurement of fair value to align the guidance and improve the comparability surrounding fair value measurement within GAAP and IFRSs. The standard also updates requirements for measuring fair value and expands the required disclosures. The standard does not require additional fair value measurements and was not intended to establish valuation standards or affect valuation practices outside of financial reporting. This standard was effective for the Company on January 1, 2012. The adoption of this standard did not have a material impact on the Company's consolidated financial statements or required disclosures.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The standard is intended to enhance comparability between entities that report under US GAAP and those that report under IFRS, and to provide a more consistent method of presenting non-owner transactions that affect an entity's equity. Under the ASU, an entity can elect to present items of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive, statements. Each component of net income and each component of other comprehensive income, together with totals for comprehensive income and its two parts, net income and other comprehensive income, would need to be displayed under either alternative. The statement(s) would need to be presented with equal prominence as the other primary consolidated financial statements. The ASU does not change items that constitute net income and other comprehensive income, when an item of other comprehensive income must be reclassified to net income or the earnings-per-share computation (which will continue to be based on net income). The new US GAAP requirements are effective for public entities as of the beginning of a fiscal year that begins after December 15, 2011 and interim and annual periods thereafter. Early adoption is permitted, but full retrospective application is required under the accounting standard. The adoption of this standard did not have a material impact on the Company's consolidated results of operations, cash flows, and financial position.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles - Goodwill and Other (Topic 350) Testing Goodwill for Impairment*. This standard simplifies how an entity tests goodwill for impairment and allows an entity to first assess qualitative factors in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This standard is effective for entities as of the beginning of a fiscal year that begins after December 15, 2011 and interim and annual periods thereafter. Early adoption is permitted. The adoption of this standard did not have a material impact on the Company's consolidated financial statements or required disclosures.

In December 2011, the FASB issued ASU No. 2011-12, *Deferral of Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05*, which defers the requirement in ASU No. 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income. All other requirements of ASU No. 2011-05 remain unchanged.

Note 3 - Going Concern

The accompanying consolidated financial statements as of March 31, 2012 have been prepared assuming the Company will continue as a going concern. From the period of inception (December 17, 2008) through March 31, 2012, the Company has experienced a net loss, negative cash flows from operations and has an accumulated deficit of \$11,129,939. 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 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	<u>\$2,777,778</u>
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	<u>3,555,304</u>
Total purchase price	<u>\$2,777,778</u>

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 March 31, 2012 and December 31, 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Equipment & Installation	\$1,547,559	\$1,547,559
Office equipment	23,941	23,941
Computer equipment	<u>11,985</u>	<u>11,985</u>
Total Equipment	1,583,485	1,583,485
Less: accumulated depreciation and impairment charges	<u>548,563</u>	<u>16,788</u>
Property and equipment, net	<u>\$1,034,922</u>	<u>\$1,566,697</u>

The Company uses the straight-line method of depreciation over 3 to 10 years. During the year ended December 31, 2011, the Company installed equipment with a total cost of \$1,499,080 at the site of its first commercial customer in Centralia, Washington. This equipment is subject to a bargain purchase option on January 1st, 2015 and the Company also bears the cost of asset retirement at the end of the commercial contract should the customer not exercise the purchase option. The Company believes that if required to retire, the scrap value of the equipment would offset the cost of removal. During the quarter ended March 31, 2012, depreciation expense charged to operations was \$131,775.

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 March 31, 2012 and December 31, 2011 are as follows:

	<u>2012</u>	<u>2011</u>
License	\$ 100,000	\$ 100,000
Less: accumulated amortization	19,118	17,647
License, net	<u>\$ 80,882</u>	<u>\$ 82,353</u>

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 \$1,471 during the quarters ended March 31, 2012 and 2011. 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 of the Company at the rate of \$0.44 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 quarter ended March 31, 2012 was \$997.

Note 8 – Notes Payable

On September 13, 2011, the Bank of North Dakota New Venture Capital Program provided a working capital loan to the Company in exchange for a promissory note in the amount of \$125,000. It is a demand note, but if no demand is made, the Company shall make quarterly interest payments beginning December 31, 2011 at a fixed interest rate of 6% and continuing on a quarterly basis until maturity. The loan matures on September 30, 2014. \$75,000 has been advanced on the loan as of March 31, 2012. Interest expense for the quarter ended March 31, 2012 was \$1,138.

On September 13, 2011, the Bank of North Dakota Development Fund, Inc. provided a working capital loan to the Company in exchange for a promissory note in the amount of \$125,000. It is a demand note, but if no demand is made, the Company shall make quarterly interest payments beginning December 31, 2011 at a fixed interest rate of 6% and continuing on a quarterly basis until maturity. The loan matures on September 30, 2014. \$75,000 has been advanced on the loan as of March 31, 2012. Interest expense for the quarter ended March 31, 2012 was \$1,138.

Note 9 - Advances Payable – Related Party

As of March 31, 2012, the Company had advances payable totaling \$952,234, 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 March 31, 2012 was \$108,741 and interest expense for the quarter ended March 31, 2012 was \$21,664.

Note 10 – 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 March 31, 2012 was \$11,981 and interest expense for the quarter ended March 31, 2012 was \$3,867.

Note 11 – 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 March 31,	
2012	\$ 325,000
2013	200,000
2014	200,000
2015	200,000
2016	200,000
Thereafter	<u>1,600,000</u>
	<u>\$2,725,000</u>

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.

On October 18, 2011, the Company entered into a 39-month lease for office space in Worthington, Ohio, commencing November 15, 2011. The lease provides for the option to extend the lease under its current terms for three additional years. Rent is abated for the first three months of the lease. Rent is \$1,933 per month for months four through fifteen, \$1,968 for months 16 through twenty-seven and \$2,002 for months twenty-eight through thirty-nine.

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

Twelve months ended March 31,	
2012	\$ 46,033
2013	46,447
2014	29,624
2015	-
Thereafter	-
	<u>\$122,104</u>

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

Rent expense was approximately \$13,000 for the quarter ended March 31, 2012 and approximately \$38,000 from inception to March 31, 2012.

Fixed Price Contract

The Company's contract with its customer contains a fixed price for product over three years. This contract exposes the company to the potential risks associated with rising material costs during that same period.

Note 12 – Equity

The Company was established with two classes of stock, common stock – 100,000,000 shares authorized at a par value of \$0.001 and preferred stock – 2,000,000 shares authorized at a par value of \$0.001.

Common Stock

On March 19, 2012, the Company issued 172,728 shares pursuant to an Acknowledgment and Agreement dated March 16, 2012 with Beijing Consultancy & Development Limited to satisfy a grant of shares that remained unissued as of the Merger.

On March 29, 2012, the Company and Troy Grant entered into a letter agreement pursuant to which Mr. Grant was issued 175,000 shares to settle accrued consulting services performed in 2011.

From January 1 through March 31, 2012, the Company sold 213,500 shares of its common stock to unaffiliated accredited investors for \$213,500 or \$1.00 per share. 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.

As of March 31, 2012 the Company had committed to issue Jana Stover 68,468 shares to settle accrued consulting services performed in 2011. These shares were valued at \$106,125 and have not been issued.

Note 13 - 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. The total number of shares subject to the Stock Plan was revised to 454,545 shares by the Reverse Stock Split.

The Company accounts for stock-based compensation awards in accordance with the provisions of ASC 718, 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 consolidated 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 March 31, 2012 is presented below:

	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price	Weighted Average Remainign Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2011	169,087	285,458	14.44	7.3	-
Grants	-	-	-	-	-
Cancellations	-	-	-	-	-
March 31, 2012	169,087	285,458	14.44	7.1	-
Options exercisable at:					
December 31, 2011		285,458	14.44	7.3	
March 31, 2012		285,458	14.44	7.1	

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, 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.

On July 6, 2011, the Company issued 18,258 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.

Effective as of October 10, 2011, the Company and Richard H. Mr. Gross entered into an employment agreement pursuant to which Mr. Gross agreed to be employed by the Company as Chief Financial Officer for a period of one year which may be renewed subject to the approval by the Board. The Company also agreed to issue Mr. Gross 50,000 shares of common stock as a signing bonus one year from the effective date of the employment agreement.

Since the shares are fully vested upon the signing of the agreement, the Company has recognized all of the compensation expense at the date of grant. These shares are valued at \$93,500 in accordance with FASB ASC Topic 718.

Effective as of October 17, 2011, the Company and John F. Norris, Jr. entered into an employment agreement pursuant to which Mr. Norris agreed to be employed by the Company as Chief Executive Officer and Chairman for a period of three years which may be renewed subject to the approval by the Board. The Company also agreed to issue Mr. Norris 1,500,000 shares of common stock as a signing bonus, of which 500,000 shares will be issued on October 1, 2012, 500,000 shares will be issued on October 1, 2013, and 500,000 shares will be issued on October 1, 2014, or upon a change of control of the Company. Since the shares become fully vested upon the signing of the agreement, the Company has recognized all of the compensation expense at the date of grant. These shares are valued at \$2,805,300 in accordance with FASB ASC Topic 718.

Effective as of November 1, 2011, the Company and R. Alan Kelley entered into an employment agreement pursuant to which Mr. Kelley agreed to be employed by the Company as President and Chief Operating Officer for a period of three years which may be renewed subject to the approval by the Board. The Company also agreed to issue Mr. Kelley 500,000 shares of common stock as a signing bonus one year from the effective date of the employment agreement or upon a change of control of the Company. Since the shares become fully vested upon the signing of the agreement, the Company has recognized all of the compensation expense at the date of grant. These shares are valued at \$525,000 in accordance with FASB ASC Topic 718.

Note 14 - 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.

On October 24, 2011, the Company granted Global Maxfin Capital Inc. (“Global”), as consideration for fund raising services on behalf of the Company, a vested warrant with a term of five years to purchase 24,000 shares of common stock with an exercise price of \$1.00 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. Using a Black-Sholes Valuation model these warrants had a value of \$18,139 which was recorded as syndication costs and deducted from the proceeds of the funds raised by Global.

The following table summarizes information about common stock warrants outstanding at March 31, 2012:

Exercise Price	Number Outstanding	Outstanding		Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$9.90	7,955	1.41	\$ 9.90	7,955	\$ 9.90
9.90	4,773	1.50	9.90	4,773	9.90
3.30	11,364	4.12	3.30	11,364	3.30
1.00	24,000	4.57	1.00	24,000	1.00
\$1.00 - \$9.90	48,092	3.64		48,092	

Note 15 - Tax

For the quarter ended March 31, 2012, the Company had a net operating loss carryforward offset by a fair value allowance and, accordingly, no provision for income taxes has been recorded. For the quarter ended March 31, 2011, the Company was an S corporation and income and losses were passed through to the stockholders. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At March 31, 2012, the Company’s net operating loss carryforward was approximately \$8,003,000. The net operating loss carryforward, if not utilized, will begin to expire in 2025.

As of March 31, 2012, our deferred tax asset primarily related to accrued compensation and net operating losses. A 100% valuation allowance has been established due to the uncertainty of the utilization of these assets 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 2025.

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 16 – 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 quarters ended March 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
China Youth Media, Inc.	\$ 997	\$ -
Youth Media (Hong Kong)	-	-
Youth Media (Beijing)	81	-
Net loss from discontinued operations	<u>\$ 1,078</u>	<u>\$ -</u>

Assets and liabilities of discontinued operations were comprised of the following at March 31, 2012 and December 31, 2011:

	<u>2012</u>	<u>2011</u>
Accounts payable and accrued expense	\$ 432,051	\$ 430,973
Related party note payable	169,984	169,984
Convertible note payable	50,000	50,000
Total liabilities	<u>\$ 652,035</u>	<u>\$ 650,957</u>

Note 17 – Subsequent Events

From April 30 through May 10, 2012, the Company sold convertible notes to unaffiliated accredited investors totaling \$1,228,000. The notes 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.

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

Background

We are a Development Stage Company that develops and employs patented and proprietary technologies to remove mercury from coal-fired power plants. The recently finalized United States Environmental Protection Agency Mercury and Air Toxics Standards (“MATS”) requires that all coal and oil-fired power plants in the U.S., larger than 25 Megawatts (Electric Generating Units or “EGU”), must limit mercury in its emissions to below certain specified levels, according to the type of coal burned and the plant design. In general, MATS requires EGUs to remove about 90% of the mercury from their emissions. Our technology has been shown to be able to achieve mercury removal levels compliant with MATS and at a lower cost and plant impact than the most widely used approach of powdered activated carbon or brominated powdered activated carbon injection. As is typical in this market, we are paid by the EGU based on how much of our material is injected to achieve the needed level of mercury removal. Our current client pays and we expect future clients will pay us periodically (monthly or as material is delivered) based on their actual use of our injected material. Clients will use our material whenever their EGUs operate, but they do not operate all the time. EGU’s typically are not operated due to maintenance reasons or when the price of power in the market is less than their cost to produce that power. Thus, our revenues from EGU clients will not typically be a consistent, steady stream but will fluctuate, especially seasonally as the market demand for power fluctuates.

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 March 31, 2012 and 2011, 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 March 31, 2012 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 revenues of \$86,000 and \$0 for the quarter ended March 31, 2012 and 2011, respectively. The Company generated revenue for the quarter ended March 31, 2012 by delivering product to our first commercial customer for use in the system operations. The plant owner has idled both units and management does not believe that they plan to operate either unit consistently until at least late summer. The idling is related to low power demand and cheaper sources of energy due to lower natural gas prices. We do not anticipate further revenue from these units before the third quarter of this year.

Cost and Expenses

Costs and expenses were \$1,187,000 and \$259,000 during the quarter ended March 31, 2012 and 2011, respectively. The increase in costs and expenses is attributable to marketing and development expenses, professional fees and general and administrative expenses associated with our recent efforts to commercialize our mercury emissions control technologies for coal-fired boilers in the U.S. and Canada.

Cost of goods sold during the quarter ended March 31, 2012 and 2011 was \$67,000 and \$0, respectively. The cost in the quarter ended March 31, 2012 was for product sold to our first commercial customer.

Operating expenses during the quarter ended March 31, 2012 and 2011, respectively were \$12,000 and \$31,000. These expenses are related to the Company's first commercial customer. The decrease during 2012 is primarily attributable to the idling of the system at our first commercial customer and the higher costs incurred during the system installation during 2011.

License Maintenance Fees were \$50,000 and \$37,500 for the quarter ended March 31, 2012 and 2011, respectively. The expenses relate to the amortization of the annual maintenance fee for the respective year.

Marketing and development expenses were \$63,000 and \$75,000 for the quarter ended March 31, 2012 and 2011, respectively. The decrease in marketing and development expenses during 2012 is primarily attributed to shifting of focus towards expanding our operations.

Selling, general and administrative expenses were \$448,000 and \$58,000 for the quarter ended March 31, 2012 and 2011, respectively. The increase in selling, general and administrative expenses during 2012 is primarily attributed to our increase in efforts to commercialize our mercury emissions control technologies and the increase in expenses associated with expanding our operations.

Professional fee expenses were \$146,000 and \$58,000 for the quarter ended March 31, 2012 and 2011, respectively. The increase in professional fee expenses during 2012 is primarily attributed to our increase in efforts to commercialize our mercury emissions control technologies and the increase in expenses associated with expanding our operations.

Impairment of fixed assets were \$400,000 and zero for the quarters ended March 31, 2012 and 2011, respectively. Due to the short-term idling of both power units at the Company's commercial customer, the Company recorded an impairment charge against the value of the equipment during the quarter ended March 31, 2012.

Net Loss

For the quarter ended March 31, 2012 and 2011 we had a net loss from operations of approximately \$1,131,000 and \$268,000, respectively. The increased net loss is primarily attributed to professional fees and general and administrative expenses associated with our recent efforts to commercialize our mercury emissions control technologies for coal-fired boilers in the U.S. and Canada as well as an impairment charge on equipment of \$400,000 recorded in the quarter ended March 31, 2012

Interest Income and Other, Net

Given our financial constraints and our reliance on financing activities, interest expense related to the financing of capital was \$28,000 and \$9,000 during the quarter ended March 31, 2012 and 2011, respectively.

Taxes

As of March 31, 2012, our deferred tax asset primarily related to accrued compensation and net operating losses. A 100% valuation allowance has been established due to the uncertainty of the utilization of these assets 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 2025.

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 March 31, 2012 and December 31, 2011, our cash and cash equivalents were \$2,000 and \$100,000, respectively. We had a working capital deficit of approximately \$2.8 million at March 31, 2012 and \$2.4 million at December 31, 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. Success in our fund raising efforts is crucial. We are actively seeking sources of additional financing in order to maintain and expand our operations and to fund our debt repayment obligations. We are converting some of our short-term liabilities to long-term convertible debt and intend to raise near term financing to fund future operations through a convertible debt-to-equity offering. We intend to raise additional equity financing to fund future operations.

On February 23, 2012, the Company entered into a letter agreement with Jacob Securities Inc. (“Jacob”) to arrange either an equity financing, a private placement, or a merger or acquisition transaction for up to \$10 million (each, a “Potential Transaction”). Pursuant to the letter agreement MEEC engaged Jacob to act as the lead and sole financial advisor to MEEC in connection with the Potential Transaction. Under the letter agreement, which has a six month term, MEEC agreed to pay Jacob a cash commission equal to 7% of the gross proceeds raised and issue broker warrants to Jacob entitling Jacob to acquire 7% of the securities sold under the same terms as the original issuance for a period of 24 months after the closing thereof. The letter agreement also contains a conditional obligation by MEEC to grant a right of first refusal to Jacob to act as a lead underwriter or agent in future equity financings and merger and acquisition transactions and contains customary provisions, including indemnity obligations on part of MEEC, for agreements of its type. If any MEEC securities are offered under the letter agreement the securities offered will not be registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. In addition, no decisions have been made by MEEC or the Board of Directors regarding the terms of any Potential Transaction and there can be no assurance that MEEC will be able to reach an agreement regarding a Potential Transaction or that a Potential Transaction will be completed in the future.

Total assets were \$1.3 million at March 31, 2012 versus \$2.1 million at December 31, 2011. The change in total assets is primarily due to the collection of accounts receivable balances due, the depreciation on fixed assets and the impairment charge recorded against fixed assets during the period.

Operating activities used \$311,000 of cash during the quarter ended March 31, 2012 compared to \$86,000 during the quarter ended March 31, 2011. The change in cash used for operating activities resulted primarily from our recent efforts to commercialize our mercury emissions control technologies for coal-fired boilers in the U.S. and Canada and the associated increase in operating expenses.

Investing activities used no cash during the quarter ended March 31, 2012 compared to \$290,000 during the quarter ended March 31, 2011. This change resulted from the no purchases of capital assets during the period ended March 31, 2012 and purchase of equipment during the quarter ended March 31, 2011, primarily for use at the site of our first commercial customer.

Financing activities provided \$214,000 during the quarter ended March 31, 2012 primarily due to proceeds from the issuance of stock compared to net cash provided by financing activities of \$369,000 during the quarter ended March 31, 2011 due to related party advances of \$269,000 and the issuance of stock which provided \$100,000.

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 consolidated 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 (“CEO”) and Chief Financial Officer (“CFO”), 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 CEO and the CFO determined that at March 31, 2012, the Company’s had a material weakness related to its control environment because it did not maintain sufficient controls over the entry of transactions and compilation of financial statements prior to the appointment of the Chief Financial Officer on October 10, 2011 and the Company did not receive necessary documentation from the previous management of the acquired entity to appropriately record and report on the Merger dated June 21, 2011 in a timely manner.

We are in the process of improving disclosure controls and procedures in an effort to remediate these deficiencies through the recent appointment of our newly retained CFO and improved supervision and training of our accounting staff. The Board of Directors appointed Schneider Downs & Co., Inc. as our registered independent public accounting firm on January 9, 2012 and will discuss their recommendations on controls and procedure that can be implemented as well. We believe that these efforts will be sufficient to fully remedy these deficiencies and will improve and strengthen our control processes and procedures.

Changes in Internal Control over Financial Reporting

There have been no changes in the company’s internal control over financial reporting during the quarter 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

MEEC is not currently involved in any litigation.

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

From January 1 through March 31, 2012, the Company sold 213,500 shares of its common stock to unaffiliated accredited investors for \$213,500 or \$1.00 per share. These securities were sold to accredited investors 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.

ITEM 3 – DEFAULT UPON SENIOR SECURITIES

Not applicable.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

Not applicable

ITEM 6 – EXHIBITS

Exhibit Number	Description
10.1*	Letter Agreement between Jacob Securities Inc. and Midwest Energy Emissions Corp dated February 23, 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 March 31, 2012 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

* Filed herewith.

(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: May 10, 2012

By: /s/ John F. Norris

John F. Norris, Jr.
Chief Executive Officer
(Principal Executive Officer)

Dated: May 10, 2012

By: /s/ Richard H. Gross

Richard H. Gross
Chief Financial Officer
(Principal Financial Officer)

February 23, 2012

John Norris, Jr.
Midwest Energy Emissions Corp.
500 West Wilson Bridge Road
Suite 140
Worthington, Ohio 43085

Re: Proposed Transaction involving Midwest Energy Emissions Corp.

Dear Sir:

Jacob Securities Inc. (“**JSI**”) understands that Midwest Energy Emissions Corp. (“**Midwest Energy**”) wishes to engage JSI to arrange equity financing, private placement, or a merger or acquisition transaction for up to \$10 million dollars (the “**Transaction**”).

The purpose of this agreement (the “**Agreement**”) is to record our mutual understanding and agreement regarding the terms and conditions of our engagement for the Transaction.

1. **Appointment.** Midwest Energy hereby appoints JSI and JSI agrees to act as lead agent, on a best efforts basis, and/or as sole financial advisor for and on behalf of Midwest Energy in connection with the Transaction.
2. **Fees.** Midwest Energy agrees to pay JSI a 7.0% cash commission on the gross proceeds raised and broker warrants entitling JSI to acquire 7.0% of the securities sold under the same terms as the Transaction, exercisable for a period of 24 months from Closing. Midwest Energy has certain pre-existing activities in progress and JSI shall not be entitled to any Success Fee (nor any warrants) in connection with any transaction with any of the parties as agreed to by Midwest Energy and JSI (the “**Excluded Parties**”).
3. **Definitive Agreements.** JSI may require that the terms of the Transaction, and any other commitment on the part of JSI, be subject to the provisions of one or more definitive agency agreements to be entered into between Midwest Energy and JSI, which agreements shall be mutually agreed to between Midwest Energy and JSI and contain terms and conditions as are customary in the industry and of transactions of this nature.

4. **Future Transactions.** Provided JSI and Midwest Energy are successful in completing the Transaction in an amount of at least \$5,000,000, Midwest Energy hereby grants to JSI a right of first refusal to act as a lead agent or underwriter for Midwest Energy and its affiliates in connection with any future equity financing, M&A transaction or project financing for Midwest Energy or its majority controlled affiliates for a period of twenty-four (24) months from the date of Closing of the Transaction. If Midwest Energy or any of its majority controlled affiliates is intending to proceed with any such transaction Midwest Energy shall provide to JSI written notice of the proposed terms thereof (including the commission or fee payable to any agent or agents, if applicable). JSI shall have 10 business days from receipt of written notice of any such transaction to exercise such right of acting, on the transaction for which written notice was received. In the event that JSI does not elect to act as lead agent on any transaction relationship for that transaction Midwest Energy and/or its majority controlled affiliates, as applicable, is free to proceed with such other securities firm or agent to act as lead agent for such transaction, provided that (a) the arrangements with such securities firm, advisor, agent or underwriter are entered into within 20 business days thereafter on the terms set out in the notice and (b) in the case of an agency or underwritten financing transaction, JSI shall participate, at its option, in a syndicate for such financing, with no less than a 35% participation. If the 20 business day period lapses, JSI's right of first refusal will be renewed and Midwest Energy will be required to provide JSI with a new written notice. JSI's right of first refusal contained herein shall nevertheless continue to apply with respect to any equity, quasi-equity, M&A or project financing transactions (including preferred shares or convertible debentures) undertaken by Midwest Energy or any of its majority controlled affiliates within the balance of the said twenty-four (24) months from Closing.

5. **Company Discretion.** Midwest Energy may refuse to discuss or negotiate a Transaction with any party for any reason whatsoever or for no reason at all and, in Midwest Energy's sole discretion, may terminate negotiation with any party, whether or not previously approved by Midwest Energy, at any time.

6. **Indemnity.** Midwest Energy and its affiliates agree to indemnify and save JSI, its affiliates and shareholders, directors, officers, employees, agents and advisors (the "**Indemnified Parties**") harmless from and against any and all losses (other than loss of profits), claims, actions, suits, proceedings, damages, liabilities or reasonable expenses of whatsoever nature or kind, including investigation expenses and legal expenses on a solicitor and client basis incurred by the Indemnified Parties, to which the Indemnified Parties may become subject by reason of or in connection with the engagement of JSI hereunder, except to the extent that any such loss, claim, damage, liability or expense results from the negligence, wilful misconduct, bad faith or violation of any applicable law by the particular Indemnified Party, as determined by a court of competent jurisdiction in a final judgment.

If any claim, action, suit, proceeding or other matter, including any inquiry or investigation (whether formal or informal), is brought or instituted against any Indemnified Party in respect of which indemnification may be sought against Midwest Energy, such Indemnified Party shall promptly notify Midwest Energy and Midwest Energy shall promptly retain counsel (who shall be acceptable to the Indemnified Party, acting reasonably) to represent the Indemnified Party in such matter, and Midwest Energy shall pay the reasonable fees and disbursements of such counsel relating to such matter.

In any such matter, the Indemnified Party shall have the right to retain other counsel to act on his, her or its behalf, and Midwest Energy shall pay the reasonable fees and disbursements of such other counsel if: (i) the Indemnified Party shall have been advised in writing by counsel that an actual or potential conflict of interest exists which makes representation by counsel chosen by Midwest Energy not advisable; (ii) Midwest Energy has not assumed the defense of the claim, action, suit or proceeding within a reasonable period of time after receiving notice thereof; or (iii) employment of such other counsel has been authorized by Midwest Energy.

7. **Alternative Transactions.** Midwest Energy agrees that if it completes an Alternative Transaction (as defined below) between the date hereof and 6 months from the date hereof, then Midwest Energy will pay to JSI (within 10 business days of completion of such Alternative Transaction) a payment equal to the Success Fee calculated based on the commitments from purchasers that Midwest has received through JSI's efforts in respect of the Transaction (the "**Payment**").

For purposes of this section, an "Alternative Transaction" means: (a) a public or private offering of equity or quasi equity (but not debt) securities by the Midwest Energy or any of its affiliates; and/or (b) a merger, acquisition, amalgamation, plan of arrangement, take-over bid, recapitalization, sale of all or substantially all assets, exchange of substantially all of its assets, extraordinary dividend or other distribution out of the ordinary course or any similar material transaction (or series of transactions) that has the same effect on Midwest Energy or any of its affiliates, provided, however, shall not include any transaction with an Excluded Party

8. **Due Diligence.** In connection with performing JSI's services under this Agreement, Midwest Energy will make available to JSI all corporate, financial and operating information and documentation regarding Midwest Energy as JSI may reasonably request, and will provide access to senior management, facilities, employees, auditors, legal counsel, consultants and operators of Midwest Energy in order to permit JSI and its legal counsel to conduct such due diligence investigation of the business and affairs of Midwest Energy, which are reasonably necessary to allow JSI to perform its services hereunder.

9. **Accuracy of Information.** In carrying out our responsibilities hereunder, JSI will necessarily rely on information prepared or supplied by Midwest Energy and other sources reasonably believed by JSI to be reliable and will apply reasonable standards of diligence to any work which we perform hereunder in the nature of an assessment or review of data or other information. However, JSI will be entitled to reasonably rely on and assumes no obligation to verify the accuracy or completeness of such information and under no circumstances will we be liable to Midwest Energy for any damages arising out of the inaccuracy or incompleteness of such information.

Midwest Energy represents and warrants to JSI that all information and documentation concerning Midwest Energy that is provided by Midwest Energy in connection with the engagement under this Agreement will be accurate and complete in all material respects and not misleading and will not omit to state any fact or information which would be material to JSI in performing its services contemplated herein.

10. **Additional Services.** If JSI is requested to provide any other services in addition to those described above, the terms and conditions relating to such services will be outlined in a separate letter of agreement and the fees for such services will be negotiated separately and in good faith and will be consistent with fees paid to investment bankers for similar services.

11. **Use of JSI Advice.** You acknowledge and agree that all written and oral advice, analysis and materials provided by JSI in connection with our engagement hereunder are intended solely for your benefit and for your internal use only in considering the Transaction and you covenant and agree that no such advice and materials will be used for any other purpose whatsoever or reproduced, disseminated, quoted from or referred to in whole or in part at any time, in any manner or for any purpose, without our prior written consent in each specific instance, except as may be required by law.

Any advice given by JSI hereunder will be made subject to, and will be based upon, such assumptions, limitations, qualifications and reservations as we, in our sole judgment, deem necessary or prudent in the circumstances.

JSI expressly disclaims any liability or responsibility by reason of any unauthorized use, publication, distribution of or reference to any oral or written advice or materials provided by us or any unauthorized reference to JSI or this engagement.

12. **Commitment under this Agreement.** It is understood that this letter does not represent a firm commitment by JSI to sell or underwrite a Transaction and that such a commitment, if any, will not be established until a definitive agreement in respect of a Transaction is signed and will be governed by the terms of such definitive agreement. The pricing of and the ability of JSI to sell a Transaction will be contingent upon several factors, including market conditions at the time, completion of satisfactory due diligence, the current financial results of Midwest Energy and its budgets or forecasts.

13. **Term and Termination.** This Agreement shall terminate on the date that is 6 months from the date of this Agreement (or such other date as is mutually agreed upon by the parties hereto) or upon the execution of an agency agreement between Midwest Energy and JSI, except for the provisions of sections 6, 11, 12, 13, 14 and 16 which shall survive the termination of this Agreement.

14. **Expenses.** Midwest Energy agrees to cover and promptly reimburse, upon request, JSI for all reasonable expenses of or incidental to the Transaction, whether completed or not, including fees and disbursements of JSI's legal counsel (other than the legal costs incurred in connection with the drafting and negotiation of this Agreement), all costs and out of pocket expenses incurred in due diligence, including reasonable related travel expenses and all costs and out of pocket expenses involved in the marketing of the securities of Midwest Energy, provided however, that Midwest Energy shall not be required to pay for expenses of any accountant, attorney or other third-party without prior written approval thereof, and provided further that prior to incurring travel expenses in connection with this Agreement, JSI shall obtain written approval from Midwest Energy for such expenses. If in any one month period, expenses incurred by JSI in connection with providing services under this Agreement exceed or are projected to exceed \$1,000, JSI shall obtain prior written approval of such excess expenses from Midwest Energy. The payments to be made under this section are in addition to any other payments to be made hereunder and the obligation to make such payments shall survive any termination of JSI's engagement hereunder.

15. **Public Advertisements.** Each of the parties hereby consents to the making of an announcement by the other party concerning the appointment of JSI herein and the Transaction, provided that the party making such announcement has received the approval of the other party hereunder, such approval not to be unreasonably withheld or delayed.

16. **Governing Law.** This letter agreement shall be governed by the laws of the state of Ohio without regard to conflict of law principals.

If you are in agreement with the foregoing, please so indicate by signing and returning to us the enclosed copy of this letter agreement. We sincerely look forward to working closely with you and your team.

Yours truly,

JACOB SECURITIES INC.

By: _____

Name: Sasha Jacob

Title: President and CEO

Accepted and agreed to this 23 day of February, 2012.

MIDWEST ENERGY EMISSIONS CORP.

By: _____

Name: John Norris, Jr.

Title: Chairman and CEO

CERTIFICATION

I, John F. Norris, Jr., certify that:

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

Dated: May 10, 2012

By: /s/ John F. Norris

John F. Norris, Jr., Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Richard H. Gross, certify that:

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

Dated: May 10, 2012

By: /s/ Richard H. Gross

Richard H. Gross, Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Midwest Energy Emissions Corp. (the "Company") on Form 10-Q for the period ended March 31, 2012, as filed with the Securities and Exchange Commission (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge, that:

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

Dated: May 10, 2012

By: /s/ John F. Norris

John F. Norris, Jr., Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Midwest Energy Emissions Corp. (the "Company") on Form 10-Q for the period ended March 31, 2012, as filed with the Securities and Exchange Commission (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge, that:

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

Dated: May 10, 2012

By: */s/ Richard H. Gross*

Richard H. Gross, Chief Financial Officer

(Principal Financial Officer)