Midwest Energy Emissions Corp.
Form 10-Q/A
December 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q/A
(Amendment No. 2)

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

For the quarterly period ended June 30, 2011

o 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)

China Youth Media Inc.
3301 30th Avenue S, Grand Forks, North Dakota, 58201-6009
(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 x No o

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 x No o

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	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No x

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; 31,001,352 outstanding as of November 21, 2011 (adjusted for the 1 for 110 reverse stock split effected as of October 7, 2011).

EXPLANATORY NOTE

We are filing this Amendment No. 2 of Form 10-Q/A (the "Amendment") to our quarterly report on Form 10-Q for the period ended June 30, 2011 (the "Original Report"), as amended on October 5, 2011, primarily to include restated unaudited interim financial statements for the period ended June 30, 2011 due to certain errors identified by management and as described in our Current Report on Form 8-K filed on November 4, 2011. Except as otherwise reflected below, this Amendment speaks as of the filing date of the Original Report and does not reflect events that may have occurred subsequent to the filing of the Original Report.

MIDWEST ENERGY EMISSIONS CORP.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MIDWEST ENERGY EMISSIONS CORP.

Index to Financial Information
Period Ended June 30, 2011

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

	June 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash	$ 9,391	$ 7,310
Other current assets	579	-
Current assets of discontinued operations	1,149	-
Total current assets	11,119	7,310
Property and Equipment, Net	1,037,199	1,746
License, Net	85,295	88,236
Other assets of discontinued operations	2,000	-
TOTAL ASSETS	$ 1,135,613	$ 97,292
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	777,250	125,000
Advances payable - related party	1,340,132	402,389
Current liabilities of discontinued operations	379,743	-
Advances payable - related party of discontinued operations	153,804	-
Total current liabilities	2,650,929	527,389
Convertible note payable of discontinued operations	50,000	-
Beneficial conversion feature of discontinued operations	(110,269)	-
TOTAL LIABILITIES	2,590,660	527,389
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.001 par value: 2,000,000 shares authorized;		
Series A Preferred Stock, $0.001 par value; 500,000 shares authorized;		
zero shares issued and outstanding at June 30, 2011;		
zero shares issued and outstanding at December 31, 2010;	-	-
Series B Preferred Stock, $0.001 par value; 10,000 shares authorized;		
10,000 shares issued and outstanding at June 30, 2011;	10	-
zero shares issued and outstanding at December 31, 2010;		
Common stock; $.001 par value; 500,000,000 shares authorized;		
334,727,476 shares issued and outstanding as of June 30, 2011		
9,890 shares issued and outstanding at December 31, 2010;	334,727	9,890
Additional paid-in capital	(284,828)	62,328
Accumulated other comprehensive income of discontinued operations	(738)	-
Accumulated deficit	(1,504,218)	(502,315)
Total stockholders' deficit	(1,455,047)	(430,097)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	1,135,613	$	97,292

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

MIDWEST ENERGY EMISSIONS CORP
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2011 AND 2010
AND THE CUMULATIVE PERIOD DECEMBER 17, 2008 (INCEPTION) JUNE 30, 2011
(Unaudited)

	For the Three Months Ended June 30, 2011	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010	December 17, 2008 (Inception) Through June 30, 2011
REVENUE	$-	$7,000	$-	$7,000	$314,025
COST OF REVENUE	-	-	-	-	242,075
GROSS PROFIT	-	7,000	-	7,000	71,950
OPERATING EXPENSES					
License Maintenance Fees	37,500	25,000	75,000	50,000	225,000
Research and development	101,795	2,000	204,213	2,000	330,047
Selling, general and administrative expenses	415,771	25,911	530,779	25,911	829,210
Total operating expenses	555,066	52,911	809,992	77,911	1,384,257
Operating loss	(555,066)	(45,911)	(809,992)	(70,911)	(1,312,307)
Other Income (expense)					
Interest income (expense)	(17,905)	-	(36,432)	-	(36,432)
Foreign Exchange	-	-	-	-	-
		-			
Total other income (expense)	(17,905)	-	(36,432)	-	(36,432)
		-			
NET LOSS FROM CONTINUING OPERATIONS	(572,971)	(45,911)	(846,424)	(70,911)	(1,348,739)
NET LOSS FROM DISCONTINUED OPERATIONS	(155,479)	-	(155,479)	-	(155,479)
NET LOSS	$(728,450)	$(45,911)	$(1,001,903)	$(70,911)	$(1,504,218)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED:					
CONTINUING OPERATIONS	-	(1.94)	(0.01)	(7.18)	

DISCONTINUED OPERATIONS	-	-	-	-	
	-	(1.94)	(0.01)	(7.18)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	176,407,990	9,890	167,767,727	9,876	
Comprehensive Loss					
Foreign currency translation adjustment - discontinued operations	(738)	-	(738)	-	(738)
Net loss	(728,450)	(45,911)	(1,001,903)	(70,911)	(1,504,218)
COMPREHENSIVE LOSS	$(729,188)	(45,911)	$(1,002,641)	$(70,911)	$(1,504,956)

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

MIDWEST ENERGY EMISSIONS CORP

(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2011 AND 2010
AND FOR THE PERIOD DECEMBER 17, 2008 (INCEPTION) THROUGH JUNE 30, 2011
(Unaudited)

	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010	December 17, 2008 (Inception) Through June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) from continuing operations	$(846,424)	$(70,911)	$(1,348,739)
Net (loss) from discontinued operations	(155,479)	-	(155,479)
Adjustments to reconcile net (loss) to net cash used in operating activities:			
Stock based compensation	209,331	-	272,931
Amortization of license fees	2,941	2,940	14,705
Amortization of beneficial conversion feature of discontinued operations	5,803	-	5,803
Depreciation expense	2,170	-	2,215
Change in assets and liabilities			
(Increase) in other asset	(579)	-	(579)
(Decrease) in other assets attributable to discontinued operations	727		727
Increase in accounts payable and accrued expenses	717,244	50,000	842,244
Increase in accounts payable attributable to discontinued operations	109	-	109
Increase in other current liabilities	-	509	-
Net cash (used in) operating activities	(64,157)	(17,462)	(366,063)
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchase of license	-	-	(100,000)
Purchase of equipment	(1,031,917)	-	(1,033,708)
Net cash provided by investing activities	(1,031,917)	-	(1,133,708)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash assumed in reverse merger	11,150	-	11,150
Payments to related party for advances	-	-	(32,515)
Proceeds received from related party advances	937,743	17,462	1,372,647
Proceeds from the issuance of common stock converted to series B preferred stock	150,000	-	150,000
Proceeds received from the issuance of common stock	-	-	8,618
Net cash provided by financing activities	1,098,893	17,462	1,509,900
EFFECT OF EXCHANGE RATE	(738)	-	(738)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,081	-	9,391
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	7,310	-	-

CASH AND CASH EQUIVALENTS - END OF PERIOD	$9,391	$-	$9,391
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$-	$-	$-
Taxes	$-	$-	$-
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS			
Stock issued for services	$209,331	$-	$272,931

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

MIDWEST ENERGY EMISSIONS CORP
(A Development Stage Company)
Notes To The Consolidated Financial Statements - Unaudited
June 30, 2011

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.". 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 our authorized shares of common stock, par value $.001 per share, from 500,000,000 to 100,000,000.

No adjustment to share or per share amounts has been reflected in the accompanying financial statements which resulted from the Reverse Stock Split. See Note 20 – “Subsequent Events”.

Recent Developments

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”), would merge 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. The recapitalization required pursuant to this merger resulted in a negative additional paid-in capital balance.

Midwest Energy Emissions

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

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 Film Crews, Inc.

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

Note 2 - Summary Of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim consolidated financial information and with the instructions to Securities and Exchange Commission ("SEC") Form 10-Q and Article 8 of SEC Regulation S-X. The principles for interim consolidated financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. Therefore, these consolidated financial statements should be read in conjunction with the Company's audited financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and the audited financial statements of Midwest Energy Emissions Corp. contained in the Company's Form 8-K as filed with the Commission on June 27, 2011, as amended. The condensed financial statements included herein are unaudited; however, in the opinion of management, they contain all normal recurring adjustments necessary for a fair statement of the condensed results for the interim periods. Operating results for the three and six month periods ended June 30, 2011 and 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. We made certain reclassifications to prior-period amounts to conform to the current presentation.

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 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 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.

Research and Development

The Company accounts for research and development costs in accordance with ASC 730-10, Research and Development ("ASC 730-10"). . Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company sponsored research and development costs related to both present and future products are expensed in the period incurred.

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. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations. Management periodically reviews the carrying value of its property and equipment for impairment.

Recoverability of Long-Lived and Intangible Assets

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

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

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 financial statements over 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 other current liabilities. The fair value of these financial instruments approximate their carrying values due to their short maturities.

Foreign Currency Transactions

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

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

Revenue Recognition

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

1. Persuasive evidence of an arrangement exists;

2. Delivery has occurred or services have been rendered;

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

4. Collectability is reasonably assured.

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

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

Basic and Diluted Loss Per Common Share

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

Subsequent Events

During May 2009 and February 2010, the FASB issued new authoritative pronouncement regarding recognized and non-recognized subsequent events. This guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued.

Recently Issued Accounting Standards

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

Note 3 - Going Concern

The accompanying financial statements as of June 30, 2011 have been prepared assuming the Company will continue as a going concern. From the period of inception (December 17, 2008) through June 30, 2011, the Company has experienced a net loss, negative cash flows from operations and has an accumulated deficit of $1.5 million. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management intends to raise additional debt and/or 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 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 - Property And Equipment

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

	2011	2010
Computer equipment	$ 1,312	$ 1,312
Equipment & Installation	1,037,172	479
Total Equipment	1,038,484	1,791
Less: accumulated depreciation	(1,285)	(45)
Property and equipment, net	$ 1,037,199	$ 1,746

As part of the reverse merger, the Company acquired office equipment with a fair value of $5,706. The Company uses the straight-line method of depreciation over 3 to 10 years. During the six months ended June 30, 2011 and 2010, depreciation expense charged to operations was $1,241 and zero, respectively.

Note 5 - License Agreement

On January 15, 2009, the Company entered into an "Exclusive Patent and Know-How License Agreement Including Transfer of Ownership" with the Center for Air Toxic Metals ("CATM") division of the Energy and Environmental Research Center, (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.

The Company paid $100,000 in 2009 for the right 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 (USD) per one megawatt of electronic nameplate capacity and $100 (USD) 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.

Note 6 - License

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

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

The Company is currently amortizing its patents over their estimated useful life of 15 years when acquired. During the period ended June 30, 2011 and 2010, amortization expense charged to operations was $2,941 and 2,940, respectively.

Note 7 - Advances Payable – Related Party

As of June 30, 2011 and December 31, 2010, the Company had advances payable totaling $1,340,132 and $402,389 respectively, to a director of the Company. These advances bear interest at 9% per annum, have no fixed terms of repayment and are unsecured. Accrued interest on these advances at June 30, 2011 and December 31, 2011 was $28,138 and $7,409, respectively.

Note 8 –Advances Payable-Related Party of Discontinued Operations

As a result of the reverse merger, the Company assumed $153,804 of advances payable due to a current director/shareholder who is also a former officer of the Company. These advances are non-interest bearing, have no fixed terms of repayment and are unsecured.

Note 9 – 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 $0.004 per share at the option of such party at any time following an exclusivity period granted to such party and until the maturity date of the loan. Interest expense at June 30, 2011 was $1,008.

Note 10 – Beneficial Conversion Feature

As part of the reverse merger, the Company assumed a beneficial conversion feature for a vested warrant granted to a consultant on May 11, 2009, as consideration for service performed on behalf of the Company. The vested warrants have a term of seven years to purchase 1,250,000 (11,364 post Reverse Stock Split) shares of common stock with an exercise price of $0.03 ($3.30 post Reverse Stock Split) per share. The Company originally recorded debt discount in the amount of $162,500 based on the estimated fair value of the warrant. In accordance with EITF No.00-27, Application of Issue No. 98-5 to Certain Convertible Instruments, the debt discount as a result of the beneficial conversion feature of the estimated fair value of the warrant was amortized as non-cash interest expense over the term of the warrant. At June 30, 2011, 104,466 of the debt discount remained unamortized. During the three months ended June 30, 2011, interest expense of $5,800 has been recorded from the debt discount amortization.

Note 11 – Commitments and Contingencies

As discussed in Note 5, 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.

For the Period Ending June 30,	License Maintenance Fees
2012	$ 200,000
2013	200,000
2014	200,000
2015	200,000
2016	200,000
Thereafter	1,800,000
	$ 2,800,000

Note 12 – Intercompany Transactions

All material intercompany transactions have been eliminated upon consolidation of these our entities. At June 30, 2011, cash transfers between the Company and its subsidiary in Hong Kong, Youth Media (Hong Kong) Limited, in the aggregate amount of $1,197,500, have been eliminated upon consolidation. At June 30, 2011, cash transfers between the Company's subsidiary in Hong Kong, Youth Media (Hong Kong) Limited, and the Company's subsidiary in Beijing, China, Youth Media (Beijing) Limited, in the aggregate amount of $822,400, have been eliminated upon consolidation.

Note 13 – Equity

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

Series B Convertible Preferred Stock

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

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

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

On August 31, 2010, Midwest Energy Emissions collected $4,451 ($1 per share) due from Midwest Energy Emissions' founder, Richard MacPherson, our then President, and issued 4,451 shares. These shares were converted into Series B

Convertible Preferred Stock upon completion of the Merger on June 21, 2011.

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

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

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

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

Note 14 - Stock Based Compensation

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

On May 6, 2009, the Board of Directors adopted, subject to stockholder approval, which was obtained at the annual stockholders meeting held on June 19, 2009, an amendment to the 2005 Plan that increased the number of shares subject to the Stock Plan from 15,000,000 shares to 50,000,000 (approximately 454,545 post Reverse Stock Split) shares.

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

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

		Outstanding Options			
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
December 31, 2009	9,041,667	40,958,333	0.13	9.30	-
Stock Plan Amendment	-				
Grants	-	-	-	-	-
Cancellations	50,000	(50,000)	0.25	-	-
December 31, 2010	9,091,667	40,908,333	0.13	8.30	-
Stock Plan Amendment	-				
Grants	-	-	-	-	-

Cancellations	-	-	-	-	-
June 30, 2011	9,091,667	40,908,333	-	-	-
Options exercisable at:					
December 31, 2010		15,037,500	0.13	8.23	-
June 30, 2011		23,637,500	0.13	7.82	

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

11

During the six months ended June 30, 2011, the Company had stock-based compensation expense included in discontinued operations related to issuances of stock options and warrants to the Company's employees, directors and consultants of $146,832.

The Company utilized the 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.

Note 17 - Warrants

As a result of the reverse merger, the Company has warrants outstanding from June 2008, in which China Youth Media, Inc. entered into subscription agreements with Year of the Golden Pig, LLC ("YGP, LLC") and with Mojo Music, Inc. ("Mojo Music"), 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 350,000 (approximately 3,182 post Reverse Stock Split) 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 $0.09 ($9.90 post Reverse Stock Split) per share.

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

	Outstanding			Exercisable
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable