

Midwest Energy Emissions Corp.
Form 10-K/A
December 21, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended: December 31, 2011

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 43085
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (614) 505-6115

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2011, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$648,000.

The number of shares outstanding of the Common Stock (\$.001 par value) of the Registrant as of the close of business on December 21, 2012 was 33,239,878.

EXPLANATORY NOTE

We are filing this Amendment No. 1 of Form 10-K/A to our annual report on Form 10-K for the period ended December 31, 2011, filed with the SEC on April 12, 2011, to furnish a revised report from the Company's auditor that covers the financial position of the Company as of December 31, 2011 as well as the consolidated statement of operations, stockholder's deficit, and cash flows for the period from inception through December 31, 2011.

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TABLE OF DEFINED TERMS

TERM	DEFINITION
BAC	Brominated Powdered Activated Carbon
EERC	Energy and Environmental Research Center
EGU	Electric Generating Unit
EPA	The U.S. Environmental Protection Agency
ESP	Electrostatic Precipitator
Hg	Mercury
IGCC	Integrated Gasification Combined Cycle
MATS	Mercury and Air Toxics Standards
MEEC or ME2C	Midwest Energy Emissions Corp
MW	Megawatt
NOX	Oxides of Nitrogen
OTCBB	Over The Counter Bulletin Board
PAC	Powdered Activated Carbon
SCR	Selective Catalytic Reduction
SEC	U.S. Securities and Exchange Commission
SOX	Oxides of Sulfur

PART I

Forward-Looking Statements

This Annual Report on Form 10-K 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 herein under the caption “Risk Factors. 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 ME2C’s filings and with the Securities and Exchange Commission.

ITEM I – BUSINESS

As used in this Annual Report on Form 10-K, the terms “we”, “us”, “our”, “the Company”, “MEEC”, “ME2C”, and “Midwest Energy Emissions Corp.” refer to Midwest Energy Emissions Corp. and our wholly-owned subsidiaries.

Background

Midwest Energy Emissions Corp. (“MEEC”), a Delaware corporation, is an environmental services company specializing in mercury emission control technologies, primarily to utility and industrial coal-fired units. Our business plan is to deliver cost-effective mercury capture technologies to power plants and other large industrial coal-burning units in the United States, Canada, Europe and Asia. Our patented, proprietary technology allows customers to meet even the new, highly restrictive standards the U.S. Environmental Protection Agency (EPA) has set for mercury emissions, in an effective and economical manner, with the least disruption to the current equipment and on-going operations.

MEEC was incorporated under the laws of the State of Utah on July 19, 1983 under the name of Digicorp. In 2006, MEEC entered into a merger agreement with Digicorp, Inc., a Delaware corporation, for the purpose of effecting a change of the corporation’s domicile and in February 2007 the Company changed its domicile from Utah to Delaware. In October 2008, Digicorp changed its name to China Youth Media, Inc.

In December 2008, Midwest Energy Emissions Corp. (a corporation in the development phase) was incorporated in the state of North Dakota (“Midwest”) under the name RLP Energy, Inc. and subsequently changed its name in January 2011 to Midwest Energy Emissions Corp. Midwest 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.

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On June 21, 2011, China Youth Media, Inc. entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Midwest pursuant to which at closing China Youth Media Merger Sub, Inc., China Youth Media’s wholly-owned subsidiary formed for the purpose of such transaction (the “Merger Sub”), would merge into Midwest, the result of which Midwest would become the China Youth Media’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 and with Midwest surviving as a wholly-owned subsidiary of China Youth Media, Inc. Effective at the time of the Closing, Midwest changed its name to MES, Inc. For accounting purposes, the Merger was treated as a reverse merger and a recapitalization of the Company.

As a result of the Merger, all of the outstanding shares of common stock of Midwest were exchanged for 10,000 shares of newly created Series B Convertible Preferred Stock (the “Merger Shares”) of China Youth Media, Inc. The former shareholders of Midwest, upon conversion of all the Merger Shares, which occurred automatically on the filing of October 2011 amendment to China Youth Media, Inc.’s certificate of incorporation to increase the number of authorized shares (see below) then owned approximately 90% of the Company’s issued and outstanding common stock which were deemed issued and outstanding as of the closing of the Merger and conversion.

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

As a result of the Merger, our business is now focused on the delivery of cost effective mercury capture technologies to power plant and other large industrial coal-burning units in the United States and Canada. Our prior businesses focusing on youth marketing and media in China by providing advertisers and corporations with direct and centralized access to China’s massive but difficult to reach student population, including the business of aggregation and distribution of international content and advertising for Internet or online consumption in China, are in the process of being terminated (see Part II, Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations).

In November 2011, MEEC moved its corporate headquarters to Worthington, Ohio and currently maintains its primary office at 500 West Wilson Bridge Road, Suite 140, Worthington, Ohio 43085.

Regulations & Markets

The markets for mercury removal from plant emissions are totally driven by regulations (state, provincial and federal). Changes in regulations have profound effects on these markets and the companies that compete in these markets. This is especially true for smaller companies such as MEEC.

On December 21, 2011 the EPA issued its Mercury and Air Toxics Standards (“MATS”) for power plants in the U.S. The new rule is intended to reduce air emissions of heavy metals, including mercury (Hg), from all major U.S. power plants, which are the leading source of non-natural mercury emissions in the U.S. Existing power plants will have three years (plus a potential one year extension in certain cases) to comply with the new emission limits.

The new MATS rule applies to Electric Generating Units (“EGUs”) that are larger than 25 megawatts (“MW”) that burn coal or oil for the purpose of generating electricity for sale and distribution through the national electric grid to the public. They include investor-owned units, as well as units owned by the Federal government, municipalities, and cooperatives that provide electricity for commercial, industrial, and residential uses. The EPA estimates that there are approximately 1,400 units affected by this new rule, approximately 1,100 existing coal-fired units and 300 oil-fired

units at about 600 power stations.

The final MATS identifies two subcategories of coal-fired EGUs, four subcategories of oil-fired EGUs and a subcategory for units that combust gasified coal or solid oil (integrated gasification combine cycle [IGCC] units) based on the design, utilization, and/or location of the various types of boilers at different power stations. The rule includes emission standards and/or other requirements for each subcategory. The rule sets nationwide emission limits and is estimated to reduce mercury emissions in coal-fired plants by about 90% overall.

The EPA estimates the total national annual cost of the MATS rule will be \$9.6 billion.

While the ultimate costs for compliance in the U.S. may indeed be in the \$9.6 billion per year range, that will not likely be the case until EGUs must comply starting on April 16, 2015. These on-going annual operating costs increases also do not include the capital costs to install the equipment and have it ready to operate when the emission limits are required. It is also important to note that a number of states currently have regulations to limit mercury emissions. These regulations remain in place until superseded by MATS in 2015.

With the publication of the MATS rule, we believe that utilities will explore and conduct numerous demonstrations of various technologies to determine which will work best to achieve the required reductions to bring each individual unit under the maximum allowed emissions rate. There are several choices of pollution control technologies that might be employed to reduce mercury emissions, but they do not all work well for every plant design or for all of the various types of coal. We believe that very few units in the U.S. today consistently limit mercury emissions to below the new maximum allowed rates. In addition, the EPA estimates that 40% of the coal units in the U.S. affected by the new MATS have no advanced pollution controls in operation.

The most common technology employed to reduce mercury emissions is the injection of powdered activated carbon ("PAC") or brominated PAC ("BAC") into the flue-gas of an EGU after the boiler itself, but in front of the Electro-Static Precipitators ("ESP"). Such injections have proven effective with many coals, especially at reduction levels of 70% or less. At required mercury reduction levels above 80%, these injection systems require substantial injection rates which often have severe operational issues including over-loading the ESP and rendering the fly ash unfit for sale to concrete companies, and at times even causing combustion concerns with the fly ash itself.

Mercury is also removed as a co-benefit by special pollution control equipment installed to remove oxides of sulfur ("SOX") and nitrogen ("NOX"). To achieve very high levels of SOX reduction, large, complex and expensive (capital costs in the hundreds of millions of dollars for a medium-sized EGU) systems called Scrubbers can be installed in the plant exhaust system, typically just before the flue-gas goes up the stack for release. As a co-benefit to their primary mission, Scrubbers have been shown to remove significant quantities of oxidized mercury.

Mercury is typically found in two basic forms in coal: elemental and oxidized. The amount of each form varies in any given seam of coal and is affected by the other natural elements (such as chlorine) which might also be present in the coal. We believe about 40% of the mercury in coal is found in the oxidized state. Mercury is found in only tiny trace amounts in coal at all and its presence is difficult to even detect. It is in the burning of huge quantities of coal that these trace amounts become problematic.

The other major pollution control system which contributes significantly to the co-benefits of mercury removal is a Selective Catalytic Reduction ("SCR") system which can be installed to achieve high levels of removal of NOX. SCR's are again very large and expensive systems (costing hundreds of millions of dollars in capital costs to install on a medium-size EGU) that are typically installed just after the flue-gas exits from the unit boiler. As a co-benefit, SCR's have been shown to oxidize a considerable percentage of the elemental mercury in many types of coal. If the EGU then has a combination of an SCR and a Scrubber, one might achieve an overall reduction of 80-85% of the mercury in many types of coal. The exact level of mercury emission reductions depends on the designs of these systems and the types of coal being burned.

It is thus anticipated that the large majority of EGUs in the U.S. will employ some sort of sorbent injection system to achieve the very low mercury emission levels required by the MATS. Either the sorbent injection system will be the primary removal method or such a system will likely be employed as a supplemental system to SCR/Scrubber combinations to achieve the new emission limits.

MEEC's Technology

Our mercury removal technology and systems have been shown in long-term, full-scale trials on operating units to achieve mercury removal levels above the new MATS requirements and do so with lower cost and plant systems impacts than typical PAC or BAC sorbent injection systems. Our technology was originally developed by the University of North Dakota's Energy and Environmental Research Center ("EERC"). It was tested and refined on numerous operating coal-fired EGUs, with the founder of MEEC participating with the EERC on these tests since about 2008. The EERC Foundation obtained patents on this technology. MEEC has an "Exclusive Patent and Know-How License Agreement Including Transfer of Ownerships" for the exclusive world-wide rights to the commercial application of these related patents. In our agreement with the EERC Foundation we pay an annual license maintenance fee plus royalties on operational systems and have the right to purchase the commercial application patent rights for a payment specified in the agreement.

In 2010, we were awarded our first commercial contract to design, build and install our systems on two large (670MW each) coal units in the western part of the U.S. This is a multi-million dollar, three year renewable contract, which was awarded as a result of a competitive demonstration process. We invested more than \$1.2 million in the capital equipment for this project. Those systems out-performed the contract guarantees in all operational areas during startup and testing and went into commercial operation at the start of 2012. The system is used for mercury control whenever the plant is in operation.

Intellectual Property

We have the exclusive rights for a number of patents and pending patent applications under an agreement with the EERC. In the U.S., MEEC has the rights to a patent entitled “Sorbents and Flue Gas Additives for the Oxidation and Removal of Mercury” and has received Notice of Allowance for pending patent applications entitled “Process for Regenerating a Spent Sorbent (PAC Regen)” and “Sorbents for the Oxidation and Removal of Mercury.” In Canada, we have the rights to a patent entitled “Sorbents for the Oxidation and Removal of Mercury.” In China, we have the rights to a patent entitled “Sorbents and Flue Gas Additives for the Oxidation and Removal of Mercury.” In addition, there are a number of patent applications pending in the U.S., Canada, China and Europe. We believe that our patent position is strong in these markets and sublicensing and enforcing these patents will be a key part of our business strategy going forward. Likewise, any significant reduction in the protection afforded by these patents or any significant development in competing technologies could have a material adverse effect on our business.

Business Opportunities

Our business plan is divided into near-term and long-term based on the date that the new EPA MATS rule goes into effect, which is April 16, 2015. The near-term market (before April 2015) in the U.S. consists of two major opportunities. The first opportunity involves demonstrating our technology on a number of operating units, especially in the 2012 and 2013 time frames. We believe that electric utility companies will want to ensure they have proven technology which can be employed to achieve the required mercury reduction levels for their particular unit design and coal type. Such a demonstration typically involves one to two weeks of operations on a unit utilizing a temporary system and often done in a cost-share arrangement with the EGU. Once utilities decide on a system to be utilized for compliance, we then expect they will install systems in a phased installation over the late 2013, 2014, and early 2015 time frame, depending on outage schedules for affected EGUs. We do not anticipate significant revenues from these applications prior to April, 2015.

The second opportunity in the near-term market is in U.S. states and Canadian provinces which already have some degree of mercury removal required for EGUs operating in the state or province. Illinois requires coal-fired EGUs to remove 90% of the mercury or inject PAC at a rate of five pounds per thousand atmospheric cubic feet (MACF) of gas emissions, whichever comes first. We believe that most EGUs are injecting PAC at the maximum required rate and are not achieving 90% reduction.

Similarly in Canada, there is a Canada-wide mercury reduction agreement among all the provinces that requires a 60% reduction this year, and which will likely require an 80% reduction beginning in 2018, while individual provinces may move faster to stricter emissions control. We believe we have the most effective technology for the EGUs in Canada and a strong patent position there.

Our future success will depend on the success of demonstrations performed in the near-term period and the resulting contract awards to meet the MATS requirements in the long-term period. With over 1,400 EGUs in the U.S. affected by MATS and assuming some units are shut down rather than incur the added costs to comply, MEEC has a business goal to achieve at least 5-10% of this available market.

In China, the mercury reduction requirements are tailored after the requirements in Europe and go into effect in 2015. Revenues from any Chinese market success are expected in the long-term period.

In order to achieve significant near and long-term sales success and control overhead, MEEC employs a sales force of manufacture representatives (“Reps”) under the leadership of its experienced Vice President of Sales. These Reps are highly incentivized on a pure commission basis to introduce our technology into their customer EGUs. This approach has been very successfully employed by other companies operating in electric utility industry market.

We are endeavoring to keep our staff numbers lean until the business needs require staff additions. Currently, we have four full-time employees and about six part-time contracted employees.

We buy all the materials needed for our systems. Our proprietary Sorbent Enhancing Agent (“SEATM”) materials are readily available from numerous sources in the market. When we use PAC as a component of our sorbent material, we buy it in the market from companies such as ADA-CS, Norit, Calgon, etc. The companies are also some of our major competitors in the mercury control market. These companies employ large sales staff and are well established in the market. However, our technology has consistently performed much better in mercury removal in operational tests than PAC or BAC injections alone.

Our major competitors in the U.S. and Canada include companies such as ADA-ES, ADA-CS, Norit, Calgon, Alstom and Nalco. These companies are typically large firms with well-established sales forces. To date, their primary technology employed has been BAC. We believe our technology is superior and that with our experienced team of reps, we can compete effectively in these markets.

Available Information

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC’s website at www.sec.gov. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC’s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

ITEM 1A – RISK FACTORS

Investors in MEEC should be mindful of the following risk factors relative to MEEC’s business.

We are under-capitalized and may not be able to raise sufficient capital to ensure our continuation as an on-going company.

We do not currently have adequate long-term capitalization to properly execute our business plan. While efforts are currently underway to obtain that needed capital, there can be no assurance that those efforts will be a success. Failure to achieve appropriate capital injection into the Company could not only jeopardize achieving desired market penetration of the business plan but also could impair the ability of MEEC to continue as an on-going business.