ADA-ES INC
Form 10-Q/A
October 19, 2012

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 2012

or

¨ **TRANSITION REPORT PURSUANT TO 13 OR 15(d) OF THE EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number: 000-50216

ADA-ES, INC.

(Exact name of registrant as specified in its charter)

Colorado	**84-1457385**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
9135 South Ridgeline Boulevard, Suite 200,	
Highlands Ranch, Colorado	**80129**
(Address of principal executive offices)	**(Zip Code)**

(303) 734-1727

(Registrant s telephone number, including area code)

Not Applicable

(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 ¨

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 ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ¨ No ¨

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at July 31, 2012**
Common Stock, no par value	10,013,910

EXPLANATORY NOTE

ADA-ES, Inc. (the Company) is filing this Amendment No. 1 on Form 10-Q/A (this Amendment) to amend its Quarterly Report on Form 10-Q for the three and six months ended June 30, 2012 originally filed with the Securities and Exchange Commission (the SEC) on August 9, 2012 (the Original Filing). This Amendment reflects the restatement of the Company s consolidated financial statements and amendment of related disclosures as of June 30, 2012 and December 31, 2011 and for the three and six month periods ended June 30, 2012 and 2011 as discussed below and in Note 12 to the accompanying restated consolidated financial statements.

1. Background of the Restatement

As discussed in the Company s Current Reports on Form 8-K dated June 20, 2012 and August 14, 2012, the Company s management determined, after consultation with the Company s Board of Directors, Audit Committee, independent registered public accounting firm and outside tax experts, that the Company s previously issued audited consolidated financial statements included in its Annual Reports on Form 10-K for the fiscal years ended December 31, 2010 and 2011 and the interim unaudited consolidated financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, June 30, 2011, September 30, 2011, March 31, 2012 and June 30, 2012 needed to be restated as a result of certain corrections to the figures and disclosures contained therein and therefore could no longer be relied upon.

Reclassification of Equity Interest

The Company had previously classified the equity interest of an affiliate of the Goldman Sachs Group (GS) in our joint venture, Clean Coal Solutions, LLC (Clean Coal), as a non-controlling interest in stockholders equity (deficit) on the Company s Consolidated Balance Sheet as of June 30, 2011, September 30, 2011, December 31, 2011 and March 31, 2012. In June 2012, after completion of a review and evaluation of the operating agreement of Clean Coal and the members rights and obligations thereof and applicable accounting authoritative literature, management determined that the GS interest would be more appropriately classified as temporary equity as of June 30, 2011 and for each subsequent quarter thereafter because of a provision in the Clean Coal operating agreement that permits GS to require redemption of its interest under certain limited circumstances. As a result, the Company is restating its consolidated financial statements for fiscal year ended December 31, 2011 to reflect the GS interest as temporary equity on the Company s consolidated balance sheet. While the effect of this reclassification was reflected in the Original Filing, the amounts recorded as temporary and permanent equity have been reclassified as of June 30, 2012 to conform to the accounting for temporary equity as shown on prior period restated filings.

Deferred Tax Assets Valuation Allowance

In August 2012, after extensive discussions with the SEC s Division of Corporation Finance and Office of the Chief Accountant and the Company s outside tax experts, independent registered public accounting firm, Audit Committee and Board of Directors, management determined that the Company should have recognized a full valuation allowance against its net deferred tax assets as of December 31, 2010 and for each subsequent quarter thereafter. Management determined that it was necessary to record the valuation allowance against the Company s deferred tax assets after reconsidering the weight given in the original assessment to the relevant information used to measure the positive and negative evidence regarding the potential for ultimate realization of the deferred tax assets.

Realization of the deferred tax assets is dependent upon the Company s ability to generate future taxable income. In its reassessment, management concluded that the objective and verifiable negative evidence represented by historical losses outweighed more subjective positive evidence of anticipated future income. As a result, management determined that it was necessary to record a full valuation allowance against the Company s deferred tax assets and is restating the consolidated financial statements for the quarterly periods ended June 30, 2012 and 2011 and as of December 31, 2011.

2. Impact on the Consolidated Financial Statements

The financial statement effect of these changes on the Company s Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011, Consolidated Statements of Operations for the three and six months ended June 30, 2012 and 2011, Consolidated Statements of Changes in Stockholders Deficit for the six months ended June 30, 2012 and 2011 and Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011 is discussed in Note 12 in the accompanying consolidated financial statements. The restatement reflects non-cash adjustments and has no effect on previously reported operating income results. The Company also amended its Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 on October 19, 2012.

3. Internal Control over Financial Reporting and Disclosure Controls and Procedures Considerations

Management has concluded that material weaknesses in the Company s internal control over financial reporting existed related to the accounting for the equity investment in Clean Coal that has been held by an affiliate of GS since May 2011 and the establishment and maintenance of a valuation allowance against the Company s deferred tax assets. Accordingly, this Amendment amends the Company s disclosures regarding the effectiveness of the Company s internal control over financial reporting and disclosure controls and procedures as of June 30, 2012.

4. Amended Items

No attempt has been made in this Amendment to modify or update the disclosures in the Original Filing except as required to reflect the effect of the restatement discussed herein. Except as otherwise noted herein, this Amendment continues to describe conditions as of the date of the Original Filing and the disclosures contained herein have not been updated to reflect events, results or developments that occurred after the date of the Original Filing, or to modify or update those disclosures affected by subsequent events. Among other things, forward-looking statements made in the Original Filing have not been revised to reflect events, results or developments that occurred or facts that became known to us after the date of the Original Filing, other than the restatement, and such forward-looking statements should be read in conjunction with our filings with the SEC subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and the Company s other filings with the SEC.

Part I Item 1 (Consolidated Financial Statements), Part I Item 2 (Management s Discussion and Analysis of Financial Condition and Results of Operations) and Part I Item 4 (Controls and Procedures) have been amended from the Original Filing as a result of the restatement. Part II Item 6 (Exhibits) has also been amended to include currently dated certifications from the Company s principal executive officer and principal financial officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company s principal executive officer and principal financial officer are attached to this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2.

Part I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

ADA-ES, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in thousands, except share data)

	June 30, 2012 (Unaudited) (Restated, see Note 12)	December 31, 2011 (Restated, see Note 12)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 23,137	$ 40,879
Receivables, net of allowance for doubtful accounts	13,892	5,914
Investment in securities	735	508
Prepaid expenses and other assets	2,197	1,532
Total current assets	39,961	48,833
Property and Equipment, at cost	50,125	41,771
Less accumulated depreciation and amortization	(6,779)	(4,651)
Net property and equipment	43,346	37,120
Other Assets		
Investment in unconsolidated entity	1,257	590
Other assets	1,096	931
Total other assets	2,353	1,521
Total Assets	**$ 85,660**	**$ 87,474**
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS DEFICIT		
Current Liabilities		
Accounts payable	$ 12,277	$ 10,058
Accrued payroll and related liabilities	1,408	2,545
Line of credit	18,000	10,873
Deposits	11,900	14,900
Deferred revenue and other liabilities	4,321	5,105
Settlement awards and related accrued liabilities	3,755	3,983
Total current liabilities	51,661	47,464
Long-term Liabilities		
Line of credit		3,624
Settlement awards and indemnity liability	2,500	5,200
Deferred revenue	1,105	
Accrued warranty and other liabilities	657	632

Total long-term liabilities	4,262	9,456
Total Liabilities	55,923	56,920
Commitments and Contingencies (Note 10)		
Temporary Equity Non-controlling Interest Subject to Possible Redemption	60,000	60,000
Stockholders Deficit		
ADA-ES, Inc. stockholders deficit		
Preferred stock: 50,000,000 shares authorized, none outstanding		
Common stock: no par value, 50,000,000 shares authorized, 10,012,682 and 9,996,144 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	63,458	63,184
Accumulated deficit	(70,412)	(66,694)
Total ADA-ES, Inc. stockholders deficit	(6,954)	(3,510)
Non-controlling interest	(23,309)	(25,936)
Total Stockholders Deficit	(30,263)	(29,446)
Total Liabilities, Temporary Equity and Stockholders Deficit	**$ 85,660**	**$ 87,474**

See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Consolidated Statements of Operations

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30, 2012 (Restated, see Note 12)	Three Months Ended June 30, 2011 (Restated, see Note 12)	Six Months Ended June 30, 2012 (Restated, see Note 12)	Six Months Ended June 30, 2011 (Restated, see Note 12)
Revenue				
Refined coal	$ 48,351	$ 4,748	$ 63,525	$ 10,834
Emission control	3,965	1,709	6,729	3,742
CO_2 capture	195	569	477	917
Total revenues	52,511	7,026	70,731	15,493
Cost of Revenues				
Refined coal	41,908	413	53,951	588
Emission control	3,087	962	5,155	1,798
CO_2 capture	82	476	199	759
Total cost of revenues	45,077	1,851	59,305	3,145
Gross Margin before Depreciation and Amortization	7,434	5,175	11,426	12,348
Other Costs and Expenses				
General and administrative	4,040	6,847	7,679	11,664
Research and development	618	375	1,182	696
Depreciation and amortization	1,181	207	2,205	392
Total expenses	5,839	7,429	11,066	12,752
Operating Income (Loss)	1,595	(2,254)	360	(404)
Other Income (Expense)				
Net equity in net income (loss) from unconsolidated entities	132	(1,752)	168	(3,711)
Other income including interest	42	1,498	141	2,090
Interest expense	(431)		(901)	
Settlement of litigation and arbitration award, net	(469)		(753)	(39,502)
Total other income (expense)	(726)	(254)	(1,345)	(41,123)
Income (Loss) from Continuing Operations Before Income Tax Benefit and Non-controlling Interest	869	(2,508)	(985)	(41,527)
Income Tax Benefit		(10,980)		(10,980)
Net Income (Loss) Before Non-controlling Interest	869	8,472	(985)	(30,547)
Non-controlling Interest	(2,167)	(2,056)	(2,733)	(4,835)
Net Income (Loss) Attributable to ADA-ES, Inc.	**$ (1,298)**	**$ 6,416**	**$ (3,718)**	**$ (35,382)**

Net Income (Loss) Per Common Share Basic Attributable to ADA-ES, Inc.	$	(0.13)	$	0.84	$	(0.37)	$	(4.64)
Net Income (Loss) Per Common Share Diluted Attributable to ADA-ES, Inc.	$	(0.13)	$	0.82	$	(0.37)	$	(4.64)
Weighted Average Common Shares Outstanding		10,002		7,601		10,004		7,618
Weighted Average Diluted Common Shares Outstanding		10,002		7,803		10,004		7,618

See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders Deficit

Six Months Ended June 30, 2012 and 2011

(Amounts in thousands, except share data)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Accumulated Deficit (Restated)	Total ADA-ES Stockholders Deficit (Restated)	Non-controlling Interest	Total Deficit (Restated)
Balances, January 1, 2011 (Restated, see Note 12)	7,538,861	$ 39,627	$ (43,875)	$ (4,248)	$ 2,035	$ (2,213)
Stock-based compensation	66,269	454		454		454
Issuance of stock to 401(k) plan	16,276	182		182		182
Issuance of stock on exercise of options	11,134	81		81		81
Income tax impact of sale of temporary equity in joint venture		(10,980)		(10,980)		(10,980)
Equity contributions by non-controlling interest					250	250
Distributions to non-controlling interest					(35,698)	(35,698)
Expense of stock issuance and registration		(16)		(16)		(16)
Net income (loss) (restated)			(35,382)	(35,382)	4,835	(30,547)
Balances, June 30, 2011, as restated	**7,632,540**	**$ 29,348**	**$ (79,257)**	**$ (49,909)**	**$ (28,578)**	**$ (78,487)**
Balances, January 1, 2012 (Restated, see Note 12)	9,996,144	$ 63,184	$ (66,694)	$ (3,510)	**$ (25,936)**	**$ (29,446)**
Stock-based compensation	5,725	78		78		78
Issuance of stock to 401(k) plan	8,847	197		197		197
Issuance of stock on exercise of options	1,966	21		21		21
Distributions to non-controlling interest					(106)	(106)
Expense of stock issuance and registration		(22)		(22)		(22)
Net income (loss) (restated)			(3,718)	(3,718)	2,733	(985)
Balances, June 30, 2012, as restated	**10,012,682**	**$ 63,458**	**$ (70,412)**	**$ (6,954)**	**$ (23,309)**	**$ (30,263)**

See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

	Six Months Ended June 30, 2012 (Restated, see Note 12)	Six Months Ended June 30, 2011 (Restated, see Note 12)
Cash Flows from Operating Activities		
Net loss	$ (3,718)	$ (35,382)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,205	392
Deferred tax benefit		(10,980)
Loss on disposal of assets		37
Expenses paid with stock, restricted stock and stock options	275	636
Net equity in net (income) loss from unconsolidated entities	(168)	3,711
Non-controlling interest in income from subsidiaries	2,733	4,835
Changes in operating assets and liabilities:		
Receivables, net	(7,978)	2,390
Prepaid expenses and other assets	(829)	(674)
Accounts payable	625	371
Accrued payroll, expenses and other related liabilities	(1,137)	3,586
Deferred revenue and other liabilities	(2,654)	(2,488)
Settlement awards and related accrued liabilities	(2,928)	39,502
Net cash provided by (used in) operating activities	(13,574)	5,936
Cash Flows from Investing Activities		
Investment in securities	(227)	
Principal payments received on notes receivable		1,580
Capital expenditures for equipment, patents and development projects	(6,837)	(4,974)
Net cash used in investing activities	(7,064)	(3,394)
Cash Flows from Financing Activities		
Net borrowings under line of credit	3,503	4,168
Loan to unconsolidated entity	(500)	
Sale of temporary equity in joint venture		60,000
Non-controlling interest equity contributions		250
Distributions to non-controlling interest	(106)	(35,698)
Exercise of stock options	21	81
Stock issuance and registration costs	(22)	(16)
Net cash provided by financing activities	2,896	28,785
Increase (Decrease) in Cash and Cash Equivalents	**(17,742)**	**31,327**
Cash and Cash Equivalents, beginning of period	40,879	9,696
Cash and Cash Equivalents, end of period	**$ 23,137**	**$ 41,023**

Supplemental Schedule of Non-Cash Flow Investing and Financing Activities				
Stock and stock options issued for services	$	275	$	636
Cash paid for interest	$	1,110	$	
Accrued capital expenditures	$	1,594	$	
Deposits transferred to deferred revenue	$	3,000	$	

See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2012

(1) Basis of Presentation

Nature of Operations

ADA-ES, Inc. (ADA), its direct and indirect wholly-owned subsidiaries, Advanced Emissions Solutions, Inc., a Delaware corporation (ADES), BCSI, LLC, a Delaware limited liability company (BCSI LLC), ADA Intellectual Property, LLC, a Colorado limited liability company (ADA IP), all of which had no operations during the first six months of 2012, and ADA Environmental Solutions, LLC, a Colorado limited liability company (ADA LLC) and ADA s joint venture interest in Clean Coal Solutions, LLC (Clean Coal) are collectively referred to as the Company . The Company is principally engaged in providing environmental technologies and specialty chemicals to the coal-burning electric power generation industry. The Company generates a substantial part of its revenue from the sale of refined coal (RC), the sale of Activated Carbon Injection (ACI) systems, contracts co-funded by the government and industry and the development and lease of equipment for the RC market. The Company s sales occur principally throughout the United States.

The consolidated balance sheet as of December 31, 2011, which has been derived from restated audited financial statements, and the accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The consolidated financial statements include the financial statements of ADA, ADES, BCSI LLC, ADA IP, ADA LLC and Clean Coal. All significant intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, the consolidated financial statements include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations, financial position and cash flows for the interim periods presented. Operating results for the three and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

These statements should be read in conjunction with the consolidated financial statements and related notes to the consolidated financial statements included in our Annual Report on Form 10-K/A for the year ended December 31, 2011, as amended and restated. The accounting policies used in preparing these consolidated financial statements are the same as those described in our Form 10-K and its amendments. The financial information included in these Notes relating to the Company s financial position as of December 31, 2011, and results of operations for the interim periods ended June 30, 2012 and 2011 have been restated to give effect to the accounting adjustments discussed in Note 12.

The Company prepares its consolidated financial statements in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified from the prior periods to conform to the current period financial statement presentation. Such reclassification had no effect on the net loss reported.

New Accounting Standard

In September 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-08 which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company performs its annual goodwill impairment test in the fourth quarter and does not expect the adoption of this ASU to significantly impact its consolidated financial statements.

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(2) Investment in Unconsolidated Entity

Clean Coal Solutions Services

On January 20, 2010, the Company, together with NexGen Resources Corporation (NexGen), formed Clean Coal Solutions Services, LLC (CCSS) for the purpose of operating RC facilities leased or sold to third parties by Clean Coal. The Company has a 50% ownership interest in CCSS (but does not have management control of it) and the Company s investment in and advances to CCSS which totaled approximately $1.3 million as of June 30, 2012 includes its share of CCSS income since its formation and is accounted for under the equity method of accounting. The following schedule shows unaudited consolidated summarized information as to assets, liabilities and revenues and net income attributed to CCSS before consolidation. CCSS consolidated financial statements include the financial results of the entities that lease RC facilities and its revenues includes sale of RC and its cost of sales include raw coal purchases.

	As of June 30, 2012	As of December 31, 2011
	(in thousands)	
Current assets	$ 53,358	$ 22,609
Property, equipment, and other long-term assets	1,867	3,682
Total Assets	$ 55,225	$ 26,291
Total Liabilities	$ 34,367	$ 15,988

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Net revenue	$ 67,180	$ 34,364	$ 105,972	$ 82,949
Net income-attributed to CCSS	$ 262	$ 146	$ 335	$ 199

(3) Joint Venture Investment in Clean Coal (restated)

In November 2006, the Company sold a 50% interest in its joint venture called Clean Coal Solutions, LLC, which was formed in 2006 with NexGen, to market RC technology. In May 2011, ADA and NexGen entered into a transaction in which Clean Coal sold an effective 15% interest of the equity in Clean Coal to an affiliate of The Goldman Sachs Group, Inc. (GS) (see Note 12 for discussion regarding the classification as temporary equity of GS s interest obtained through this transaction). GS s interest has certain preferences over ADA and NexGen as to liquidation and profit distribution. GS has no further capital call requirements and does not have a voting interest but does have approval rights over certain corporate transactions.

In September 2011, ADA, NexGen, and GS entered into the First Amendment to the Second Amended and Restated Operating Agreement pursuant to which ADA and NexGen each transferred their 2.5% member interests in each of Clean Coal s subsidiaries back to Clean Coal. As a result of these transactions, ADA s interest in Clean Coal s net profits and losses is now 42.5%. This restructuring of ownership interests did not change the financial relationships of the parties and ADA still maintains a 50% governance interest in Clean Coal. Since its inception, ADA has been considered the primary economic beneficiary of this joint venture and has consolidated the accounts of Clean Coal.

Clean Coal s function is to supply technology, equipment and technical services to cyclone-fired and other boiler users, but Clean Coal s primary purpose is to put into operation facilities that produce RC that qualifies for tax credits that are available under Section 45 of the Internal Revenue Code (Section 45 tax credits). Clean Coal qualified two facilities in 2009 for such purposes and leased those facilities to a third party in 2010.

In December 2010, the Tax Relief and Job Creation Act of 2010 extended the placed in service deadline for the Section 45 tax credits to January 1, 2012. In consideration of the extension, Clean Coal built and qualified an additional 26 RC facilities in 2011, which met the extended placed in service date. In November and December 2011, the two leased RC facilities qualified in 2009 were exchanged with newly constructed, redesigned RC facilities. The new leases carry over most of the substantive terms and conditions of the initial leases. A third RC facility was leased to GS at the end of the first quarter of 2012.

The operating agreement of Clean Coal requires NexGen and ADA to each pay 50% of the costs of operating Clean Coal and specifies certain duties that both parties are obligated to perform. Pursuant to the Second Amended and Restated Operating Agreement and Exclusive Right to

Lease Agreement, GS is in the process of exercising its exclusive right (but not the obligation) to lease facilities that will produce up to approximately 12 million tons of RC per year on pre-established lease terms similar to those currently in effect for Clean Coal s first two leased facilities.

Following is unaudited summarized information as to assets, liabilities and results of operations of Clean Coal:

	As of June 30, 2012	As of December 31, 2011
	(in thousands)	
Primary assets		
Cash and cash equivalents	$ 3,955	$ 8,804
Accounts receivable, net	9,145	3,177
Prepaid expenses and other assets	3,312	3,028
Property, plant and equipment including assets under lease and assets placed in service, net	41,952	36,751
Primary liabilities		
Accounts payable and accrued liabilities	$ 11,901	$ 11,735
Line of credit	18,000	14,497
Deferred revenue, current and deposits	15,595	18,500
Deferred revenue, long term	1,105	

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Net revenue	$ 48,351	$ 4,723	$ 63,525	$ 10,802
Net revenue excluding RC sales	$ 10,611	$ 4,723	$ 16,013	$ 10,802
Net income	$ 3,767	$ 3,564	$ 4,752	$ 8,828

Amounts due to CCSS

Clean Coal has recorded accounts payable due to CCSS totaling $2.1 million and $604,000 as of June 30, 2012 and December 31, 2011, respectively, which are included in accounts payable in the accompanying consolidated balance sheets.

(4) Deferred Revenue and Deposits

Deferred revenue consists of:

- billings in excess of costs and earnings on uncompleted contracts; and
- deferred rent revenue related to Clean Coal s lease of its RC facilities.

Clean Coal Deferred Rent Revenue

In June 2010, Clean Coal executed agreements to lease two RC facilities. These agreements provided for, among other things, a prepaid rent payment of $9 million for both facilities that was received before June 30, 2010. In November and December 2011, Clean Coal entered into transactions to exchange the existing facilities. There was no change to the prepaid rent payment or amortization period as a result of the exchange. Prepaid rent of $3 million related to the third RC facility leased to GS in March 2012 will be amortized starting in the third quarter of 2012. Clean Coal received an additional $6.3 million in prepaid rent from GS related to this facility in July 2012.

Following is a table of current deferred revenue which is included in deferred revenue and other liabilities in the consolidated balances sheets and long-term deferred revenue which is included in deferred revenue in the consolidated balance sheets related to these rent revenues:

	As of June 30, 2012	As of December 31, 2011
	(in thousands)	
Deferred revenue, short-term	$ 3,695	$ 3,600
Deferred revenue, long-term	$ 1,105	$

The following table presents total rent revenues recognized and amortization with respect to the prepaid rents:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Rent revenue recognized	$ 10,590	$ 4,700	$ 15,980	$ 10,800
Amortization of deferred revenues included in amounts above	$ 900	$ 900	$ 1,800	$ 1,800

Clean Coal Deposits

Clean Coal has deposits of $11.9 million towards RC facilities which may be leased upon attainment of certain milestones that are included in deposits in the consolidated balance sheets at June 30, 2012.

(5) Net Income (Loss) Per Share (restated)

Basic net income (loss) per share is computed based on the weighted average common shares outstanding in the period. Diluted net income (loss) per share is computed based on the weighted average common shares outstanding in the period and the effect of dilutive securities (stock options and awards) except where the inclusion is anti-dilutive.

All outstanding stock options (see Note 8) to purchase shares of common stock for the three and six months ended June 30, 2012 and for the six months ended June 30, 2011 were excluded from the calculation of diluted shares as their effect is anti-dilutive.

(6) Property and Equipment

Property and equipment consisted of the following at the dates indicated:

	Years	As of June 30, 2012	As of December 31, 2011
		(in thousands)	
Machinery and equipment	3-10	$ 4,331	$ 3,937
Leasehold improvements	2-5	1,199	624
Furniture and fixtures	3-7	828	281
RC assets under lease and placed in service	10	43,767	36,929
		50,125	41,771
Less accumulated depreciation and amortization		(6,779)	(4,651)
Total property and equipment, net		$ 43,346	$ 37,120

	Three Months Ended June 30,	Six Months Ended June 30,

	2012	2011	2012	2011
		(in thousands)		
Depreciation and amortization	$ 1,181	$ 207	$ 2,205	$ 392

(7) <u>Income Taxes (restated)</u>

Income taxes are accounted for under the asset and liability approach. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using the enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided if and 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 effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. At each reporting date, management reviews existing income tax assessments and, if necessary, revises them to reflect changed circumstances. In a situation where recent losses have been incurred, the accounting standards require convincing evidence that there will be sufficient future taxable income to realize deferred tax assets.

In August 2012, after extensive discussions with the SEC s Division of Corporation Finance and Office of the Chief Accountant and the Company s outside tax experts, independent registered public accounting firm, Audit Committee and Board of Directors, management determined that the objective and verifiable negative evidence represented by historical losses outweighed more subjective positive evidence of anticipated future income. As a result, management determined it necessary to record a full valuation allowance against the Company s net deferred tax assets and is restating the consolidated financial statements with this Amendment for the quarterly periods ended June 30, 2012 and 2011 and as of December 31, 2011. See Note 12 for additional discussion.

The Company has provided a full valuation allowance against the deferred tax assets of $18.3 million and $18.6 million as of June 30, 2012 and December 31, 2011, respectively.

The tax benefit included in the consolidated statement of operations for the three and six months ended June 30, 2011 was recorded as a result of the sale of the equity interest in Clean Coal to GS in May 2011. Since the transaction did not result in a change in control of Clean Coal, the $11 million tax effect of the amount received from this transaction was recorded to stockholders deficit.

(8) Share Based Compensation

Since 2003, ADA has had several stock and option plans, including the Amended and Restated 2007 Equity Incentive Plan dated as of August 31, 2010, as amended (the 2007 Plan) and the ADA-ES, Inc. Profit Sharing Retirement Plan, which is a plan qualified under Section 401(k) of the Internal Revenue Code (the 401(k) Plan) described below. These plans allow ADA to issue stock or options for shares of common stock to employees, Board of Directors and non-employees.

Following is a table of options activity for the six months ended June 30, 2012:

	Employee and Director Options	Weighted Average Exercise Price
Options outstanding, January 1, 2012	182,942	$ 9.95
Options granted		
Options expired		
Options exercised	(1,966)	10.73
Options outstanding and exercisable, June 30, 2012	180,976	$ 9.94

Following is a table of aggregate intrinsic value of options exercised and exercisable for the six months ended June 30, 2012:

	Intrinsic Value	Average Market Price
Exercised, June 30, 2012	$ 26,437	$ 24.18

	Intrinsic Value	Market Price
Exercisable, June 30, 2012	$ 2,792,686	$ 25.37

Stock options outstanding and exercisable at June 30, 2012 are summarized in the table below:

Range of Exercise Prices	Number of Options Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Lives
$8.60 $10.20	142,583	$ 8.66	3.4

$13.80	$15.20	38,393	$ 14.70	3.0
		180,976	$ 9.94	3.3

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No options were granted and/or vested during the three or six months ended June 30, 2012.

Although ADA adopted the 2007 Plan in 2007, it was further amended and restated as of August 31, 2010 to make non-material changes to assure Internal Revenue Code Section 409A compliance and to increase the non-management director annual grant limit to 15,000 shares of common stock from 10,000 shares. The 2007 Plan authorized the issuance to employees, directors and non-employees of up to 1 million shares of common stock, either as restricted stock grants or to underlie options to purchase shares of ADA s common stock. On July 19, 2012, the stockholders of ADA approved an amendment to the 2007 Plan to increase the number of shares presently issuable to 1.3 million and increase the number of shares authorized for issuance to 1.8 million. In addition, the stockholders also approved an increase in the number of shares with respect to which awards may be granted in any fiscal year increased from 30,000 to 50,000 and the annual grant limit for the non-management director annual grant was increased to 30,000 shares.

In 2009, the Company revised its 401(k) Plan. The revision permits ADA to issue shares of its common stock to employees to satisfy its obligation to match employee contributions under the terms of the plan in lieu of matching contributions in cash. ADA reserved 300,000 shares of its common stock for this purpose. The value of common stock issued as matching contributions under the plan is determined based on the per share market value of ADA s common stock on the authorization date.

Following is a table summarizing the activity under various stock issuance plans for the six months ended June 30, 2012:

Stock Issuance Plans

	2007 Plan	401(k) Plan	Other Stock Plans
Balance available, January 1, 2012	30,954	156,025	5,065
Evergreen addition	209,628		
Restricted stock issued to new and anniversary employees	(5,371)		
Restricted stock cancelled	510		
Stock issued based on incentive and matching programs to employees		(8,847)	
Stock issued to executives, directors and non-employees	(864)		
Balance available, June 30, 2012	234,857	147,178	5,065

Expense recognized under the different plans for the periods ended June 30, 2012:

		(in thousands)	
three months	$ 31	$ 113	$
six months	$ 78	$ 197	$

Unrecognized expense under the different plans for the periods ended June 30, 2012:

		(in thousands)	
three months	$ 66	$	$
six months	$ 584	$	$

A summary of the status of the non-vested shares under the 2007 Plan as of June 30, 2012 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2012	107,991	$ 6.98
Granted	5,371	24.83
Vested	(2,898)	24.02
Forfeited	(510)	11.51
Non-vested at June 30, 2012	109,954	$ 7.51

(9) Stockholders Deficit (restated)

Stockholders deficit has been restated. The restated ADA portion of stockholders deficit for the six months ended June 30, 2012 includes an $18.3 million reduction attributable to the recognition of a valuation allowance against the Company s deferred tax assets. The restated ADA portion of stockholders deficit for the fiscal year ended December 31, 2011 includes a $30 million reduction attributable to the reclassification of temporary equity and an $18.6 million reduction attributable to the recognition of a valuation allowance against the Company s deferred tax assets. See Notes 7 and 12 for additional discussion.

Non-Controlling Interest

For the periods ended June 30, 2012 and 2011, the non-controlling interest portion of stockholders deficit consists of the non-controlling interest related to Clean Coal. The amounts for the periods ended June 30 and December 31, 2011 have been restated (see Note 12 for the restatement of equity held by GS).

(10) Commitments and Contingencies

Line of Credit

Clean Coal has available a revolving line of credit with a bank for $15 million that is secured by substantially all the assets of Clean Coal (including its subsidiaries). The line of credit expires in March 2013 and requires four equal quarterly installments of principal (plus all accrued interest at such time) to be paid beginning June 30, 2012. The first installment payment of $3.7 million was made on July 3rd , one of the first business days after the June 30th due date. Borrowings under the line of credit bear interest at the higher of the Prime Rate (as defined in the related credit agreement) plus one percent (1%) or 5% per annum (effective rate of 5% at June 30, 2012).

In May 2012, an amendment was made to the line of credit agreement to increase the amount available by $3 million under an increased commitment note issued in conjunction with the line of credit. This amount is secured by a cash collateral account of $3 million held by the bank issuing the line of credit with funds received equally from ADA and NexGen. Interest is payable monthly at 3% over the rate paid by the bank on the cash collateral account and is due on or before December 1, 2012. At June 30, 2012, the outstanding balance on the line of credit and commitment note was $18 million. Borrowings under the line of credit and increased commitment note are subject to certain financial covenants applicable to Clean Coal.

Retirement Plan

ADA assumed the 401(k) plan covering all eligible employees as of January 1, 2003 which was revised in 2009, and makes matching contributions to the plan in the form of cash and its common stock. Such contributions are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Matching contributions in stock	$ 113	$ 92	$ 197	$ 182

Performance Guarantee on Emission Control Systems

Under certain contracts to supply emission control systems, the Company may guarantee certain aspects of the performance of the associated equipment for a specified period to the owner of the power plant. The Company may also guarantee the achievement of a certain level of mercury removal if certain conditions around injecting the specified quantity of a qualified AC at the specified injection rate and other plant operating conditions are met. In the event the equipment fails to perform as specified, the Company may have an obligation to correct or replace the equipment. In the event the level of mercury removal is not achieved, the Company may have a make right obligation within the contract limits. The Company assesses the risks inherent in each applicable contract and accrues an amount that is based on estimated costs that may be incurred over the performance period of the contract. Such costs are included in the Company s accrued warranty and other liabilities in the accompanying consolidated balance sheets. Any warranty costs paid out in the future will be charged against the accrual. The adequacy of warranty accrual balance is assessed at least quarterly based on the then current facts and circumstances and adjustments are made as needed. The changes in the carrying amount of the Company s performance guaranties are as follows:

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
		(in thousands)		
Beginning balance	$ 546	$ 585	$ 547	$ 612
Performance guaranties accrued	16	16	17	38
Expenses paid		(54)	(2)	(103)
Ending balance	$ 562	$ 547	$ 562	$ 547

In some cases, a performance bond may be purchased and held for the period of the warranty that can be used to satisfy the obligation.

Clean Coal

The Company also has certain obligations in connection with the activities of Clean Coal. The Company, NexGen and two entities affiliated with NexGen have provided GS and the GS affiliate that is the lessee for certain RC facilities with joint and several guaranties (the CCS Party Guaranties) guaranteeing all payments and performance due under the related transaction agreements. The Company also entered into a contribution agreement with NexGen under which any party called upon to pay on a CCS Party Guaranty is entitled to receive contribution from the other party equal to 50% of the amount paid.

The parent of the lessee in the RC facilities lease transactions has provided Clean Coal with a guaranty as to the payment only of all the initial term fixed rent payments and the renewal term fixed rent payments under the related leases, which, although terminable at any time, cannot be terminated without the substitution of such guaranty with another guaranty on similar terms from a creditworthy guarantor.

Arbitration Award Liabilities

As previously reported in various filings, ADA had been engaged in litigation with Norit Americas, Inc. and Norit International N.V. f/k/a Norit N.V (Norit). The Norit lawsuit initially filed in Texas was moved to arbitration, and on April 8, 2011, the arbitration panel issued an interim award holding ADA liable for approximately $37.9 million for a non-solicitation breach of contract claim and held ADA and certain other defendants liable for royalties of 10.5% for the first three years beginning in mid-2010 and 7% for the following five years based on adjusted sales of AC from the Red River plant.

On August 29, 2011, ADA and Norit entered into a settlement agreement whereby the Company paid a lump-sum payment to Norit totaling $33 million on August 30, 2011. In addition, the Company agreed to pay an additional $7.5 million over a three-year period commencing on June 1, 2012, payable in three installments without interest of $2.5 million. Under the terms of the settlement agreement, ADA is also required to pay the royalty noted above and a lesser royalty on certain treated activated carbons. Payments of amounts due under the royalty award for each quarter are payable three months after such quarter ends. On October 18, 2011, the arbitration panel endorsed and confirmed the terms of the settlement agreement.

The Company has accrued a current liability as of June 30, 2012 of $3 million which is included in settlement awards and related accrued liabilities and a long-term liability of $2.5 million which is included in settlement awards and indemnity liability in the consolidated balance sheets related to this agreement.

Indemnity Liability Settlement

As previously reported in various filings, in November 2011, ADA entered into an Indemnity Settlement Agreement whereby ADA agreed to settle certain indemnity obligations asserted against ADA related to the Norit litigation and relinquish all of its interest in ADA Carbon Solutions, LLC (Carbon Solutions). Our net investment in Carbon Solutions was accounted for under the equity method of accounting and our respective share of Carbon Solutions losses of $1.8 million and $3.8 million for the three and six months ended June 30, 2011, respectively, is included in the consolidated statements of operations. Under the terms of the Indemnity Settlement Agreement, ADA paid a $2 million payment on November 28, 2011 and agreed to make 16 additional monthly payments of $100,000 with the first one paid on November 28, 2011, and the remaining 15 payments commencing on December 1, 2011, relinquished all of its equity interest in Carbon Solutions to Carbon Solutions and amended the Intellectual Property License Agreement dated October 1, 2008 between ADA and Carbon Solutions.

The Company has accrued a current liability as of June 30, 2012 of $800,000 which is included in settlement awards and related accrued liabilities in the consolidated balance sheets related to this agreement.

(11) <u>Business Segment Information</u> (restated)

The following information relates to the Company s three reportable segments: Refined coal (RC), Emission control (EC) and CO_2 capture (CC). All assets are located in the U.S. and are not evaluated by management on a segment basis. All significant customers are U.S. companies and the U.S Government.

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
		(in thousands)		
Revenue				
RC				
Rental income	$ 10,590	$ 4,582	$ 15,981	$ 10,668
Coal sales	37,739		47,512	
Other revenues	22	166	32	166
	48,351	4,748	63,525	10,834
EC				
Systems and equipment	2,745	488	4,157	1,141
Consulting and development	1,058	1,020	2,193	1,961
Chemicals	162	201	379	640
	3,965	1,709	6,729	3,742
CC	195	569	477	917
Total	$ 52,511	$ 7,026	$ 70,731	$ 15,493
Segment profit				
RC	$ 4,794	$ 3,808	$ 6,580	$ 9,374
EC	102	179	177	915
CC	16	20	78	34
Total	$ 4,912	$ 4,007	$ 6,835	$ 10,323

A reconciliation of the reported total segment profit to net loss for the periods shown above is as follows:

	Three Months Ended June 30, 2012 (Restated)	2011 (Restated)	Six Months Ended June 30, 2012 (Restated)	2011 (Restated)
		(in thousands)		
Total segment profit	$ 4,912	$ 4,007	$ 6,835	$ 10,323
Non-allocated general and administrative expenses	(2,136)	(6,054)	(4,270)	(10,335)
Depreciation and amortization	(1,181)	(207)	(2,205)	(392)
Other income including interest	42	1,498	141	2,090
Interest expense	(431)		(901)	
Settlement of litigation and arbitration award, net	(469)		(753)	(39,502)
Net equity in net income (loss) of unconsolidated entities	132	(1,752)	168	(3,711)
Deferred income tax benefit		10,980		10,980
Net income attributable to non-controlling interest	(2,167)	(2,056)	(2,733)	(4,835)
Net income (loss) attributable to ADA	$ (1,298)	$ 6,416	$ (3,718)	$ (35,382)

Non-allocated general and administrative expenses include costs that benefit the business as a whole and are not directly related to any one of our segments. Such costs include but are not limited to accounting and human resources staff, information systems costs, facility costs, legal fees, audit fees and corporate governance expenses.

(12) Restatement of Consolidated Financial Statements (restated)

Reclassification of Equity Interest

On its Current Report on Form 8-K dated June 20, 2012, the Company reported management s determination that the Company s consolidated financial statements contained in its Annual Report on Form 10-K for the year ended December 31, 2011 and its Quarterly Reports on Form 10-Q for the quarters ended June 30, 2011, September 30, 2011 and March 31, 2012 should no longer be relied upon and should be restated. Management made this determination following an assessment of the accounting treatment of the equity in Clean Coal that has been held by an affiliate of GS since May 2011.

After completion of a review and evaluation of the operating agreement of Clean Coal and the members rights and obligations thereunder and accounting authoritative literature, management determined that GS s interest in Clean Coal would be more appropriately classified as temporary equity because of a provision in the agreement that permits GS to require redemption of the unreturned portion of its initial investment plus a return of 15% under certain limited circumstances.

As a result, the Company has restated its consolidated financial statements in this Amendment as of December 31, 2011. The effect of the restatement on the Company s consolidated balance sheets as of December 31, 2011 is that GS s interest in Clean Coal has been reclassified as temporary equity rather than as part of stockholders equity (deficit). While the effect of this reclassification was reflected in the Original Filing, the amounts recorded as temporary and permanent equity have been reclassified as of June 30, 2012 to conform to the accounting for temporary equity as shown on prior period restated filings.

Deferred Tax Assets Valuation Allowance

On its Current Report on Form 8-K dated August 14, 2012, the Company reported management s determination that the Company s consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal years ended December 31, 2010 and December 31, 2011 and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, June 30, 2011, September 30, 2011, March 31, 2012 and June 30, 2012 should no longer be relied upon and should be restated. After extensive discussions with the SEC s Division of Corporation Finance and Office of the Chief Accountant and the Company s outside tax experts, independent registered public accounting firm, Audit Committee and Board of Directors, management determined that a full valuation allowance against the Company s net deferred tax assets should have been recognized as of December 31, 2010 and for each subsequent quarter thereafter. Management determined that it was necessary to record the valuation allowance against the Company s deferred tax assets after reconsidering the weight given in the original assessment to the relevant information used to measure the positive and negative evidence regarding the potential for ultimate realization of the deferred tax assets.

Realization of the deferred tax assets is dependent upon the Company s ability to generate future taxable income. In its reassessment, management concluded that the objective and verifiable negative evidence represented by historic losses outweighed more subjective positive evidence of anticipated future income. As a result, the Company has restated its consolidated financial statements in this Amendment as of and for the quarterly periods ended June 30, 2012 and 2011 and as of December 31, 2011.

Financial Statement Effect of the Restatement

The tables below show the effect of the above restatement on the Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011, and the Consolidated Statements of Operations for the three and six months ended June 30, 2012 and 2011, Consolidated Statements of Changes in Stockholders Deficit for the six months ended June 30, 2012 and 2011 and Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011. The restatement reflects non-cash adjustments and has no effect on previously reported operating income results or cash flows from operations. The Company also amended its Annual Reports on Form 10-K for the fiscal years ended December 31, 2011 and 2010 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 on October 19, 2012.

Effect on Consolidated Balance Sheets

		Restatement Adjustments		
	As Previously Reported December 31, 2011	Deferred tax Valuation Allowance	Temporary Equity	As Restated December 31, 2011
		(Amounts in thousands)		
Current Assets				
Cash and cash equivalents	$ 40,879	$	$	$ 40,879
Receivables, net of allowance for doubtful accounts	5,914			5,914
Investment in securities	508			508
Prepaid expenses and other assets	3,924	(2,392)		1,532
Total current assets	51,225	(2,392)		48,833
Property and Equipment, at cost	41,771			41,771
Less accumulated depreciation and amortization	(4,651)			(4,651)
Net property and equipment	37,120			37,120

Investment in unconsolidated entities	590			590
Other assets	931			931
Deferred taxes and other assets	16,233	(16,233)		
Total other assets	17,754	(16,233)		1,521
Total Assets	**$ 106,099**	**$ (18,625)**	**$**	**$ 87,474**
Total Liabilities	**$ 56,920**	**$**	**$**	**$ 56,920**
Temporary Equity Non-controlling Interest Subject to Possible Redemption			60,000	**60,000**
Stockholders Equity (Deficit)				
ADA-ES, Inc. stockholders equity (deficit)				
Preferred stock: 50,000,000 shares authorized, none outstanding				
Common stock: no par value, 50,000,000 shares authorized, 9,996,144 shares issued and outstanding	93,184		(30,000)	63,184
Accumulated deficit	(48,069)	(18,625)		(66,694)
Total ADA-ES, Inc. stockholders equity (deficit)	45,115	(18,625)	(30,000)	(3,510)
Non-controlling interest	4,064		(30,000)	(25,936)
Total Stockholders Equity (Deficit)	**49,179**	(18,625)	(60,000)	**(29,446)**
Total Liabilities, Temporary Equity and Stockholders Equity (Deficit)	**$ 106,099**	**$ (18,625)**	**$**	**$ 87,474**

	As Previously Reported June 30, 2012	Restatement Adjustments Deferred tax Valuation Allowance	Temporary Equity	As Restated June 30, 2012
		(Amounts in thousands)		
Current Assets				
Cash and cash equivalents	$ 23,137	$	$	$ 23,137
Receivables, net of allowance for doubtful accounts	13,892			13,892
Investment in securities	735			735
Prepaid expenses and other assets	4,441	(2,244)		2,197
Total current assets	42,205	(2,244)		39,961
Property and Equipment, at cost	50,125			50,125
Less accumulated depreciation and amortization	(6,779)			(6,779)
Net property and equipment	43,346			43,346
Investment in unconsolidated entities	1,257			1,257
Deferred taxes	16,076	(16,076)		
Other assets	1,096			1,096
Total other assets	18,429	(16,076)		2,353
Total Assets	**$ 103,980**	**$ (18,320)**	**$**	**$ 85,660**
Total Liabilities	**$ 55,923**	**$**	**$**	**$ 55,923**
Temporary Equity Non-controlling Interest Subject to Possible Redemption	**61,707**		(1,707)	**60,000**
Stockholders Deficit				
ADA-ES, Inc. stockholders equity (deficit)				
Preferred stock: 50,000,000 shares authorized, none outstanding				
Common stock: no par value, 50,000,000 shares authorized, 10,012,682 shares issued and outstanding	63,458			63,458
Accumulated deficit	(52,092)	(18,320)		(70,412)
Total ADA-ES, Inc. stockholders equity (deficit)	11,366	(18,320)		(6,954)
Non-controlling interest	(25,016)		1,707	(23,309)
Total Stockholders Deficit	**(13,650)**	(18,320)	1,707	**(30,263)**
Total Liabilities, Temporary Equity and Stockholders Deficit	**$ 103,980**	**$ (18,320)**	**$**	**$ 85,660**

Effect on Consolidated Statements of Operations

	Three Months Ended June 30, 2011			
		Restatement Adjustments		
	As Previously Reported	Deferred tax Valuation Allowance	Temporary Equity	As Restated
		(Amounts in thousands)		
Loss from Continuing Operations Before Income Tax Benefit and Non-controlling Interest	$ (2,508)	$	$	$ (2,508)
Income Tax Benefit	2,313	8,667		10,980
Net Loss Before Non-controlling Interest	(195)	8,667		8,472
Non-controlling Interest	(2,056)			(2,056)
Net Loss Attributable to ADA-ES, Inc.	**$ (2,251)**	**$ 8,667**	**$**	**$ 6,416**
Net Loss Per Common Share Basic Attributable to ADA-ES, Inc.	**$ (0.30)**	**$ 1.14**	**$**	**$ 0.84**
Net Loss Per Common Share Diluted Attributable to ADA-ES, Inc.	**$ (0.30)**	**$ 1.12**	**$**	**$ 0.82**
Weighted Average Common Shares Outstanding	**7,601**			**7,601**
Weighted Average Diluted Common Shares Outstanding	**7,601**			**7,803**

	Three Months Ended June 30, 2012			
		Restatement Adjustments		
	As Previously Reported	Deferred tax Valuation Allowance	Temporary Equity	As Restated
		(Amounts in thousands)		
Loss from Continuing Operations Before Income Tax Benefit and Non-controlling Interest	$ 869	$	$	$ 869
Income Tax Benefit	(1,324)	1,324		
Net Loss Before Non-controlling Interest	(455)	1,324		869
Non-controlling Interest	(2,167)			(2,167)
Net Loss Attributable to ADA-ES, Inc.	**(2,622)**	**1,324**		**(1,298)**
Net Loss Per Common Share Basic and Diluted Attributable to ADA-ES, Inc.	**$ (0.26)**	**$ 0.13**	**$**	**$ (0.13)**

	Six Months Ended June 30, 2011			
		Restatement Adjustments		
	As Previously Reported	Deferred tax Valuation Allowance	Temporary Equity	As Restated
		(Amounts in thousands)		
Loss from Continuing Operations Before Income Tax Benefit and Non-controlling Interest	$ (41,527)	$	$	$ (41,527)
Income Tax Benefit	16,569	(5,589)		10,980

Net Loss Before Non-controlling Interest	(24,958)	(5,589)		(30,547)
Non-controlling Interest	(4,835)			(4,835)
Net Loss Attributable to ADA-ES, Inc.	**$ (29,793)**	**$ (5,589)**	**$**	**$ (35,382)**
Net Loss Per Common Share Basic and Diluted Attributable to ADA-ES, Inc.	**$ (3.91)**	**$ (0.73)**	**$**	**$ (4.64)**

	Six Months Ended June 30, 2012			
		Restatement Adjustments		
	As Previously Reported	Deferred tax Valuation Allowance	Temporary Equity	As Restated
	(Amounts in thousands)			
Loss from Continuing Operations Before Income Tax Benefit and Non-controlling Interest	$ (985)	$	$	$ (985)
Income Tax Benefit	(305)	305		
Net Loss Before Non-controlling Interest	(1,290)	305		(985)
Non-controlling Interest	(2,733)			(2,733)
Net Loss Attributable to ADA-ES, Inc.	**(4,023)**	**305**		**(3,718)**
Net Loss Per Common Share Basic and Diluted Attributable to ADA-ES, Inc.	**$ (0.40)**	**$ 0.03**	**$**	**$ (0.37)**

Effect on Consolidated Statements of Changes in Stockholders Equity (Deficit)

	As Previously Reported June 30, 2011	Restatement Adjustments Deferred tax Valuation Allowance	Temporary Equity	As Restated June 30, 2011
		(Amounts in thousands)		
ADA-ES Stockholders Equity (Deficit)				
Balance, January 1, 2011	$ 11,409	$ (15,657)	$	$ (4,248)
Stock-based compensation	454			454
Issuance of stock to 401(k) plan	182			182
Issuance of stock on exercise of options	81			81
Income tax impact of sale of temporary equity in joint venture	(10,980)			(10,980)
Expense of stock issuance and registration	(16)			(16)
Net (loss)	(29,793)	(5,589)		(35,382)
Balance, June 30, 2011	(28,663)	(21,246)		(49,909)
Non-controlling Interest, June 30, 2011	(28,847)		269	(28,578)
Total Stockholders Deficit	**$ (57,510)**	**$ (21,246)**	**$ 269**	**$ (78,487)**

	As Previously Reported June 30, 2012	Restatement Adjustments Deferred tax Valuation Allowance	Temporary Equity	As Restated June 30, 2012
		(Amounts in thousands)		
ADA-ES Stockholders Equity (Deficit)				
Balance, January 1, 2012	$ 15,115	$ (18,625)	$	$ (3,510)
Stock-based compensation	78			78
Issuance of stock to 401(k) plan	197			197
Issuance of stock on exercise of options	21			21
Expense of stock issuance and registration	(22)			(22)
Net loss	(4,023)	305		(3,718)
Balance, June 30, 2012	11,366	(18,320)		(6,954)
Non-controlling Interest, June 30, 2012	(25,016)		1,707	(23,309)
Total Stockholders Deficit	**$ (13,650)**	**$ (18,320)**	**$ 1,707**	**$ (30,263)**

Effect on Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2011			
		Restatement Adjustments		
	As Previously Reported	Deferred tax Valuation Allowance	Temporary Equity	As Restated
		(Amounts in thousands)		
Net loss	$ (29,793)	$ (5,589)	$	$ (35,382)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	392			392
Deferred tax benefit	(16,569)	5,589		(10,980)
Loss on disposal of assets	37			37
Expenses paid with stock, restricted stock and stock options	636			636
Net equity in net loss from unconsolidated entities	3,711			3,711
Non-controlling interest in income from subsidiaries	4,835			4,835
Changes in operating assets and liabilities:				
Receivables, net	2,390			2,390
Prepaid expenses and other	(674)			(674)
Accounts payable	371			371
Accrued payroll, expenses and other related liabilities	3,586			3,586
Deferred revenues and deposits	(2,488)			(2,488)
Settlement awards and related accrued liabilities	39,502			39,502
Net cash provided by operating activities	5,936			5,936
Net cash used in investing activities	(3,394)			(3,394)
Net cash provided by financing activities	28,785			28,785
Increase in Cash and Cash Equivalents	31,327			31,327
Cash and Cash Equivalents, beginning of period	9,696			9,696
Cash and Cash Equivalents, end of period	**$ 41,023**	**$**	**$**	**$ 41,023**

	Six Months Ended June 30, 2012			
		Restatement Adjustments		
	As Previously Reported	Deferred tax Valuation Allowance	Temporary Equity	As Restated
		(Amounts in thousands)		
Net loss	$ (4,023)	$ 305	$	$ (3,718)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	2,205			2,205
Deferred tax expense	305	(305)		
Loss on disposal of assets				
Expenses paid with stock, restricted stock and stock options	275			275
Net equity in net income from unconsolidated entities	(168)			(168)
Non-controlling interest in income from subsidiaries	2,733			2,733
Changes in operating assets and liabilities:				
Receivables, net	(7,978)			(7,978)

Prepaid expenses and other assets	(829)			(829)
Accounts payable	625			625
Accrued payroll, expenses and other related liabilities	(1,137)			(1,137)
Deferred revenue and other liabilities	(2,654)			(2,654)
Settlement awards and related accrued liabilities	(2,928)			(2,928)
Net cash used in operating activities	(13,574)			(13,574)
Net cash used in investing activities	(7,064)			(7,064)
Net cash provided by financing activities	2,896			2,896
Decrease in Cash and Cash Equivalents	(17,742)			(17,742)
Cash and Cash Equivalents, beginning of period	40,879			40,879
Cash and Cash Equivalents, end of period	**$ 23,137**	**$**	**$**	**$ 23,137**

(13) Subsequent Event

ADA signed a definitive agreement under which a newly formed, wholly owned subsidiary of ADA, BCSI LLC, will acquire and operate certain assets of two related privately held companies that fabricate and supply Dry Sorbent Injection (DSI) systems and other material handling equipment and provide testing and related DSI services. The agreement provides for an initial payment of $2 million in cash, and an additional $3 million payable over five years. The transaction is expected to close near the end of August 2012, subject to customary and certain other conditions.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

This Report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933 that involve risks and uncertainties. Words or phrases such as anticipates, believes, hopes, expects, intends, plan negative expressions of such words, or similar expressions are used in this Report to identify forward-looking statements, and such forward-looking statements include, but are not limited to, statements or expectations regarding:

(a) when mercury and other regulations or pollution control requirements will become effective and the scope and impact of such regulations, including the impact of the final Mercury and Air Toxics Standards (MATS);

(b) expected growth in and potential size of our target markets;

(c) expected supply and demand for our products and services;

(d) the terms and timing of the acquisition of the assets of Bulk Conveyor Specialist Inc., and Bulk Conveyor Services, Inc. (together, Bulk Conveyor);

(e) the effectiveness of our technologies and the benefits they provide;

(f) expected timing of conducting additional demonstrations of our technology and completing a supply agreement with Arch Coal;

(g) the timing of awards of, and work under, our contracts and agreements and their value and their availability;

(h) expected production levels at our refined coal (RC) facilities, when those RC facilities will be placed into permanent operation and expected use of the tax credits under Section 45 of the Internal Revenue Code (Section 45 tax credits) generated by the RC facilities;

(i) our ability to profitably sell, lease and/or recognize the tax benefits from operating additional RC facilities;

(j) timing and amounts of or changes in future revenues, funding for our business and projects, margins, expenses, earnings, tax rate, cash flow, working capital, liquidity and other financial and accounting measures;

(k) the materiality of any future adjustments to previously recorded revenue as a result of DOE audits;

(l) whether any lawsuits or Environmental Protection Agency (EPA) actions will have a material impact on the implementation of the MATS or other regulations; and

(m) management s belief that it is more likely than not that the Company will realize its tax deferred assets.

The forward-looking statements included in this Report involve risks and uncertainties. Actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors including, but not limited to, timing of new and pending regulations and any legal challenges to them; the government s failure to promulgate regulations or appropriate funds that benefit our business; changes in laws and regulations, accounting rules, prices, economic conditions and market demand; impact of competition; availability, cost of and demand for alternative energy sources and other technologies; technical, start up and operational difficulties; inability to commercialize our technologies on favorable terms; our inability to ramp up our operations to effectively address expected growth in our target markets; loss of key personnel; failure to satisfy performance guaranties; the failure of the facilities leased by Clean Coal Solutions, LLC (Clean Coal) to continue to produce coal that qualifies for Section 45 tax credits; termination of the leases of such facilities; decreases in the coal available for treatment at Clean Coal s RC facilities; plant outages; seasonality; failure to monetize the new CyClean™ and M-45™ facilities; failure to consummate the Bulk Conveyor acquisition; difficulties in the integration of Bulk Conveyor s operations; inability to put into permanent operation our available RC facilities and obtain necessary agreements, permits and private letter rulings from the IRS; availability of raw materials and equipment for our businesses; results of further discussions with the Securities and Exchange Commission (SEC) with respect to the Company s deferred tax assets; our inability to realize our deferred tax assets; intellectual property infringement claims from third parties; as well as other factors relating to our business, as described in our filings with the U.S. Securities and Exchange Commission, with particular emphasis on the risk factor disclosures contained in those filings and in Item 1A of our Annual Report on Form 10-K and Part II Item 1A of this Form 10-Q. You are cautioned not to place undue reliance on the forward-looking statements made in this report, and to consult filings we have made and will make with the SEC for additional discussion concerning risks and uncertainties that may apply to our business and the ownership of our securities. The forward-looking statements contained in this Report are presented as of the date hereof, and we disclaim any duty to update such statements unless required by law to do so.

Restatement

With this Amendment we have restated the following previously filed consolidated financial statements, data and related disclosures: Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011, Consolidated Statements of Operations for the three and six months ended June 30, 2012 and 2011, Consolidated Statements of Changes in Stockholders Deficit for the six months ended June 30, 2012 and 2011and Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011. The restatement reflects non-cash adjustments and has no effect on previously reported operating income results or cash flows from operations. The following Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the unaudited consolidated financial statements and notes thereto, included in Item 1 of this Amendment, and the audited consolidated financial statements and notes thereto and the MD&A included in the Company s Amendment No. 2 to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 2011 filed on October 19, 2012, as well as the Company s other filings with the SEC.

The restatement results from management s determination that the Company had not properly accounted for the interest held by an affiliate of the Goldman Sachs Group (GS) in our joint venture, Clean Coal Solutions, LLC (Clean Coal) since May 2011 and that a full valuation allowance against the Company s deferred tax assets should have been recognized as of December 31, 2010 and all subsequent quarters thereafter.

The following MD&A incorporates the restated figures reflecting these changes. For this reason the data set forth in this section may differ from that presented in discussions and data in our previously filed Quarterly Report on Form 10-Q for the period ended June 30, 2012.

Overview

We develop, offer and implement proprietary environmental technology and market specialty chemicals to the coal-burning electric utility steam generating units (EGU) industry, to the Portland cement industry and to industrial boiler operators. We have three operating segments: RC (refined coal), EC (emission control) and CC (CO_2 capture). The RC segment includes revenues from the leasing of RC facilities and RC sales which approximate the cost of raw coal acquired for RC facilities operated for our own account. The EC segment includes revenue from the supply of emissions control systems including powdered activated carbon injection (ACI) systems, dry sorbent injection (DSI) systems to control SO_2 , SO_3, and HCl and flue gas conditioning (FGC) systems, the licensing of certain technology and provision of consulting services. The CC segment includes revenue from projects relating to the CO_2 capture and control market, including projects co-funded by government agencies, such as the DOE and industry supported contracts.

Our RC segment generates revenues through the lease or sale of RC facilities, which qualify for Section 45 tax credits, to third party financial institutions or others as well as operating RC facilities and keeping the tax credits for our own and our partners accounts. To date, 28 RC facilities that qualify for the Section 45 tax credits have been placed in service through Clean Coal, our RC joint venture with NexGen Refined Coal, LLC (NexGen), an affiliate of NexGen Resources Corporation, and with an affiliate of The Goldman Sachs Group, Inc. (GS).

The primary drivers for many of our EC products and services are environmental laws and regulations impacting the electric power generation industry. Environmental regulations, such as the 1990 Clean Air Act Amendments, the recently enacted Mercury and Air Toxics Standards (MATS) regulations, various Maximum-Achievable Control Technology (MACT) standards including the upcoming Industrial Boiler MACT (IBMACT) regulations, Cement MACT (as defined below) regulations, various state regulations and permitting requirements for coal-fired power plants are requiring electric power generators to reduce emissions of pollutants, such as particulate matter, SO_2, NO_x, mercury, and acid gases. We are a key supplier of mercury control equipment and services, which includes ACI systems, to the EC market whose commercial equipment component first began in 2005 when several individual states began to require limits on mercury emissions. We also offer DSI systems to control SO_2 and acid gases such as HCl and SO_3.

We conduct research and development efforts in CO_2 capture and control from coal-fired boilers. In September 2010, we signed our second significant contract related to CO_2 capture with the DOE, for a project that is expected to continue through the end of 2014.

Refined Coal

We are marketing our CyClean and M-45 technologies, services and equipment through our joint venture in Clean Coal. Since its inception, ADA has been considered the primary economic beneficiary of Clean Coal and has consolidated its accounts.

Environmental Legislation and Regulations

Clean Coal s primary opportunity is based on Section 45 tax credits, as amended by the American Jobs Creation Act of 2004, the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009, and the Tax Relief and Job Creation Act of 2010. In December 2009, the IRS issued the initial guidance as to the specifics concerning how the emissions reductions are to be measured and certified to demonstrate compliance necessary to qualify for the Section 45 tax credits. The IRS provided subsequent guidance on October 4, 2010 to address various issues that had arisen. Additionally, the IRS has published a number of Private Letter Rulings (PLR s) that provide approval to taxpayers on specific Section 45 tax credit projects. Although the approvals in each PLR only applies to the taxpayer on the specific project mentioned in the PLR, other taxpayers can gain an understanding on how the IRS is ruling on certain matters based on the conclusions reached in the PLR.

In December 2010, the Tax Relief and Job Creation Act of 2010 extended the placed in service deadline for the Section 45 tax credits to January 1, 2012. The 2012 tax credit amounts to $6.47 per ton of RC, and escalates annually through 2021.

Technology License Agreements and Operating Agreement

ADA licensed to Clean Coal, on an exclusive basis, the CyClean technology in November 2006. On July 27, 2012 ADA licensed the M-45 technology (the M-45 License) to Clean Coal in order to leverage Clean Coal s operating expertise and take advantage of the other synergies that can be obtained by Clean Coal having the ability to provide and use either the CyClean or M-45 technology.

The M-45 License grants Clean Coal a license to use, on an exclusive, non-transferable, royalty bearing basis, certain technology (the M-45 Technology), with the right to grant multiple tiered sublicenses, for the production of RC in the United States and its territories and possessions. The M-45 License includes certain rights to use the M-45 Technology on various ranks or blends of coals in any type of coal-fired boiler, and is in addition to the license granted to Clean Coal for CyClean. In addition to the rights described above, the M-45 License gives Clean Coal, on a limited, non-exclusive, non-transferable, royalty-bearing basis, with the right to sublicense (under specified terms to be approved by ADA prior to the sublicense being granted) to limited utilities that burn or have burned RC using the M-45 Technology to continue to use the M-45 Technology under certain circumstances for the purpose of Mercury Only Emission Control (which is the use of the M-45 Technology for the primary purpose of decreasing the emissions of mercury from coal-fired boilers using any type of coal or blend of coals, but without the intention of also decreasing emissions of NOx or otherwise qualifying for Section 45 tax credits or other similar tax credits.)

The M-45 License runs from July 27, 2012, through the later of the expiration of (i) the Section 45 tax credits, (ii) any similar tax credit subsequently enacted, but within one year of the expiration of the Section 45 tax credits, which tax credit provides for the production of a coal-based fuel (pre-combustion) that emits, when combusted, a lower level of both NOx and mercury emissions, or (iii) the date on which Clean Coal or any sublicensee permanently ceases to provide Mercury Only Emission Control (as defined above). The M-45 License excludes the use of the M-45 Technology or certain licensed property (as further defined in the M-45 License) in connection with the application of additives included in the M-45 Technology or the licensed property at any PRB mines and sites (including coal processing sites) in the PRB, or during transportation of the PRB coal from such mines and sites to the first delivery point (i.e. during the originating mode of transportation by train, railcar or other methods), which rights have been granted to Arch Coal, Inc. (Arch Coal) under the related Development and License Agreement we have with Arch Coal.

Pursuant to the M-45 License, we will receive royalties (the RC Royalties) equal to (i) a percent of the per-ton, pre-tax margin from future production of RC produced with the M-45 Technology from leased or sold RC facilities, (ii) a percentage of the Section 45 tax credits claimed by Clean Coal (or a Clean Coal affiliate), or their respective owners, on RC produced by a facility that Clean Coal does not monetize with a third party and instead opts to retain the Section 45 tax credits from that facility for its (or an affiliate s) own benefit, net of all directly allocable operating expenses and all utility payments incurred by Clean Coal (or an affiliate) in connection with the production and sale of such RC, and (iii) a percent of the revenue, net of all direct expenses, received by Clean Coal as a direct result of Clean Coal s exercise of the license for Mercury Only Emission Control described above. ADA is entitled to receive up to $10 million in prepaid royalty deposits upon the attainment of certain milestones, which amount includes an initial payment of $2 million made upon signing of the non-binding term sheet for the M-45 License Agreement in November, 2011. Clean Coal has the right to defer prepaid royalty de