

GRASS ROOTS RESEARCH* AND DISTRIBUTION, INC.

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Telephone: 415.454.6985



August 1, 2011

Symbol	FRBE.QB
Exchange	OTC QB
Recommendation	BUY
Current Price	0.18
52 Week High/ Low	0.10/0.55
Shares Outstanding (in mn)	8.77
Market Cap (in \$ mn)	1.33
Beta (36 Month) Average	0.8



Four Rivers BioEnergy Inc. (Verta Energy) is a near-production-ready development stage company engaged in the production of power energy by using liquid biomass. The Company has materially completed the development of an integrated Waste-to-Energy business on its 41 acre industrial complex in north east England, acquired in 2009. The Company is expected to achieve 7MW production capacity in 2011. The company intends to expand in the USA, Europe and internationally.

Market-creating policies and cost reductions have increased the renewable energy market by 30% to 40% in the last five years. The market is the key growth driver in the global clean energy sector. Renewable technologies including hydropower, geothermal and biomass have contributed thousands of megawatts of new capacity worldwide. With government promoting clean energy, the annual global market for waste to energy technologies is expected to exceed \$27 billion by 2021, for all technologies combined at a CAGR of 11%.

Price-to-Earnings (P/E)	
FRBE- Earning Per Share -2012	\$ 0.02
Discount Factor	\$ 0.84
Industry Average P/E Ratio	19.3x
Price based on P/E Ratio	\$ 0.28
Price-to-Capital Employed (P/CE)	
FRBE- Capital Employed	\$ 0.08
Industry Average P/CE Ratio	8.0x
Price based on P/CE Ratio	\$ 0.66
Cohen Performance Index	
Cohen Price Performance Index	
Value	108.6%
FRBE - Current Stock Price	\$ 0.18
Price based on Cohen Performance Index	\$ 0.38
Cohen Discounted Cashflow	
Cohen DCF - Base Case	
Valuation	\$ 2.96
Price based on DCF Calculation	\$ 2.96
Simple Average of Price Targets	\$1.07
The Cohen Price Target	\$1.07



EXECUTIVE SUMMARY

- Four Rivers BioEnergy Inc. (OTCQB:FRBE) is a vertically integrated power producer using waste oil to generate electricity.
- The Company is primarily based in England with land assets in Kentucky, U.S., offering expansion capacity into the US. The Company creates renewable electricity at its UK plant under its newly established brand Verta Energy.
- In 2009, the Company acquired a 41 acre industrial site in North East England, which it has redeveloped into a purpose built Waste-to-Energy plant, which now includes a waste oil processing plant, an energy generation centre, on site grid access and a bio-diesel plant. The plant uses waste liquid biomass (waste cooking oils) as its feed-stock.
- The property was acquired in a distressed sale. The lower cost of initial capital enables Verta to produce renewable electricity at a fraction of the capital cost of all other proven technologies.
- Verta has installed its first generator (A Cummins 1,250 KVA (1MW) diesel generator) which operates efficiently using Verta's processed feedstock (which Verta terms its "Customized Generator Fuel") fuel.
- Verta expects to ramp up production of renewable electricity to 7MW in 2011 and gradually increase the overall capacity to 50MW. To escalate the business growth, the Company is seeking a funding of \$10 million in 2011, of which \$3.5m has been arranged.
- The plant has immediate access to the power grid through the on-site electricity sub-station and has good connectivity for road, rail and sea transport for biomass supply and product shipment.
- The Company's strategy is in part based on vertical integration into its feedstock supply chain and it has already announced its first (corner-stone) acquisition of an established used oil collector and aggregator. This strategy provides Verta with significant control over quantity, price, quality and other typical supply chain exposures and is a major risk mitigation factor
- The Company plans to build its captive supply chain on the back of the corner-stone acquisition, use its pre-treatment process on a range of liquid waste biomass, and build production at its UK plant in stages. The Company is seeking funding to this end.
- The Company is targeting the USA, Europe and other international markets to expand its business model.
- Risks: Access to capital, competition, and management's execution of its business plan.

Forecast and Valuation

- We project revenues of approximately \$2.1 million in 2011 and \$44.9 million in 2015. Margins are likely to expand with the Company increasing its production capacity. The Company will have to raise \$6.5 million during the forecast period to meet our estimates.
- The Cohen Price Target is calculated using market-based multiple valuation, Discounted Cash Flow (DCF) and by applying the Cohen Price Performance Index approach. The multiple based valuation approach uses the expected 2011 Price-to-Earnings and 2011 Price-to-Capital Employed ratio. We also include the Cohen Price Performance Index, which is representative of the past coverage performance of all stocks evaluated by us. The last component in calculating the Cohen Price Target is the value derived using the long-term Cohen Discounted Cash Flow (DCF) valuation approach. Based on an average of these methods, Verta Energy common stock is valued at \$1.07, 494.4% higher than the current stock price of \$0.18. The stock may be a profitable short term trade and long term investment provided that adequate capital is raised.

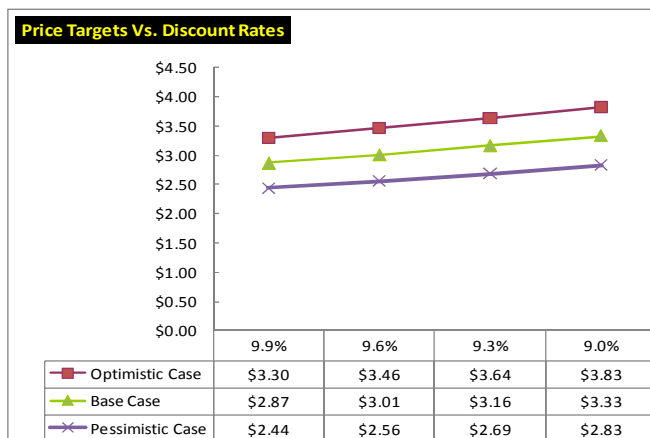
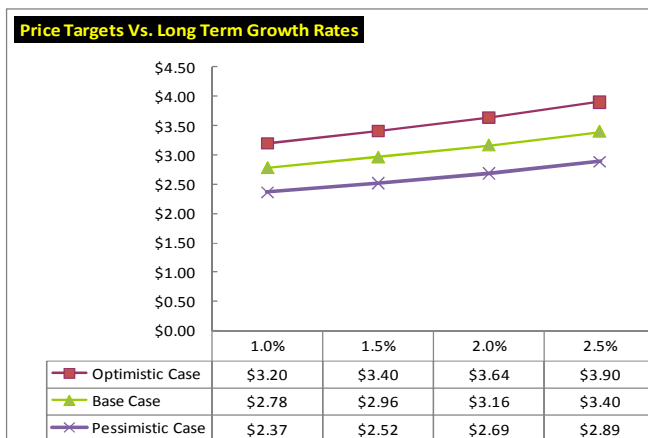


VALUATION

THE COHEN PRICE TARGET - \$1.07

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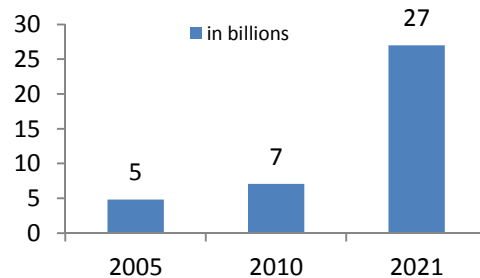
Discounted Cash Flow Method





BULL CASE

- The global waste to energy technologies have reached 7.08 billion in 2010 from \$4.83 billion in 2006. The market witnessed substantial growth over the last five years due to continued growth in the Asian markets along with the enforcement of European waste management regulations combined with European and US climate mitigation strategies. The annual global market for waste to energy technologies is expected to exceed \$27 billion by 2021 for all technologies combined, at a CAGR of 11%.



- The success of the renewable energy market has been driven by considerable policy support growth in the last decade. Policies help market developments and reduce costs.
- The UK government provides various benefits to renewable energy companies, which are also extended to Verta Energy. Renewable obligation credits (“ROCs”) assist in generating sustainable, profitable income for the renewable companies. Verta, with its very low capital base and substantially mitigated technology and supply chain risk, is well placed to deliver strong profits underpinned by these ROC’s
- In March 2011, the UK announced the Renewable Heat Incentive (RHI), the first heat market feed-in tariff. RHI is designed to provide a continuous income stream over twenty years upon installation of an eligible renewable heating system. In 2011, the scheme will introduce premium payments for the non-domestic sector. In 2012, the scheme will expand to the domestic sector.
- The Company has been awarded a grant from the Regional Growth Fund for regional business innovation, which will be used by the Company to finance its capital projects in its energy plant.
- The Company has a business model which integrates the entire ‘Waste-to-Energy’ cycle from procurement and processing of waste and renewable feedstock to producing sustainable energy into one comprehensive business. This allows the Company to maintain a strong gross profit position.

BEAR CASE

- **Regulatory and political instability:** Regulatory uncertainty and changes in government policy have made the renewable energy market somewhat unstable. Continued investment in renewable energy require clear and concise regulations.
- **Capital costs and problem of funding.** FRBE would need to raise new capital to fund its growth strategy.
- **Competition with established firms.** FRBE may face stiff competition from established firms that have a proven track record, although non-operating in this particular market niche.

**GROWTH DRIVERS**

Annual Revenues, Margins, Assets					
all figures in \$ 000s	2011E	2012E	2013E	2014E	2015E
Revenues	2,100	29,635	43,598	44,479	44,887
Gross Margin	N.M.	29%	39%	39%	39%
EBITDA Margin	(186%)	3%	27%	27%	27%
EBT Margin	N.M.	1%	25%	26%	26%
Net Margin	N.M.	1%	16%	17%	17%
EPS - Basic	(0.43)	0.02	0.55	0.57	0.56
EPS - Diluted	(0.43)	0.02	0.55	0.57	0.56
EBITDA	(3,901)	908	11,586	12,160	12,138
Free Cash Flow to Equity	(0.26)	0.00	0.16	0.47	0.30
Cash	15	90	1,816	7,986	11,785
Working Capital	(967)	(872)	3,080	4,909	8,944
Long Term Debt	1,852	1,852	252	252	252
Total Assets	5,099	11,175	17,445	25,075	32,724

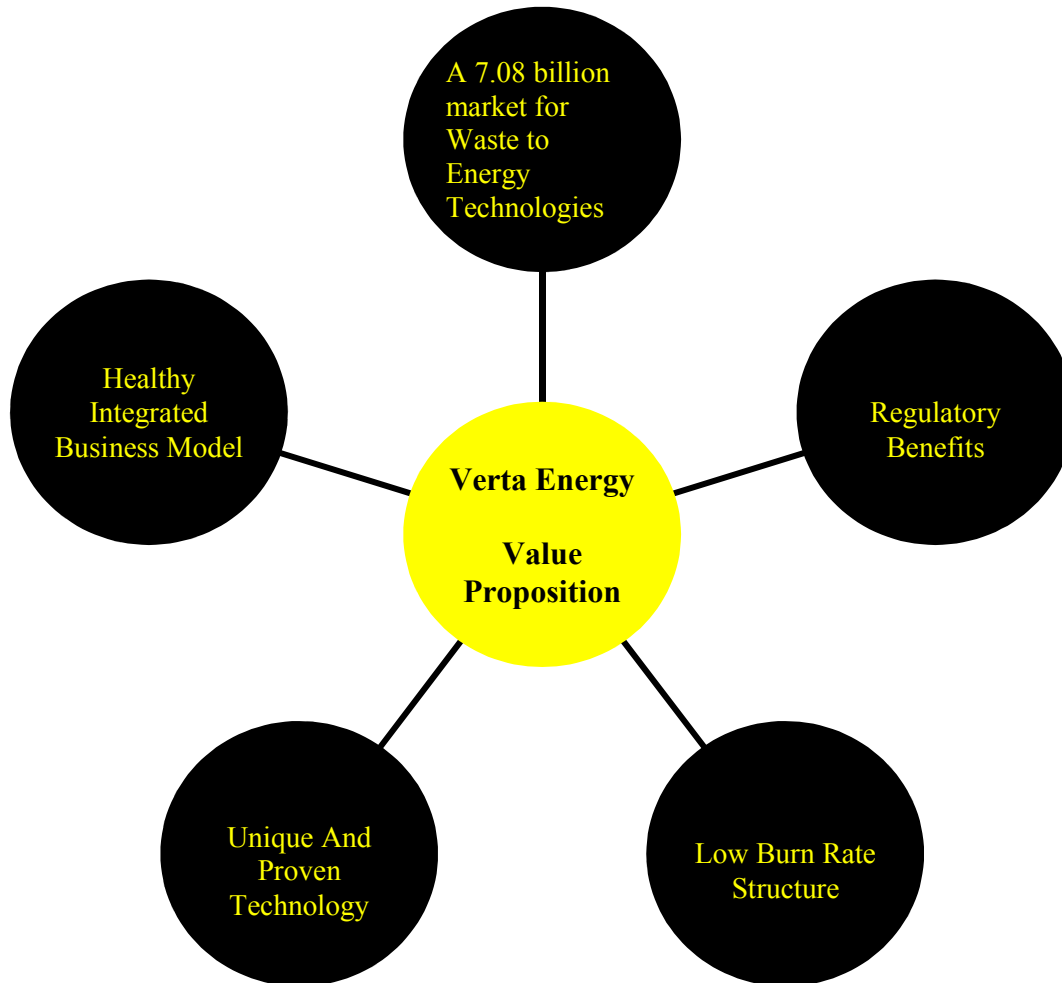
Percentage Change in Annual Revenues, Margins, Assets					
all figures in \$ 000s; unless otherwise	2011E	2012E	2013E	2014E	2015E
Revenues	N.M.	1311%	47%	2%	1%
Gross Margin	N.M.	N.M.	10%	1%	0%
Operating Margin	N.M.	189%	24%	1%	0%
Net Margin	N.M.	N.M.	16%	1%	0%
EPS -Basic&Diluted	N.M.	N.M.	3021%	4%	N.M.
EBITDA	N.M.	N.M.	1176%	5%	N.M.
Free Cash Flow to Equity	N.M.	N.M.	N.M.	188%	N.M.
Cash	N.M.	492%	1922%	340%	48%
Working Capital	N.M.	N.M.	N.M.	59%	82%
Total Assets	N.M.	119%	56%	44%	31%

Verta Energy is a near-production-ready development stage company operating in the renewable energy segment. The renewable energy market will witness a growth of 30% to 40%, due to market-creating policies and cost reductions. The market is the key growth driver in the global clean energy sector for the past decade. There is an increasing demand for waste to energy technology. The headquartered country, UK provides various benefits to renewable energy companies enabling a continuous income stream.

We forecast steady growth in revenues from \$2.1 million in 2011 to \$44.9 million in 2015. Gross Margins are estimated at 28% to 40% between 2012 and 2015. Net Margin is expected to grow from 1% in 2012 to 17% in 2015. Our estimates depend on the Company's ability to raise adequate capital for its operations. The Company needs to raise \$6.5 million in the next stage of its growth plan to sustain operations and commence production up to 7MW; thereafter it is cash generative and could fund expansion from cash flow, or accelerate growth through further capital raises. The Company is well positioned for revenue, cash and asset growth provided it raises the necessary capital to fund its corporate growth.



VALUE PROPOSITION





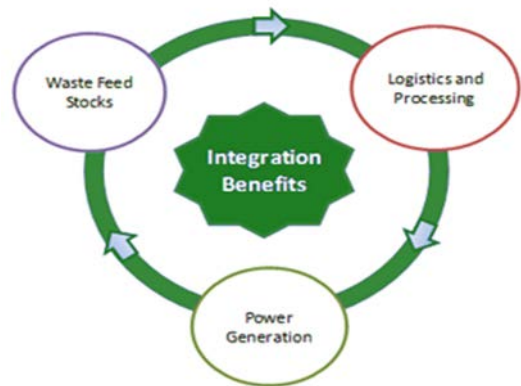
THE COMPANY

Verta Energy, has established its first Waste-to-Energy Plant in the United Kingdom, a low cost, vertically integrated waste handling and power producing company. It uses waste oil including recycled food industry oils to produce renewable electricity. The Company uses its own waste oil processing plant, which is based on considerable know-how, to process a viable 'Customised Generator Fuel' from used waste cooking oils. The Company has a 41 acre purpose designed plant situated at Blyth, Northumberland, in North East England. In October 2010, the Company incorporated new dormant subsidiaries with 'Verta Energy' incorporated into their names. The Company intends to establish a new identity and brand for its proposed renewable electricity generation business and its parallel strategy to vertically integrate into liquid waste biomass supply chain.

Integrated Waste to Energy Concept

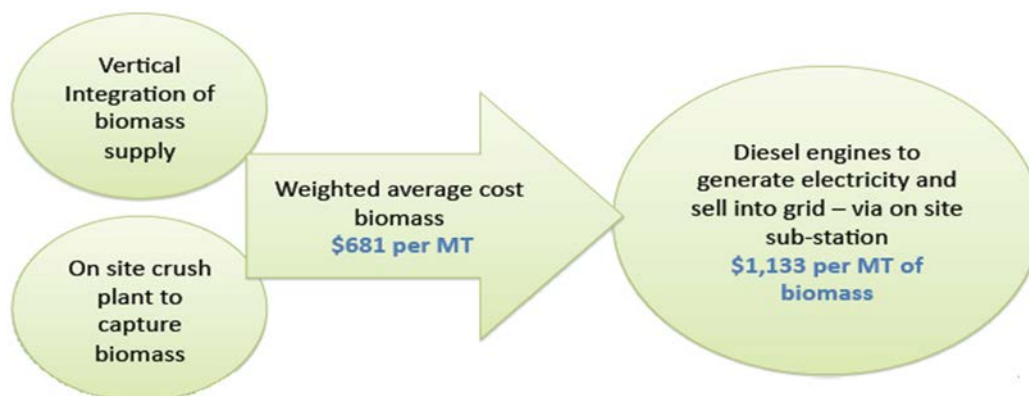
Verta intends to operate in one integrated business model. The 'Waste to Energy' Cycle is a natural cycle; however, commercialisation of the cycle is dominated by inefficiencies. The Company intends to nullify the inefficiencies by incorporating the following components of the waste to energy cycle:

- On-site processing and procurement of sustainable waste oil feedstocks
- On-site generation of electricity for sale into the Grid



The Verta Energy Model

- Strong profitability - Gross margin of over \$450 per MT input (40% gross margin) across both Phases II (2012) and III (2013)
- Vertically integrated feedstock supply
- No technology risk; "blackbox" capability
- Infrastructure already in place





PROJECTS



Blyth, Northumberland, in North East England

- In April 2009, Four Rivers laid the foundation of their first proposed Integrated Waste to Energy Plant on a 41 acre industrial site in Blyth, Northumberland, in North East England. This facility comprises several specific inter-connected zones comprising:
 - a) An established 'Waste Liquid Biomass Processing Plant' with a substantial processing capacity of 60,000 metric tonnes per annum, which uses established processes and know-how (in what Verta term their 'Black-Box' waste liquid biomass capability) to process crude waste liquid biomass into a viable generator fuel (Verta's 'Customized Generator Fuel')
 - b) A substantial 'Energy Centre', which has been developed out of the previous substantial boiler room and heat exchange facility on the acquired industrial site and will be used to house generators which will be fuelled by Verta's be-spoke generator fuel to produce renewable electricity and heat. The Energy Centre Infrastructure is now largely complete and is ready to install the first of several generator trains. It has been configured to house up to twenty two, 1,250 KVA Cummins diesel generators, which will produce an aggregate output of up to some 20MW, and has plenty of space to extend upwards to 50MW.
 - c) A series of on-site functioning electricity sub-stations, with an aggregate capacity of 50MW, which will be used to supply renewable electricity from the Energy Centre directly into the power grid and to service the site itself.
 - d) A future planned crush and oil processing plant which will be used to supply oil into the food processing industry and thereby create captive 'back-hauled' used oil for use in the Waste-Liquid Biomass Processing Plant and expand Verta's captive supply of feedstock into its processing plant.
- 90% of the project has been completed by the Company. All of the 'heavy lifting' has been done and the commercial arrangements that will enable the planned business to thrive have been put in place.
- The entire project has been planned and executed properly. Thus, the total expenditure from inception together with planned future project costs is less than 25% of the construction costs of other plants in the 'renewable fuels' space of similar scale.
- In addition Verta has entered into a contract to purchase ML Oils Limited, a long established waste oil collection and aggregation business, which will spear-head Verta's direct interest, at the market entry level, in the waste biomass supply chain, which is important from the perspective of controlling supply



volume, price and quality and differentiates Verta from the vast majority of renewable energy companies by integrating feedstock procurement, treatment and energy generation into one natural business cycle.

TECHNOLOGY

The Company has very low exposure to technology risk, having proven:

- a) Its proprietary waste oil processing plant (which uses a ‘black-box’ commercially private technique, which is part patented) operates consistently and at high volumes to produce a viable ‘Customised Generator Fuel’ from waste used cooking oil; and
- b) It is efficient to use this purpose made fuel to power diesel engines to produce combined heat and power and thence renewable electricity.



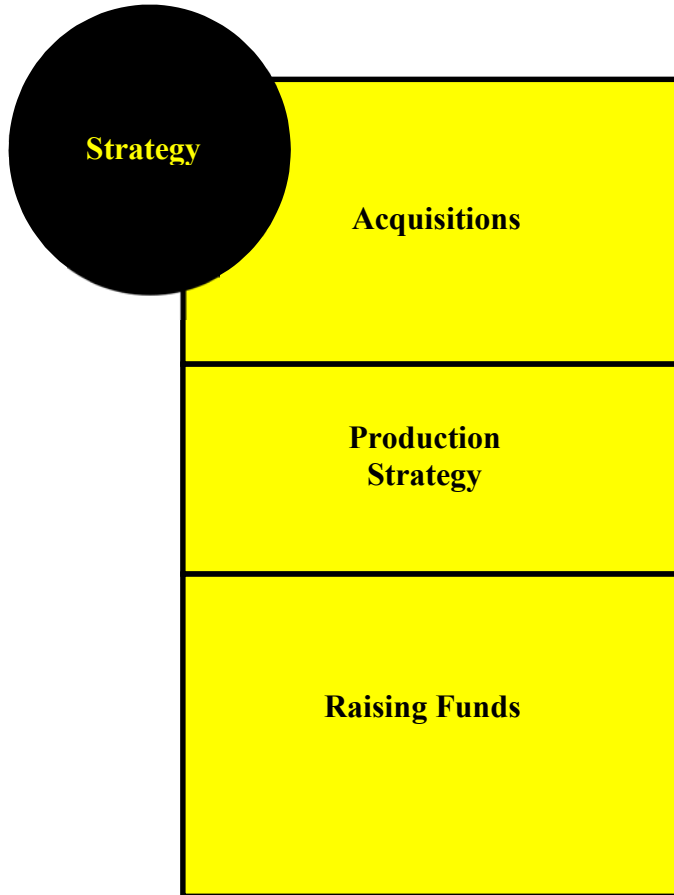
Verta's proprietary, fully functional and proven ‘black-box’ waste oil processing plant



Verta's first diesel engine generator installed in June 2011 in its Energy Center, which has been fully proven to operate with Verta's Customized Generator Fuel, produced from its black-box waste oil processing plant.



GROWTH PLANS



- The Company intends to grow its waste feedstock business both organically and by roll up and acquisition across the supply chain, building from the first cornerstone acquisition which it announced in May.
- The Company intends to increase production capacity to 20 MW in 2012 and to 50MW in 2013. The Company intends to build out “Waste to Energy” projects in the UK and US.
- The Company plans to raise additional funds of \$6.5 million through equity and debt financing arrangements to consummate the acquisition of its first ‘corner-stone’ biomass supplier and to expand Verta’s facility to produce 7MW of electricity in 2011.

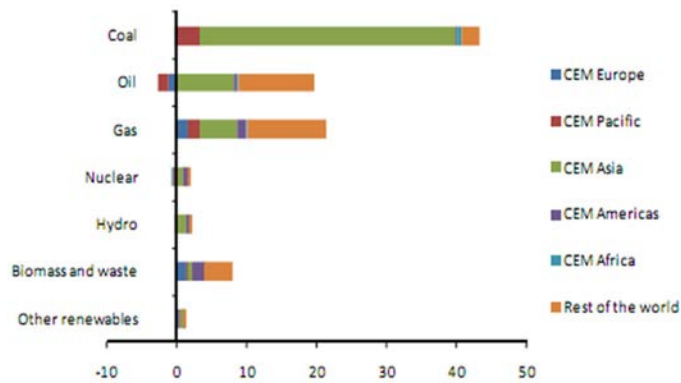


INDUSTRY & COMPETITION

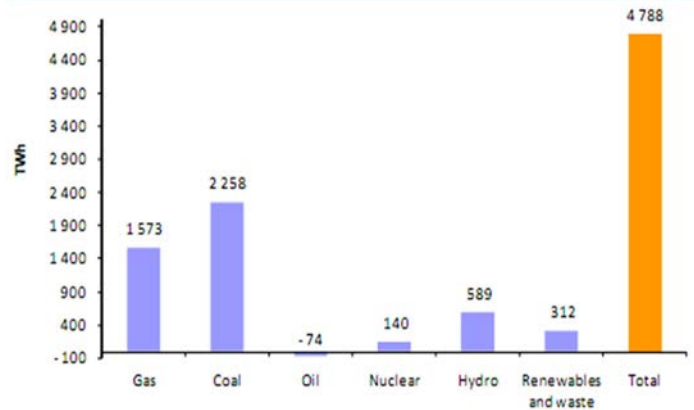
Industry

Renewable energy has grown at a rate of 30% to 40%, due to market-creating policies and cost reductions. The market is the key growth driver in the global clean energy sector for the past decade. Currently, there is a major scale-up of wind and solar technologies. Renewable technologies including hydropower, geothermal and biomass have also contributed to the world's capacity by adding thousands of megawatts of new capacity.

Incremental total primary energy supply in CEM and the world, 2000-08

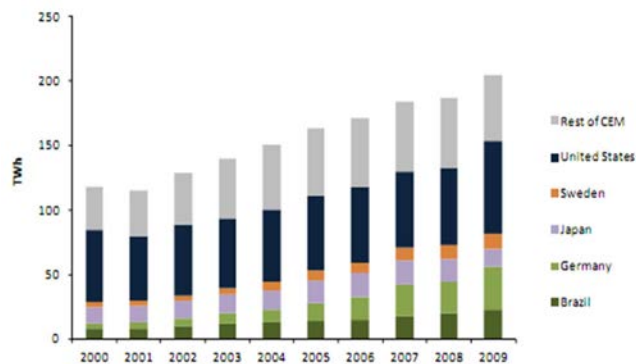


World incremental growth in electricity generation, 2000-08

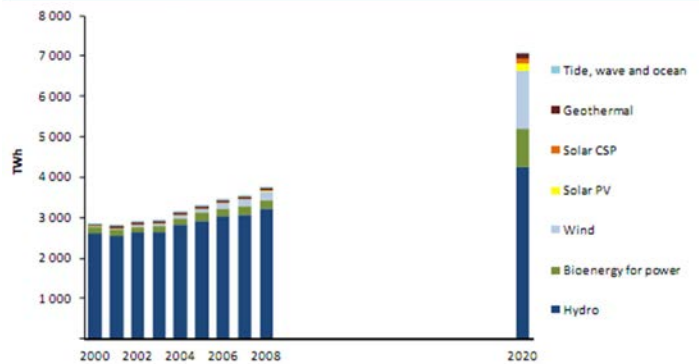


The growth in electricity production from solid biomass, biogas and renewable municipal waste and liquid biofuels has been steady since the beginning of the decade. In 2000, over 130 TWh of power was produced from bioenergy, with Clean Energy Ministerial countries accounting for 88% of this output. By 2009, CEM countries had increased their output to over 200 TWh. The United States is the leader, followed by Germany, whose output has grown over 22% per year during the last decade.

Bioenergy for electricity production – CEM countries



Global power generation from renewable sources vs. BLUE Map scenario



*CEM Europe is Denmark, Finland, France, Germany, Italy, Norway, Spain, Sweden and United Kingdom. CEM Pacific is Australia, Indonesia, Japan and Korea. CEM Asia is China, India, Russia and United Arab Emirates. CEM Americas is Brazil, Canada, Mexico and United States. CEM Africa is South Africa



UK:

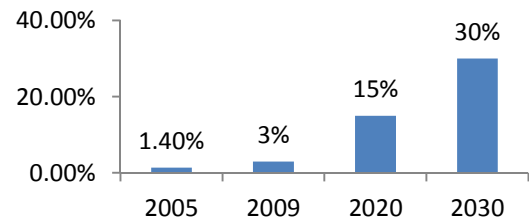
By 2020, the UK intends to receive 15% of its power from renewable energy. The overall scope present in the UK market for significant penetration until 2030 for renewable energy in a central case is estimated to be 30% (460 TWh), rising to a maximum of 45% (680 TWh) compared to a penetration level of a mere 3% as of today. Higher levels of penetration in 2050 would also be technically feasible. The emphasis of the UK in deep cutting of power sector emissions or de-carbonization is a major contributor for the growth of the waste to energy sector.

Share of renewable in UK energy consumption (2004-2009)

	2004	2005	2006	2007	2008	2009
Heating and cooling	0.7%	0.9%	1.0%	1.2%	1.4%	1.6%
Electricity	3.5%	4.1%	4.5%	4.8%	5.4%	6.6%
Transport	0.1%	0.2%	0.5%	0.9%	2.0%	2.5%
Total	1.1%	1.4%	1.6%	1.8%	2.4%	3.0%

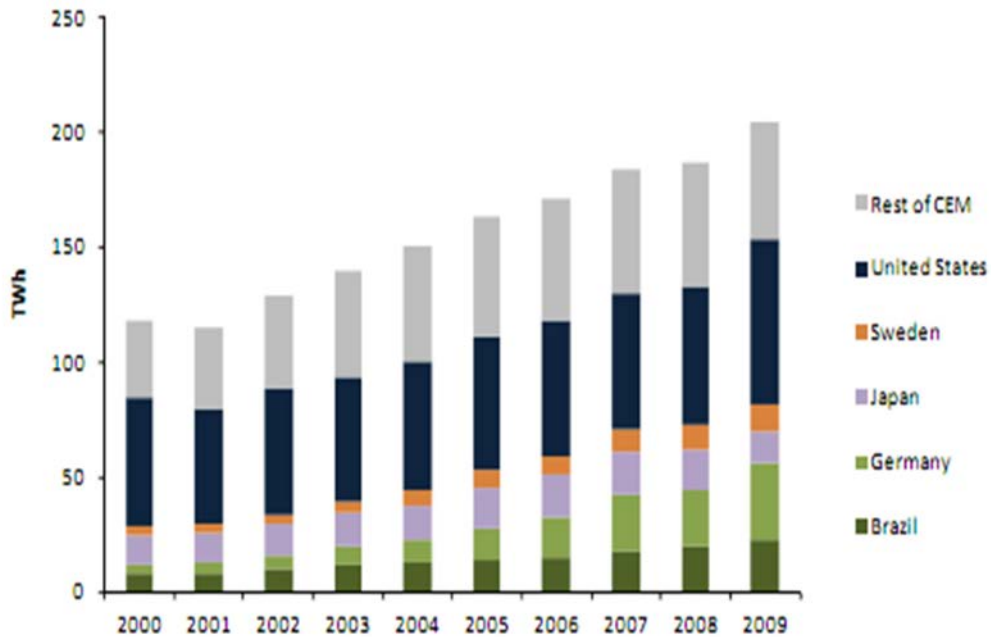
Bioenergy for electricity production

Percentage Share of Renewable Energy in UK



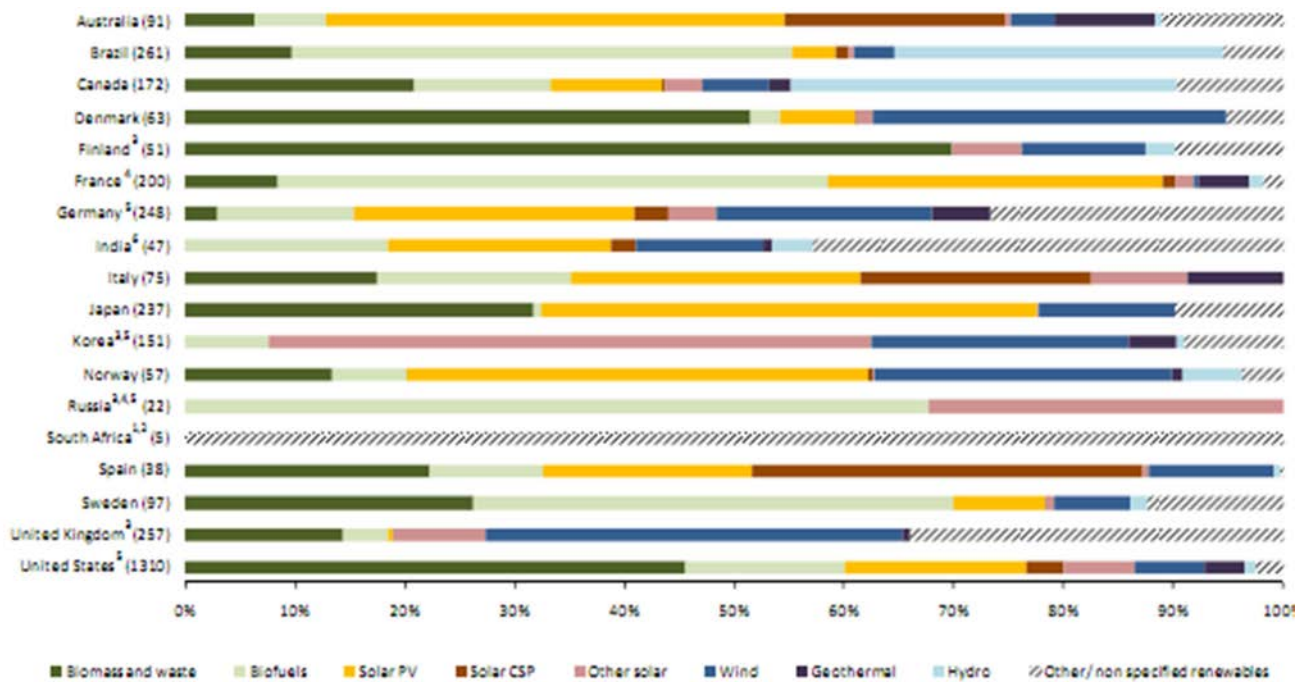
US:

The United States being one of the largest users of renewable energy sources in the world produced in the first 6 months of 2010, renewable energy that accounted for over 11% of the total electricity produced in the country. While the installed capacity for wind power in the US exceeds 35,159 MW and serves almost 10 million average homes in the country, the growth in electricity production from solid biomass, biogas and renewable municipal waste and liquid biofuels has been steady since the beginning of the decade.





Public spending on renewable energy RD&D (2010 USD million):



Sources: Country submissions, Kempener et al., 2010.

For total biomass, the United States also leads R&D expenditures with USD 2.6 billion between 2005 and 2010, followed by Brazil, Japan and Canada, countries that spent together more than USD 1 billion in this time period. For non-IEA countries other than Brazil, Russia spent some estimated USD 46 million on biomass between 2007 and 2009 (including biofuels). India spent around USD 100 million between 2000 and 2008 on solar, wind, small hydro and biogas technologies RD&D but no specific rates are officially available (Kempener et al., 2010). Approximately India plans to spend USD 43 million on bio-energy between 2007 and 2011 out of a total renewable energy RD&D budget of USD 237

Competition

- The waste to energy industry has grown mainly from incentives from different governments to reduce carbon emission in the environment from energy production through burning of coal.
- The Fukushima Daiichi nuclear plant has raised the issue of nuclear power safety internationally. Waste to energy is preferable.
- The waste to energy process also eliminates waste products harmful for the environment. This process is preferred over other energy generation processes.



MANAGEMENT TEAM

Stephen Padgett

Chief Executive Officer

Stephen is responsible for overall group strategy and its implementation. In the context of the current stage of development of the company's first Integrated Waste to Energy plant and business his primary current responsibilities are (a) implementation, with the COO, of the key commercial work-streams in the planned Waste to Energy business plan; (b) oversight, with Gary Hudson of the construction project for the Integrated Waste to Energy Process; and (c) Implementation, with the CFO, of the Group's overall corporate finance and merger and acquisition development strategy and the company's corporate profile. He is qualified as a Chartered Accountant in 1996 and practiced for eight years specializing in corporate finance, mergers, acquisitions and disposals. He joined a client, GTL Resources plc in 2000 as Finance Manager and subsequently became Finance Director in 2001. In addition to the role of FD, he took on the responsibility of COO in 2002. He joined Supporta plc in April 2005 as CEO; which operates as a support services company to the private and public sector. Stephen led the organic and acquisition growth strategy of Supporta and completed seven acquisitions, three disposals and three corporate refinancing exercises in less than two years, creating a profitable, cash generative business with 29 offices across the UK employing 2,800 staff

Martin Thorp

Chief Financial Officer

Martin is primarily focused on the company's Corporate Finance and Merger and Acquisition activity and is heavily involved in the financial and strategic development of the company's business and the underlying planning and controls. He is also responsible for compliance, financial controls and reporting. For most of his career he was a senior partner with Arthur Andersen based in London, and New York. In 1985 he formed the firm's first dedicated Corporate Finance practice, initially in London; and he went on to develop and lead that practice globally into one of the world's largest, most successful, integrated global corporate finance and M&A transaction execution and corporate restructuring teams. As 'Global Managing Partner, Corporate Finance and Restructuring', he served on Arthur Andersen's world-wide management team from 1998 to 2002 and prior to that he served on the firms North American, European and United Kingdom management teams at various times. He has a wealth of experience in leading and advising on significant corporate transactions across the corporate finance, M&A and corporate restructuring space. Martin qualified as a Chartered Accountant and became a Fellow of the ICAEW in 1986; he retired from professional practice in 2002 and ceased to be a member of the ICAEW shortly thereafter. He is a member of the Securities Institute (UK) and has a First Class Finance Degree (BA). Martin's considerable expertise in corporate finance, acquisition and merger transactions and restructuring is of considerable relevance to us as a high growth development stage business.

Gary Hudson

Founder and Senior Vice-President

Gary is the founder of Four Rivers BioEnergy Inc. His experience in the management of major construction and engineering projects in the energy sector adds an enormous amount of expertise to the board and he is naturally involved in the oversight and guidance of the Integrated Waste to Energy Plant Project. Gary's reputation is for excellence in project management and for bringing in complex projects on time and on budget. Prior to Stephen Padgett taking over as CEO, Gary served as the Group Chief Executive. He has a BSC in Civil Engineering and



has a wealth of experience as a Professional Engineer. He has held senior and corporate management positions in major contracting and engineering companies including Bechtel, Dragados, Mannai Corporation, Fred Olsen, Matthew Hall and Brown & Root. He formed his own energy consulting business in 1991 ('CECI') with the objective of facilitating development of major oil, gas, petrochemical and resource projects throughout the world calling upon the services of carefully selected consultants and service companies. With over 40 years of diverse experience in senior management positions, Gary has been responsible for managing multi-million dollar construction projects in the energy sector from conception through to operations. In recent years he has established international joint ventures bringing together companies to form effective business entities to undertake projects that would not have otherwise been developed.

Paul Watts

UK Chief Operating Officer

Paul serves as the Chief Operating Officer of the UK Integrated Waste to Energy Plant. Currently the project to complete the plant and commence commercial activity is in an advanced stage of development and Paul's current roles are primarily concerned with (a) managing key commercial relationships and developing contractual frameworks for those relationships in anticipation of the commencement of commercial activity; and (b) day to day project management of plant development project. In these roles he works closely with the executive directors as a team.

Stuart Hackett

UK Commercial Manager

Stuart is leading the initiative to reconfigure the UK site to implement the Integrated Waste to Energy Plant as well as the commercial and operational arrangements for the planned Rapeseed Crush Plant. He attended Houghall Agricultural College, Durham and trained in animal husbandry before joining the family agricultural business. He was responsible for dealing with livestock, crops, agricultural equipment, and engineering. He was instrumental in expanding the company into road haulage in the UK and Europe, and holds a European CPC qualification. In 2005 he formed A.M. Commercials, specializing in sales of plant and machinery worldwide. In 2006, Stuart was involved in setting up North East Biodiesel Ltd to manufacture biodiesel. He researched, designed, and built a rape seed extraction plant capable of producing in excess of 250 tons of virgin oil per week. In 2009, Stuart sold his shares in the company and joined Four Rivers to create a crushing and refining plant producing virgin oil as part of the strategic vertical integration of feed stocks into the Northumberland site. Stuart is also very involved in the work of NEPIC, a body representing Bioenergy and chemical processing businesses in the North East of England.

Anthony Hackett

UK Project and Logistics Manager

Anthony is leading the Rapeseed Crush Plant construction project and will manage the logistics of the feedstock and off take of products from the site. He is trained as a welder fabricator at South West Durham Training College and worked for a number of years in engineering, fabrication, and installation. He then moved into the road haulage business and qualified in logistics management, and in 2005 he was involved in setting up A.M. Commercials to sell plant and equipment worldwide. In 2006, together with Stuart and others, he helped to set up North East Biodiesel Ltd and was heavily involved in the research, development and installation of the seed extraction plant. He left North East Biodiesel in May 2009 to join Four Rivers to set up and operate the crushing and refining plant.



CONCLUSION



Verta Energy focuses on producing and selling energy (in the form of electricity) from sustainable waste and renewable feedstocks. The Company operates on an integrated business model involving vertical integration of the energy production cycle from feedstock procurement and processing to electricity generation and sale. The Company deploys its commercially secret 'black-box' process for processing waste cooking oils into a viable 'Customized Generator Fuel' which is used in its diesel engines to produce renewable electricity. Verta expects to ramp up production of renewable electricity to 7MW in 2011 and gradually increasing the overall capacity to 50MW.

Verta's production facility is situated on a 41 acre land in North England. The Company is targeting the USA, Europe and other international markets to expand its business model. Verta has entered into a contract to purchase ML Oils Limited, a long established waste oil collection and aggregation business, which will spear-head Verta's direct interest, at the market entry level, in the waste biomass supply chain, which is important from the perspective of controlling supply volume, price and quality and differentiates Verta from the majority of renewable energy companies by integrating feedstock procurement, treatment and energy generation into one natural business cycle. Verta is also considering entering the UK solar energy market by contracting with Noble Solar Industries, a manufacturer of both monocrystalline and polycrystalline PV solar modules. Verta may use the substantial unused space on its industrial site to install these solar panels to provide additional renewable electricity on an in-fill basis.

We estimate revenues of \$2.1 million in 2011 ramping up to \$44.9 million in 2015. With a target price of \$1.07, provided that the Company is able to raise adequate capital, we believe the stock offers an attractive short term trade and long term investment opportunity for risk averse-investors

PJ/Grass Roots Research and Distribution, Inc.



APPENDIX

The Cohen Price Target

The Cohen Price Target™ is derived using a combination of academic and market-based valuation approaches. The following four equal weighted (25%) components used in calculating our target price, include the assumption of capital raised:

1. The first 25% equal weighted component: is the market multiple based valuation methodology. This method uses the industry average 2011E Price-to-Earnings ratio to calculate the potential stock price (and/or price to Book if an asset based company). We take the average Price-to-Earnings multiple of a given industry. This means that, on an average, stocks in this industry should currently trade at a multiple times their 2010 expected earnings. These earnings in a small cap company are usually only generated by a small company raising cash to meet its master budget. The index, therefore, reflects capital invested in any micro/small cap company.
2. The second 25% equal weighted component: Cohen Capital Employed based valuation. Most start-up, and micro/csmall cap companies require significant capital to meet our projections. Our Cohen Price Target™ reflects the Company's ability to raise additional capital. Based on our capital projection, and long-term price target from our Cohen DCFTM valuation model, we derive a Price-to-Capital Employed ratio. We then multiply this ratio with our capital employed per share assumption to derive this target price.
3. Our third 25% equal weighted component is our use of the Cohen Price Performance Index™, which calculates the average price increase of all the stocks covered by Grass Roots Research, and Distribution Inc., and Cohen Research after their release. Currently, for the week ending June 7, 2010 the Cohen Price Performance Index™ is up by 101.8%, meaning that we expect the stock to follow the same trend, and rise by 101.5%. To date, since May 2009, 96.7% of all of our stocks post report release have traded above the price of our initiate coverage report within 28 days. The Index assumes that all of its companies had capital employed in each company. In general, almost 100% of our researched stocks went up close to 100%.
4. Our fourth 25% equal weighted component: is our Cohen Discounted Cash Flow (DCF) method of valuation. Our Cohen DCFTM valuation includes a complex trademarked formula proprietary to our firm that includes an assumed long-term sustainable growth rate, cost of capital, and assumed capital invested in a given company. Our DCF price target values a company today, based on projections of how much future cash will be generated from a given company. We assume that a company is worth all of the cash it can make available to investors in the future. It is called 'discounted' cash flow because cash in the future is worth less than cash today, and therefore must be discounted to today. We forecast various line items including assuming a given amount of capital is raised, to calculate the free cash flow we project a company to generate during our 5 year forecasted time period. If a company does not raise our estimated cash requirements, it is highly unlikely to reach our forecasts, and can go out of business. After using a formula to discount free cash flow, we divide the total forecasted equity of the Company by the shares of stock outstanding to calculate our Cohen DCF valuation, or theoretical price per share target. We believe the Cohen DCFTM formula is a more accurate measurement of operating cash than the traditional DCF used by most Wall Street research analysts. A DCF, or 5 year forecasted free cash flow projection, cannot be calculated without forecasting the three statements (IS, BS, CF) for 5 years. We are the only firm in the investor awareness industry that forecasts all of our companies for 5 years in three assumed cases. We believe this in depth level of securities analysis is a must for all of our companies, and is a foundation of the Cohen Research Method™.



Capital rising, and cash are the life blood of any micro cap/small company. Our Cohen Price Target™ includes 4 components, 25% equal weighted, that together reflect capital is raised in our client companies. Our components are trademarked, and proprietary to our firm, as is the Cohen Performance Index™.

Most micro/small cap companies have difficulty raising sufficient funds to reach our theoretical forecasts; hence there is considerable risk for any investor. While we do not give investment advice, any company that cannot raise adequate capital to finance its business model is a highly risky investment, short term or long term. Investment awareness campaigns also affect our price targets. Do not rely on our price targets because they are based on academic theory. Do your own research or consult with your investment professional.

Note: How we calculate our Price Targets

We further explain our Cohen DCF, which is an important 25% component of The Cohen Price Target. The Cohen Discounted Cash Flow Analysis (DCF) creates a price target, and values a company today, based on projections of how much future cash will be generated from a Company. Our DCF analysis assumes that a Company is worth all of the cash that it can make available to investors in the future. It is called "discounted" cash flow because cash in the future is worth less than cash today, and therefore must be discounted to today. We forecast various line items including assuming capital is raised, to calculate the free cash flow we expect a company to generate during our 5 year forecasted time period. After using a formula to discount free cash flow, we divide the total forecasted equity of the Company by the shares of stock outstanding to calculate our Cohen DCF (Discounted Cash Flow) valuation, or theoretical price per share target. We believe our Cohen DCF is a more accurate method of calculating operating cash. We forecast three assumed price targets because companies change during 5 years, Base Case, Optimistic Case, and Pessimistic Case.

Note: What is our formula used to calculate our DCF, the Cohen Price Target?

Some line items include free cash flow to the firm, the weighted average cost of capital, assumption of capital raised, and capital spent, and the total enterprise value of the business less its debt, total equity value, total shares outstanding, and our projected price per share. A DCF cannot be academically calculated without projecting the 5 year cash flow statement.

Risks of the Cohen Price Target

Our Price Targets assume capital will be raised in our four components, or 100% of the Cohen Price Target. The majority of micro cap/small cap companies need capital to reach our 5 year sales, and cash flow projections. In the academic world, The Gordon Growth Model justifies an analyst's decision to forecast for 5 years. We forecast the three statements for 5 years in 3 cases. However, in the practical/real world, buying a micro cap stock based on 5 year forecasting is highly risky.

If smaller companies are able to raise capital, our theoretical price targets in a perfect world might be justified, providing the Company executes on its business model. If an investor believes that a given Company cannot raise the necessary capital to reach our projections, then any investment becomes highly risky.

The investor should consider the possibilities of a given company being able to raise capital, and execute over 5 years. Few micro/small cap companies are able to raise enough capital, and execute over an extended period of time, primarily due to competition, management competence, access to capital, and execution of their master budget. Our price targets are academic theory, and should not be relied upon. Investors should do their own research, and consult with their financial consultants

**FINANCIAL EXHIBITS****Income Statement – Base Case**

Income Statement Forecast					
all figures in \$ 000s	2011E	2012E	2013E	2014E	2015E
Net Sales	2,100	29,635	43,598	44,479	44,887
Cost of Goods Sold	1,265	17,692	22,077	22,320	22,701
Gross Profit	834	11,943	21,521	22,159	22,186
OPERATING EXPENSES					
Overheads	3,862	7,705	5,232	5,337	5,386
Income From Operations	(3,901)	908	11,586	12,160	12,138
Depreciation & Amortization	155	355	530	530	530
Income before income taxes	(4,056)	554	11,056	11,631	11,608
Income Tax	-	122	3,860	4,061	4,053
Net income (loss) attributable to common stockholders	(4,056)	431	7,196	7,570	7,555
Weighted average common shares outstanding-Basic & Diluted	9,953	12,952	13,082	13,213	13,345
EPS - Basic & Diluted	(0.43)	0.02	0.55	0.57	0.56



Balance Sheet – Base Case

Balance Sheet Forecast					
all figures in \$ 000s	2011E	2012E	2013E	2014E	2015E
ASSETS					
Cash and cash equivalents	15	90	1,816	7,986	11,785
Accounts Receivable	345	1,624	4,778	6,093	9,223
Inventory	69	1,454	3,024	3,058	3,110
Prepaid expenses and other current assets	235	412	721	1,262	2,208
Value added tax refunds receivable	11	27	67	167	417
Total Current Assets	676	3,607	10,406	18,565	26,744
Property and Equipment, Gross	4,428	7,928	7,928	7,928	7,928
Capex	500	3,500	-	-	-
Depreciation for the year	132	332	507	507	507
Accumulated Depreciation	365	697	1,204	1,711	2,217
Fixed Assets, Net	4,063	7,231	6,724	6,217	5,710
Land held for sale	-	-	-	-	-
Intangible Assets, Net	238	215	193	170	147
Deposits	123	123	123	123	123
Total Assets	5,099	11,175	17,445	25,075	32,724
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	1,617	4,362	5,444	5,504	5,598
Accrued interest	204	407	28	55	83
Notes payable	440	440	440	440	440
Accrued Compensation Payable	340	340	340	340	340
Payroll taxes payable	100	100	100	100	100
Total Current Liabilities	2,701	5,650	6,352	6,439	6,561
Long term liability	1,852	1,852	252	252	252
Total Liabilities	4,553	7,502	6,604	6,691	6,813
Authorized:					
\$0.001 par value, 500,000,000 shares authorized					
Issued 8,329,687 shares, outstanding 8,029,687 shares	10	13	13	13	13
Additional paid-in capital	31,601	34,498	34,498	34,498	34,498
Accumulated other comprehensive income - foreign currency translation g	647	647	647	647	647
Accumulated deficit	(4,259)	(4,032)	3,137	10,679	18,206
Deficit accumulated during development stage	(27,403)	(26,999)	(26,999)	(26,999)	(26,999)
Non Controlling Interest	(50)	(454)	(454)	(454)	(454)
Total Shareholders Equity	546	3,673	10,842	18,384	25,911
Total Liabilities, Shareholders Equity, MI	5,099	11,175	17,445	25,075	32,724

**Cash Flow Statement – Base Case**

Cash Flow Statement					
all figures in \$ 000s	2011E	2012E	2013E	2014E	2015E
Operating Activity					
Net Income	(4,259)	227	7,169	7,542	7,527
Depreciation & amortization	155	355	530	530	530
Adjustments to Reconcile Cash Flows:	-	-	-	-	-
Shares issued for services	-	-	-	-	-
Stock warrants issued for compensation	-	-	-	-	-
Loss (gain) on sale of scrap and surplus assets	-	-	-	-	-
Value added tax refunds receivable	(6)	(16)	(40)	(100)	(250)
Inventory	(48)	(1,385)	(1,570)	(33)	(52)
Prepaid expenses and other current assets	(101)	(177)	(309)	(541)	(946)
Deposits	-	-	-	-	-
Accounts payable and accrued liabilities	147	2,745	1,081	60	94
Accounts Receivable	(345)	(1,279)	(3,154)	(1,315)	(3,130)
Accrued interest	204	204	(380)	28	28
Accrued Compensation Payable	-	0	-	-	-
Notes payable	(100)	-	-	-	-
Payroll taxes payable	-	-	-	-	-
Cash Flow from Operating Activities	(4,255)	675	3,326	6,170	3,799
Investing Activity					
Property and Equipment	(500)	(3,500)	-	-	-
Cash collected from (placed in) escrow	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Costs associated with sale of assets	-	-	-	-	-
Land held for sale	1,683	-	-	-	-
Deposits	-	-	-	-	-
Cash Flow from Investing Activities	1,183	(3,500)	-	-	-
Financing Activity					
Payment of deferred consideration	(100)	-	-	-	-
Proceeds from note payable	(500)	-	-	-	-
Issuance of common stock	2	3	-	-	-
Additional paid in capital	1,998	2,897	-	-	-
Cash Flow from Financing Activities	3,000	2,900	(1,600)	-	-
Effects of accumulated foreign exchange on cash	-	-	-	-	-
Net Change in Cash	(71)	75	1,726	6,170	3,799
Opening Cash Balance	87	15	90	1,816	7,986
Ending Cash Balance	15	90	1,816	7,986	11,785

**Financial Summary – Base Case****Financial Summary - Base Case**

Sales Metrics	2011E	2012E	2013E	2014E	2015E
SG&A/Sales (%)	184%	26%	12%	12%	12%
Receivables/Sales (%)	16%	5%	11%	14%	21%
Forward P/S Multiple	14.0x	1.3x	0.9x	0.9x	0.9x
Receivables per day of Sales (Days)	60.0x	20.0x	40.0x	50.0x	75.0x

Profitability Metrics	2011E	2012E	2013E	2014E	2015E
Gross profit Margin	N.M.	29.1%	38.6%	39.3%	39.0%
EBITDA Margin	N.M.	3.1%	26.6%	27.3%	27.0%
Pre Tax profit Margin	(202.9%)	N.M.	25.3%	26.1%	25.8%
Net profit Margin	N.M.	0.8%	16.4%	17.0%	16.8%
Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%

Performance Metrics	2011E	2012E	2013E	2014E	2015E
Return on Equity (ROE)	NM	NM	N.M.	15.5%	11.5%
Return on Assets(ROA)	NM	NM	19.7%	14.1%	10.6%
Return on Invested Capital (ROI)	NM	NM	N.M.	15.5%	11.5%

Efficiency Metrics	2011E	2012E	2013E	2014E	2015E
Receivable Turnover	18.3	9.1	7.3	4.9	4.9
Total Asset Turnover	0.4	2.7	2.5	1.8	1.4

Per Share Data	2011E	2012E	2013E	2014E	2015E
Sales per Share	0.21	2.29	3.33	3.37	3.36
Cash per Share	0.00	0.01	0.14	0.60	0.88
Current Assets per Share	0.07	0.28	0.80	1.41	2.00
Total Assets per Share	0.51	0.86	1.33	1.90	2.45
Tangible Book Value per Share	0.51	0.86	1.33	1.90	2.45
Long Term Debt - per Share	0.19	0.14	0.02	0.02	0.02
Working Capital per Share	(0.10)	(0.07)	0.24	0.37	0.67
Free Cash Flow per Share	(0.58)	(0.22)	0.29	0.47	0.30

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Disclaimer: Price Targets

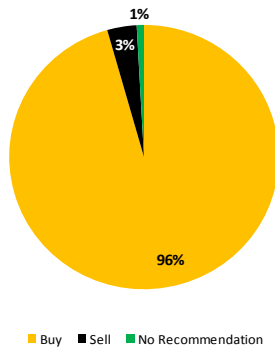
Stock prices can be heavily influenced by investor awareness campaigns. In general, we observe the more money spent on such campaigns, the greater the probability for short term price increases post our initiate coverage commercial advertisements. We also observe that our target prices may not be met unless client companies have enough cash or are able to raise capital to meet our forecasts.

The Penny Stock Market is a highly risky market targeted at short term traders. Our reports often times recommend client companies as short term trades and long term investments if an investor believes a company will raise the required capital to meet our valuations and price targets. Our historical performance statistics indicate that short term price increases often times occur after release of our initiate coverage reports. Thereafter, we note that the majority our stock recommendations go down significantly due to profit taking and other market factors beyond our control.



The Cohen Price Target includes four components. Most reports assume capital will be raised for the majority of our client companies. Most micro cap/small cap companies need capital to reach our theoretical 5 year projections. The academic world justifies an analyst's decision to forecast the three statements (Income Statement, Balance Sheet and Cash Flow Statements) for 5 years. We normally do so in three cases: Optimistic Case, Base Case and Pessimistic Case. However, in the practical/real world, buying a micro cap stock based on 5 year forecasting is highly risky. If smaller companies are able to raise capital, our theoretical price targets in a perfect world might be justified, providing the Company executes on its business model.

At times our price targets may be significantly higher than the current price of a stock. This can happen in theory only if the company's assets, with assumed capital raised, could theoretically create large sales and cash flow volumes over time. In the practical world, these price targets may appear to be unrealistic. However, we believe the academics of our calculations support the theory of these assumed price targets. While we do not give investment advice, the investor should consider the possibilities of a given company being able to raise capital to execute its business model over 5 - 10 years. Few micro/small cap companies are able to raise enough capital and execute their master budget over an extended period of time. Our price targets are academic theory only and should not be relied upon. Investors should do their own research and consult with their financial consultants.



Meaning of Ratings

Speculative Buy

The Company may be a short term buy trade, or a long term buy provided the company raises adequate capital to reach our theoretical price targets. Our price targets are academic theory and should not be relied on. All equities, especially micro cap stocks have significant downside risk, high volatility and can continue to trade at a discount to its market.

Neutral- No Recommendation

No Recommendation – Neutral: We do not recommend the stock.

Sell