

[Begin NBT - VERTEX - 1]

*Toby Smith:* Toby Smith, the Next Big Thing Investor. Now listen for a second. I know all of you have read my billion dollar green book, so for those few that haven't, we've always talked about the idea of having clean tech-type companies that were based on subsidies which were never gonna last, and then actual – I don't know if you understand this concept, of economic environmental companies, companies that actually take stuff that we don't want in the world they recycle to turn into something, and they make money on it. So, Ben Cowart from Vertex, they call you an environmental services company, but what do you call yourself?

*Benjamin Cowart:* I would term it more as a –

*Toby Smith:* Talk to those guys, yeah.

*Benjamin Cowart:* – fuel company and really look at converting waste streams back to commodity fuel products. So we work in an environmental space because we're taking waste and recovering it back into finish community products.

*Toby Smith:* All right. Well, if I go to Jiffy Lube, and I take all that oil out, now somebody collects that. There's a local guy who collects, is that right?

*Benjamin Cowart:* That's correct.

*Toby Smith:* Then – tell us about the food chain 'cause sometimes you take it from that Jiffy Lube, right to your manufacture.

*Benjamin Cowart:* That's right.

*Toby Smith:* Sometimes you take – tell me how your business works.

*Benjamin Cowart:* Yeah, so the industry has been historically mom-and-pop business, local guys run around pick the oil up and it used to go into a recycle –

*Toby Smith:* We called it the butt crack Army, by the way. There's those guys around there putt – all right.

*Benjamin Cowart:* Yeah, so these guys, basically, it was a low-tech business for years. Now that natural gas has come in and kind of changed the BTU market, the fuel market for US utility and manufacturers. Now the recycled oil does not have the market that it use to have, so there's companies that are developing technology around used oil to

process this oil and uplift it into commodity products. That's what we do.

*Tobin Smith:* So your intellectual property is about transference, right?

*Benjamin Cowart:* That's exactly right. Yeah, we've developed a technology now. We're in our fourth year of production from pilot all the way through to the plant, and our facility's in Houston, Texas, and we're looking at expanding that across the country.

*Tobin Smith:* Really?

*Benjamin Cowart:* We've now vertically integrated the business so you come back to the food chain. We have a collection operation that actually services a 350-mile radius around this refining technology, and then we supply a part of the feedstocks to the plant our self as well as buying from all the other companies in the area.

*Tobin Smith:* So if you collect this oil – excuse me. Let me use the right term.

*Benjamin Cowart:* Sure.

*Tobin Smith:* [Says "oil" with a Texas drawl] Oil, if you take the oil –

*Benjamin Cowart:* That's right.

*Tobin Smith:* All right. That's only one syllable. And you go all way up with this food chain, your cost is about a \$1.00 a gallon for the oil?

*Benjamin Cowart:* No, I wouldn't say the cost. We probably – we're north of \$1.00 spread between a collected gallon from like a lube shop, all the way through to our finished product. So there's a good margin there. When we buy from other third-party collectors, obviously, that margin's much smaller.

*Tobin Smith:* And what's the percentage now between self-originated, if you will, and –?

*Benjamin Cowart:* Today in Houston, we process close to 30 million gallons at the plant. A third of that, we collect internally, and two-thirds we buy from the market. We move a total of 60 million gallons nationwide, so we're a market maker for this residual, whether we process it our self or we supply it to other refineries.

*Tobin Smith:* Well, let's keep that part for a second. We're gonna come back in a second and talk about how you're gonna grow this business, just

– 'cause they love this business down in Houston, 'cause you guys under this business. They're not so excited about this in other parts of the country. So let's talk about that.

Number two, let's talk about the business essentially doubled its revenues in the last couple years. And, number three, there are actually environmentally serviced companies, whatever you wanna call yourself, that actually make a profit, that don't have price subsidies, and the next big in sort of recycling is right here.

[End NBT - VERTEX - 1]

[Begin NBT - VERTEX – 2]

*Tobin Smith:* Hey, Next Big Thing Investor, I'm Toby Smith here with Ben Cowart, of Vertex Energy. Now, you guys have expanding margins now. You have – you doubled your sales over the last couple years. Tell us, shy do the margins get bigger?

*Benjamin Cowart:* Well, they get bigger due to the recent acquisition that allows us to implement a fully vertically –

*Tobin Smith:* Integrated – okay.

*Benjamin Cowart:* – strategy. So we're now collecting the oil as well as processing and taking the finished products to market. So we've got a full strategy. That's a regional model in Texas that we've developed took work within a 350-mile radius of each market. And so we have the refining business. We have the collection business, and we have the ancillary support. We're recycling other residual streams around the used oil itself, and then we're gonna take this model and plant it in other regional markets.

*Tobin Smith:* Plant it, pardon the pun – you're gonna have other plants that you're open up, right?

*Benjamin Cowart:* That's right.

*Tobin Smith:* Now business-wise, one plant can do approximately what? How much can it do?

*Benjamin Cowart:* Yeah, in Houston, we run in close to 30 million gallons on an annual basis.

*Tobin Smith:* Is that sort of the peak? Is that you're –?

*Benjamin Cowart:* No, well, we're working on expanding those so we believe that it depends on the supply available in each region. So we're working on some pretty big metropolitan markets in the Houston area. And so we \_\_\_\_\_.

*Tobin Smith:* And how much does a plant cost?

*Benjamin Cowart:* Well, the plant will run, depending on infrastructure, you could go up to \$20 million.

*Tobin Smith:* Which is not a lotta money for something that can – a \$20 million plant you could pay off pretty quickly based on the revenues and profits.

*Benjamin Cowart:* That's correct.

*Tobin Smith:* All right. So we have expanding margin. We have expanding revenues. We have expanding geographical footprint.

*Benjamin Cowart:* That's right.

*Tobin Smith:* What ultimately is the bread and butter in terms of when you take this oil and you convert it to a new fuel. So what's the bread and butter? Who do you sell that ultimately to?

*Benjamin Cowart:* Yeah. Most of our product goes out by barge. We're selling to international trading companies that are using this to – as replacement of number two diesel that comes out of major refineries. So we're actually blending downstream from the refinery backing a residual crude out of the market, and monetizing a waste stream on a diesel relative value.

*Tobin Smith:* Okay. And on oil in the United States, how much oil in the United States do we actually have available – feedstock could you have?

*Benjamin Cowart:* Yeah. Well, used oil is about 1 billion-gallon industry across the country so and we represent six-seven percent of that US market today.

*Tobin Smith:* And then internationally any plans?

*Benjamin Cowart:* Yeah, we're looking at some opportunities. We believe there's a lot to do here in the United States, so we're gonna really focus there and look at opportunities that –

*Tobin Smith:* Well, I'll tell you this. When we looked at some private company transactions, trying to look at valuation, these guys are way undervalued, versus private deals that have gone on. So, obviously, you have a story to tell, and, again, they're under – we're waving this flag of economic clean technology, for crying out loud.

Now we don't like to use clean tech, 'cause that's even a worse term. But how 'bout just environmentally sound business practices, having enterprising capitalists turn stuff that's bad into stuff that's good, making money, good.

*Benjamin Cowart:* That's right.

*Tobin Smith:* All right? So, anyway, if you look for the next big thing in turning bad stuff into good stuff, it's right here.

*Benjamin Cowart:* Thank you.

*[End NBT - VERTEX - 2]*

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