

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## Vertex Energy Inc.

**Form: 10-K**

**Date Filed: 2011-03-31**

Corporate Issuer CIK: 890447

Symbol: VTNR

SIC Code: 4953

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2010

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number 000-53619

\_\_\_\_\_  
**VERTEX ENERGY, INC.**

*(Exact name of registrant as specified in its charter)*

**NEVADA**

*(State or other jurisdiction of  
incorporation or organization)*

**94-3439569**

*(I.R.S. Employer Identification No.)*

**1331 GEMINI STREET, SUITE 250  
HOUSTON, TEXAS**

*(Address of principal executive offices)*

**77058**

*(Zip Code)*

Registrant's telephone number, including area code: **866-660-8156**

**Securities registered pursuant to Section 12(b) of the Act:**

None.

**Securities registered pursuant to Section 12(g) of the Act:**

Common Stock, \$0.001 par value

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

---

Indicate by check mark 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  No

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

Indicate by check mark whether the registrant is a large accelerated filer, and 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.

Large accelerated filer   
Non-accelerated filer

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).

Yes  No

The issuer's revenues for the most recent fiscal year ended December 31, 2010 were \$58,140,985.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$3,065,373.

State the number of shares of the issuer's common stock outstanding, as of the latest practicable date: 8,452,169 shares of common stock issued and outstanding as of March 31, 2011.

#### DOCUMENTS INCORPORATED BY REFERENCE

NONE.

---

TABLE OF CONTENTS**Part I**

Item 1. Business	4
Item 1A. Risk Factors	13
Item 2. Properties	30
Item 3. Legal Proceedings	30
Item 4. (Removed and Reserved)	30

**Part II**

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	31
Item 6. Selected Financial Data	37
Item 7. Management's Discussion and Analysis or Plan of Operation	37
Item 8. Financial Statements and Supplementary Data	F-1
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	49
Item 9A. Controls and Procedures	49
Item 9B. Other Information	50

**Part III**

Item 10. Directors, Executive Officers and Corporate Governance	51
Item 11. Executive Compensation	62
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	65
Item 13. Certain Relationships and Related Transactions	67
Item 14. Principal Accountant Fees and Services	71

**Part IV**

Item 15. Exhibits, Financial Statement Schedules	72
--	----

---

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

*We caution you that this report contains forward-looking statements regarding, among other things, financial, business, and operational matters.*

All statements that are included in this Annual Report, other than statements of historical fact, are forward-looking statements. Forward-looking statements involve known and unknown risks, assumptions, uncertainties, and other factors. Statements made in the future tense, and statements using words such as "may," "can," "could," "should," "predict," "aim," "potential," "continue," "opportunity," "intend," "goal," "estimate," "expect," "expectations," "project," "projections," "plans," "anticipates," "believe," "think," "confident," "scheduled" or similar expressions are intended to identify forward-looking statements. Forward-looking statements are not a guarantee of performance and are subject to a number of risks and uncertainties, many of which are difficult to predict and are beyond our control. These risks and uncertainties could cause actual results to differ materially from those expressed in or implied by the forward-looking statements, and therefore should be carefully considered. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. We disclaim any obligation to update any of these forward-looking statements as a result of new information, future events, or otherwise, except as expressly required by law.

Please see the "Glossary of Selected Terms" incorporated by reference hereto as Exhibit 99.6, for a list of abbreviations and definitions used throughout this report.

## ITEM 1. Business

## Corporate History of the Registrant:

Vertex Energy, Inc. (the "Company," "we," "us," and "Vertex") was formed as a Nevada corporation on May 14, 2008. Pursuant to an Amended and Restated Agreement and Plan of Merger dated May 19, 2008, by and between Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), a Texas limited partnership ("Vertex LP"), us, World Waste Technologies, Inc., a California corporation ("WWT" or "World Waste"), Vertex Merger Sub, LLC, a California limited liability company and our wholly-owned subsidiary ("Merger Subsidiary"), and Benjamin P. Cowart, our Chief Executive Officer, as agent for our shareholders (as amended from time to time, the "Merger Agreement"). Effective on April 16, 2009, World Waste merged with and into Merger Subsidiary, with Merger Subsidiary continuing as the surviving corporation and becoming our wholly-owned subsidiary (the "Merger"). In connection with the Merger, (i) each outstanding share of World Waste common stock was cancelled and exchanged for 0.10 shares of our common stock; (ii) each outstanding share of World Waste Series A preferred stock was cancelled and exchanged for 0.4062 shares of our Series A preferred stock; and (iii) each outstanding share of World Waste Series B preferred stock was cancelled and exchanged for 11.651 shares of our Series A preferred stock.

Additionally, as a result of the Merger, as the successor entity of World Waste, we assumed World Waste's filing obligations with the Securities and Exchange Commission and our common stock began trading on the Over-The-Counter Bulletin Board under the symbol "VTNR.OB" effective May 4, 2009. The previous trading symbol on the Over-The-Counter Bulletin Board was "WDWT.OB". Finally, as a result of the Merger, the common stock of World Waste was effectively reversed one for ten (10) as a result of the exchange ratios set forth in the Merger, and unless otherwise noted, the impact of such effective reverse stock split, created by the exchange ratio set forth above, is retroactively reflected throughout this report.

**Description of Business Activities:**

We provide a range of services designed to aggregate, process, and recycle industrial and commercial waste streams and off specification commercial chemical products. We currently provide these services in 13 states, with our primary focus in the Gulf Coast and Central Midwest Region of the United States. Our primary focus is on the recycling of used motor oil and other distressed hydrocarbon streams. This is accomplished (1) through our Black Oil division, which aggregates used motor oil from third-party collectors and manages the delivery of this feedstock to third-party re-refining facilities, as well as fuel oil blenders, and burners of black oil, and (2) through our Refining and Marketing division, which aggregates hydrocarbon streams from collectors and generators and manages the delivery of the hydrocarbon products to a third-party facility for further processing, and then manages the sale of the end products. In addition, we have implemented a proprietary licensed thermal chemical extraction process that, through an operating and license agreement with a related party (described below), processes used motor oil and converts it to higher value products such as fuel oil cutter and a feedstock component for major refineries.

**Biomass Renewable Energy**

We are also continuing to work on joint development commercial projects which focus on the separation of municipal solid waste into feedstocks for energy production. We are very selective in choosing opportunities that we believe will result in value for the shareholders of Vertex. We can provide no assurance that the ongoing venture will successfully bring any projects to a point of financing or successful construction and operation.

**Reliance on Contracts and Relationships; Currently a Low Capital Intensive Business**

We currently have no significant capital assets and instead contract on a fee-paid basis for the use of all assets we deem to be necessary to conduct our operations, from either independent third-parties or related-parties, pursuant to the Operating Agreement, described below, and other related party agreements described in greater detail in our Report on Form 8-K/A, filed with the Commission on June 26, 2009. These assets are made available to us at market rates which are periodically reviewed by the Related Party Transaction Committee of the Company's Board of Directors. Our management has chosen to contract for the use of assets rather than purchase or build and own them in order to provide flexibility in the Company's capital equipment requirements in the event there is a need for more or less capacity due to rapid growth or contraction in the future. We expect to continue to rely on contracts for access to assets moving forward, to avoid the initial capital expenditures that would be required to build our own facilities.

We also have a Processing Agreement in place with KMTEX, pursuant to which KMTEX has agreed to process feedstock of certain petroleum distillates, which we provide to KMTEX, into more valuable feedstocks, including pygas, gasoline blend stock and cutter stock, which agreement expires on June 30, 2011, provided that Vertex believes that it will be able to renew or extend such agreement subsequent to the expiration of such term. In connection with and pursuant to the agreement, we pay KMTEX certain monthly tank rental fees, truck and rail car fees, and processing fees based on the weight of the material processed by KMTEX, as well as certain disposal fees and other fees.

The following summarizes the third party contracts and relationships relating to the Company:

	<b>Third Party</b>	
	<b>Company/Vendor</b>	<b>Service</b>
<b>Services Performed:</b>	<p style="text-align: center;">KMTEX</p> <p>Vertex gathers hydrocarbon streams in the form of petroleum distillates, transmix and other chemical products that have become off-specification during the transportation or refining process. These feedstock streams are purchased from pipeline operators, refineries, chemical processing facilities and third-party providers, processed on Vertex's behalf by a third-party facility pursuant to a toll-based arrangement, and then resold by Vertex.</p>	<p>Vertex purchases used oil (or "black oil") from over 50 suppliers. These suppliers include small collectors who operate small fleets to collect used oil from garages and lube shops and larger collectors and aggregators who collect larger volumes and consider Vertex to be one of their potential off-take partners for a portion of their collected volumes. Much of this business is done at prices indexed to the spot market for No. 6 oil.</p>

The following summarizes the related-party contracts and relationships, as well as the risks if such contracts or relationships are terminated:

	<b>Related Party</b>		
	<b>CrossRoad Carriers ("CRC")</b>	<b>Vertex Recovery And Subsidiaries ("VR")</b>	<b>Cedar Marine Terminal ("CMT")</b>
<b>Services Performed:</b>	<p>CRC is a transportation company engaged in the transporting of petroleum fuels, bio fuels and chemicals.</p>	<p>VR is a generator solutions company for the proper recycling and management of petroleum products. VR receives petroleum products from various third parties and generally works as a broker for used petroleum products. VR is a "third party supplier" – a company that collects used petroleum products ("Feedstock") from various generators and then resells such Feedstock. A "generator" is any person or entity whose activity or process produces used oil or whose activity first causes used oil to be subject to regulation (for example, an automotive service center that performs oil changes). Vertex is not currently a generator or a third party supplier, but is only a purchaser of Feedstock, through VR and/or through an alternative third party supplier.</p>	<p>CMT is a marine terminal that is engaged in the storage and terminaling of petroleum fuels. CMT is contracted to store products for Vertex as well as for third parties.</p> <p>CMT is the operator of our "thermal/chemical extraction technology" – a process infrastructure located at the Cedar Marine Terminal, operated and managed by CMT, consisting of multiple tanks, associated piping and proprietary design and engineering for the thermal/chemical extraction of used motor oil.</p>

<b>Ownership:</b>	95.1% owned by Vertex LP and affiliated with Benjamin P. Cowart, Vertex's Chairman and Chief Executive Officer, who serves as the general partner of CRC through VTX, Inc., an entity owned by Mr. Cowart.	92.5% owned by Vertex LP, whose general partner is VTX.	99% owned by Vertex LP and controlled by Mr. Cowart through his ownership of VTX.
<b>Existing Terms:</b>	<p>CRC provides transport services for Vertex as well as for various third parties.</p> <p>Historically, approximately 25% of CRC's revenue has been generated from Vertex LP, and an additional 10% from companies affiliated with Vertex LP. In addition, approximately 60% of the feedstock that comes into Vertex is transported by CRC, and 85-90% of Vertex's trucking needs are fulfilled by CRC.</p> <p>In connection with the Merger, Vertex LP and Vertex entered into a Services Agreement pursuant to which CRC agreed to continue to perform services for Vertex at market rates.</p>	<p>VR sells products to Vertex and/or acts as a broker in connection with sales. VR's established business practice is for Vertex to have the first option to accept or not to accept any feedstock streams which VR becomes aware of at the current market price.</p> <p>No written agreements or understandings currently exist between VR and Vertex other than the Services Agreement, described below.</p> <p>Approximately 25-35% of Vertex's total feedstock comes from VR.</p>	<p>Vertex has a lease agreement with the Terminal.</p> <p>CMT provides terminaling services to Vertex pursuant to a Services Agreement and Operating and Licensing Agreement.</p> <p>Pursuant to the Operating and Licensing Agreement (described in greater detail below), Vertex has the right to license the thermal/chemical extraction technology from CMT at a price equal to the documented net development costs of such technology. CMT operates the actual thermal/chemical extraction technology and Vertex pays an operations fee to CMT. Although Vertex LP and Vertex are the only entities currently using the thermal/chemical extraction technology, because the license is non-exclusive, CMT may license the technology to other parties and/or sell the technology outright. CMT currently provides terminaling services to Vertex's competitors and may increase the volume of such services in the future.</p> <p>Additionally, Vertex shares in water treatment operations from CMT, which are supplied at cost plus 10%.</p>



In the event we are no longer able to contract with any of these related or third-party entities for access to these assets and related services at fair-market prices, or at all, then we would seek to contract with other parties to provide refining, trucking, and terminaling assets or services as needed to operate and grow our business. We cannot assure you that such assets and services could be acquired on a timely basis, at fair-market prices, or at all. Given the relative availability of refining, trucking, and terminaling infrastructure and services in the Gulf Coast region of the United States, however, we believe we would be able to replace our contracted assets and services with third-party providers, if necessary. Nonetheless, based on an assessment of the market options readily available, we believe that our current relationships and contracts with existing third-parties and related parties are the most beneficial ones currently available to us.

In the future we may revisit our contract-based, capital-efficient asset strategy and may determine if it is in our best interest to buy or build, own and maintain the assets and infrastructure necessary to operate our current business or to accommodate growth plans.

### **Future Opportunities**

Our development stage re-refining business will require significant capital to design and construct additional facilities other than the existing facility in Baytown, Texas. We currently estimate the cost to construct a new, fully functional full-scale commercial process at another location would be approximately \$2.5 to \$5.0 million, which could fluctuate based on throughput capacity. The facility infrastructure would require additional capitalized expenditures which would depend on the location and site specifics of the facility.

### **Operating and Licensing Agreement**

In connection with the Merger and effective as of the effective date of the Merger, we entered into an Operating and Licensing Agreement (the "Operating Agreement") with Cedar Marine Terminals, L.P., a subsidiary of Vertex LP ("CMT"). CMT is controlled by Vertex LP, an entity which is majority owned and controlled by our Chief Executive Officer and Chairman, Benjamin P. Cowart. These related party transactions are discussed in detail in the Form 8-K/A filed on June 26, 2009. Pursuant to the Operating Agreement, CMT agreed to provide services to us in connection with the operation of the Terminal run by CMT, and the operations of and use of certain proprietary technology relating to the re-refining of certain oil feedstock referred to as our "thermal chemical extraction process" ("TCEP"), in connection with a Terminaling Agreement by and between CMT and Vertex LP. Additionally, we have the right to use the first 33,000 monthly barrels of the capacity of the thermal chemical extraction process pursuant to the terms of the Operating Agreement, with CMT being provided the right to use the next 20,000 barrels of capacity and any additional capacity allocated pro rata (based on the percentages above), subject to separate mutually agreeable allocations.

The Operating Agreement has a term expiring on February 28, 2017, and can be terminated (a) by the mutual consent of both parties, (b) with thirty days prior written notice, if any term of the agreement is breached, by the non-breaching party, or (c) at any time after the R&D Costs (as defined below) are paid and Mr. Cowart's employment has been terminated by Vertex; provided that the parties intend for the rights granted pursuant to the License (defined below) to be perpetual.

In consideration for the services to be rendered pursuant to the Operating Agreement, we agreed to pay CMT its actual costs and expenses associated with providing such services, plus 10%, subject to a maximum price per gallon of \$0.40, subject to CMT meeting certain minimum volume requirements as provided in the agreement. The maximum price to be paid per gallon is subject to change based on the mutual agreement of both parties and during the first quarter of 2010 we agreed to pay CMT its actual costs and expenses (which exceeded \$0.40 per gallon) associated with providing such services, plus 10%, not withstanding the maximum price per gallon. This decision was made in light of unanticipated per gallon costs greater than \$0.40 per gallon incurred during the start-up phase of the plant. As of the date of this filing we are no longer operating under this structure, and are operating under the original structure of the agreement, as the costs at the end of the second quarter of 2010 were brought down significantly and we believe such costs will be maintained at levels below \$0.40 per gallon moving forward.

Pursuant to the Operating Agreement, we also have the right to a non-revocable, non-transferable, royalty-free, perpetual (except as provided in the agreement) license to use the technology associated with the operations of the thermal chemical extraction process (the "TCEP") and the "License") which we have fully paid for in the amount of \$2,019,904 (the "R&D Costs"), in any market in the world (except at CMT's Baytown facility where it is non-exclusive).

### **Feedstock Agreements:**

Vertex's current operations are undertaken pursuant to four feedstock sale agreements and five feedstock purchase agreements. One of the feedstock sale agreements has a term extending through September 2011, subject to the terms of the agreement. The agreement is also terminable by either party with thirty days notice of a material breach that is not cured. The sale agreement requires that we provide between 8,000 and 22,000 barrels per calendar month of used oil product ("Recovery Oil") during the term of the agreement; provides that the buyer shall have the right of first refusal to purchase additional Recovery Oil from us, which is procured within 300 miles of their current location; and provides that the buyer pay us a price per barrel equal to our direct costs, plus certain commissions based on the quality and quantity of the Recovery Oil we supply.

The second feedstock sale agreement requires us to provide between 800 and 2,500 barrels of Cutterstock per day to a separate buyer pursuant to a 24 month contract through April 2011, and provides that the buyer pay us a price per gallon based on a premium to the market price of certain average weekly oil prices listed on the "Platts Oilgram Price Report".

The third feedstock sale agreement requires us to provide 9,500 barrels per month of Pygas feedstock to a separate buyer pursuant to a 12 month contract entered into in October 2010, and provides that the buyer pay us a price per gallon based on a discount to the market price of certain average monthly oil price indices.

The fourth feedstock sale agreement requires us to provide approximately 1,600 barrels per month of used oil product ("Recovery Oil") through May 2011.

Vertex is also party to four feedstock purchase agreements with separate third parties, pursuant to which such third parties have agreed to supply us with feedstock. These agreements provide for us to purchase a range of volumes from all the seller produces in the normal course of business of up to approximately 984,200 gallons per month. These agreements expire between March 31, 2011 and September 30, 2011 with certain ones providing for a month to month extension after the termination date. The purchase price per gallon for each agreement is based on a discount to the market price of certain average weekly oil prices listed on the "[Platts Oilgram Price Report](#)".

#### **Market**

Vertex competes primarily in the used motor oil collection market, as well as in the markets for the refining and trading of petrochemical products. The used motor oil collection market is highly fragmented with more than an estimated 700 used oil collectors nationwide. Based on a U.S. Department of Energy study dated July 2006, the estimated volume of used motor oil recycled each year is 945 million gallons, of which it is estimated that 83% is burned and 17% is re-refined. Vertex believes that there is a significant opportunity to increase the percentage of used motor oil that is re-refined rather than burned. Vertex collected approximately 29 million gallons of used motor oil in 2007, which accounted for approximately 3% of the entire recycled volume and approximately 18% of the estimated 160 million gallons that are re-refined. This used motor oil is collected from garages, vehicle dealerships, quick lube change installations, and other commercial and industrial businesses. Market participants include used motor oil collectors, transporters/brokers, processors, re-refiners and used motor oil burners. Collected used motor oil is often recycled and subsequently burned by various users such as asphalt companies, paper mills and industrial facilities as an alternative to their base load natural gas or other liquefied fuels, to offset operational costs. The market size of the refining business in the Gulf Coast Region of the US (Vertex's primary market) is estimated at 2.0 million barrels per year.

## Competitive Business Conditions

The industrial waste and brokerage of petroleum products industries are highly competitive. There are numerous small to mid-size firms that are engaged in the collection, transportation, treatment and brokerage of virgin and used petroleum products. Competitors include, but are not limited to: Safety-Kleen, Rio Energy, Inc., and FCC Environmental (formerly Siemens Hydrocarbon Recovery Services). These competitors actively seek to purchase feedstock from local, regional and industrial collectors, refineries, pipelines and other sources. Competition for these feedstocks may result in increasing prices to obtain used motor oil and transmix feedstocks critical to the success of Vertex's business model. In order to remain competitive, Vertex must control costs and maintain strong relationships with its feedstock suppliers. Vertex's network of approximately 50 feedstock suppliers minimizes the reliance on any single supplier. A portion of the sales of the aggregated used motor oil product are based on supply contracts which include a range of prices which change based on feedstock quality specifications and volumes. This pricing structure helps to insulate Vertex from inventory risk by ensuring a spread between costs to acquire used motor oil feedstock and the revenues received for delivery of the feedstock. Vertex believes that price and service are the main competitive factors in the used motor oil collection industry. Vertex believes that its ability to accept large volumes of oil year round gives it an advantage over many of its competitors. Vertex also believes that its storage capacity and ability to process the streams of products that it receives and its ability to transport the end product through barge, rail and truck gives it an advantage over many of its competitors in the refining industry.

Although Mr. Cowart and certain other key employees of Vertex are prohibited from competing with Vertex while they are employed with Vertex and for six months thereafter, none of such individuals will be prohibited from competing with Vertex after such six month period ends. Additionally, none of Mr. Cowart's affiliated companies, including Vertex LP, are prohibited from competing with Vertex. Accordingly, any of these individuals or entities could be in a position to use industry experience gained while working with Vertex to compete with Vertex. Such competition could increase Vertex's costs to obtain feedstocks, and increase its costs for contracting use of operating assets and services such as third party refining capacity, trucking services or terminal access. Furthermore, such competition could distract or confuse customers, reduce the value of Vertex's intellectual property and trade secrets, or result in a reduction in the prices Vertex is able to obtain for its finished products. Any of the foregoing could reduce Vertex's future revenues, earnings or growth prospects.

## Suppliers/Customers

Vertex conducts business with approximately 50 feedstock suppliers from various business segments, including motor oil change service stations, automotive repair shops, manufacturing facilities, petroleum refineries and petrochemical manufacturing operations, as well as brokers. The Black Oil division aggregates, transports, and sells these feedstocks to numerous customers in the Gulf Coast and Midwest parts of the United States. The primary customers of its products are blenders and burners of Black Oil, as described above as well as re-refiners of the product.

With respect to its Refining and Marketing division, Vertex does not rely solely on its contracts, but also on a strong spot market to support the sale of its end products, which are commodities. Vertex has and expects to continue to maintain positive working relationships with its customers.

## **Seasonality**

The industrial hydrocarbon recovery business is seasonal to the extent that it is dependent on streams from seasonal industries. For example, asphalt plants burn recycled waste oil in their process, placing pricing and supply availability constraints on the industry during the good weather construction and road building seasons. In Vertex's current markets, road paving typically occurs from late spring to early fall. Therefore, it is somewhat easier to procure certain waste streams during winter months when competition for used motor oil feedstock has historically not been as strong. Currently we are seeing increased demand for used motor oil feedstocks throughout the year due to the addition of re-refining technologies in the marketplace.

## **Regulatory Environment**

Vertex operates in a highly regulated and competitive environment that is subject to change, particularly in the area of environmental compliance. Its operations are regulated by federal, state, county and, in some jurisdictions, city regulations. Vertex's compliance challenges arise from various legislative and regulatory bodies influenced by political, environmental, health and safety concerns.

For example, changes in federal regulations relating to the use of methyl tertiary butyl ether and new sulfur limits for product shipped on domestic pipelines resulted in tightened specifications of gasoline blendstock that Vertex was refining, causing a corresponding decrease in revenue and gross margin growth during 2006, as compared to prior years. This change in regulation, as well as other emission-related regulations, had a material impact on the entire petroleum industry, and Vertex adapted and managed its operations to finding materials better suited to comply with these regulations. As such, it is possible that future changes in federal regulations could have a material adverse effect on Vertex's results from operations.

Vertex must also obtain and maintain a range of federal, state and local permits for its various logistical needs as well as its planned industrial processes.

## **Inflation and Commodity Price Risk**

To date, Vertex's business has not been significantly affected by inflation. Vertex purchases petroleum and distressed hydrocarbon products for consolidation and delivery, as well as for its own refining operations. By virtue of constant changes in the market value of petroleum products, Vertex is exposed to fluctuations in both revenues and expenses. Vertex does not currently engage in an active hedging program, as the inventory/finished product turnover occurs within approximately four to six weeks, thereby limiting the timeline of potential exposure. The purchase of Vertex's used motor oil feedstock tends to track with natural gas pricing due to the market's typical practice of substituting used motor oil and natural gas as a fuel source for various industrial processes. On the other hand, the prices of the products that may in the future be generated through the re-refining processes that Vertex hopes to develop are expected to track with market pricing for marine diesel and vacuum-gas oil. The recent rise in oil prices has increased the spread between the price of used motor oil, feedstock and re-refining end-products.

## Recent Events

In July 2010, we entered into a letter agreement with a non-exclusive consultant, pursuant to which the consultant agreed to provide us three months of investor relations and public relations consulting services, beginning on August 1, 2010 and continuing through October 2010. In November 2010, we entered into a subsequent agreement with the consultant, which provides for the consultant to perform investor correspondence and liaison services for us for a term of 24 months, in consideration for the grant to the consultant of warrants to purchase 200,000 shares of our common stock, with cashless exercise rights, at an exercise price of \$.75 per share, of which warrants to purchase 75,000 shares vested immediately and warrants to purchase 125,000 shares vest at the rate of the lesser of (a) 5,209 warrants or (b) the remaining unvested portion of the warrants, per month for the 24 months following the parties entry into the agreement, provided that any warrants that are not vested by the termination of the agreement are forfeited. The agreement can be terminated by either party with 30 days prior written notice.

In October 2010, we entered into a consulting agreement for investor relations services. The agreement commenced on October 15, 2010 and continues for a period of six months ending April 14, 2011, subject to an additional six month extension at our sole option, with fees due under such agreement increasing by 5%. We agreed to compensate the consultant with a monthly fee of \$7,500 and reimburse the consultant for expenses incurred in connection with and pursuant to the agreement. The agreement may be terminated by either party at any time upon 30 day written notice.

On October 15, 2010, we entered into a sales/purchase agreement with a supplier requiring the Company to provide a standby letter of credit in the amount of \$900,000 which expires on October 14, 2011. To date, there have been no draws against the letter of credit.

In January 2011, we entered into a feedstock sale agreement requiring us to provide approximately 1,600 barrels per month of used oil product ("Recovery Oil") during the period of February 2011 through May 2011. We also entered into a feedstock purchase agreement requiring us to purchase approximately 1,600 barrels per month of used oil product ("Recovery Oil") during the same period. Both of these agreements are described under "Feedstock Agreements", above.

## Vertex Strategy

Our goal is to continue to grow our business of recycling used motor oil and other distressed hydrocarbon streams. Strategies to achieve this goal include (1) working to grow revenues in core businesses, (2) seeking to increase margins through developing additional processing capabilities, including but not limited to the thermal chemical extraction process at additional locations other than Baytown, Texas, (3) increasing market share through greenfield development or through acquisitions, and (4) continued pursuit of alternative energy project development opportunities, some of which were originally sourced by World Waste.

- Our primary focus is to continue to supply used motor oil and other hydrocarbons to existing customers and to cultivate additional feedstock supply volume by expanding relationships with existing suppliers and developing new supplier relationships. We will seek to maintain good relations with existing suppliers, customers and vendors and the high levels of customer service necessary to maintain these businesses. We plan to seek to develop relationships with several other re-refining facilities to serve as such facilities' primary and exclusive feedstock provider. We will also be seeking additional value chain investments beyond current TCEP product value such as additional refining to lubricating oil.
- We intend to improve margins by applying new technologies, including but not limited to the re-refining of certain oil feedstock through the thermal chemical extraction process to existing and new feedstock streams. The first application of this technology at CMT's Baytown, Texas facility came on-line during the third quarter of 2009 and we have continued to enhance the facility and process. We also plan to build additional facilities for various processes to implement proprietary company-owned, leased, or potentially acquired technologies to upgrade feedstock materials to create fuel oil cutter, vacuum gas oil and other value-added energy products. By moving from our historical role as a value-added logistics provider, to operating as an actual re-refiner ourselves, we plan to improve margins through the upgrading of used motor oil and transmix inventories into higher value end products, funding permitting, of which there can be no assurance.

- We plan to seek to grow market share by consolidating feedstock supply through partnering with or acquiring collection and aggregation assets. For example, we may seek to use a combination of stock and cash to acquire or enter into joint ventures with various local used motor oil collectors and aggregators, technology providers, real estate partners and others. Such acquisitions and/or ventures, if successful, could add to revenues and provide better control over the quality and quantity of feedstock available for resale and/or upgrading as well as providing additional locations for the implementation of our thermal chemical extraction technology. This may include the greenfield development of collection assets, terminals, re-refining facilities and equipment and opportunistic mergers and acquisitions.

- We will continue to evaluate and potentially pursue various alternative energy project development opportunities. These opportunities may be a continuation of the projects sourced originally by World Waste and/or may include new projects initiated by us.

## Employees

Vertex has 12 full-time employees and 1 independent contractor. We believe that our relations with our employees are good.

## Patents, Trademarks, and Licenses

Pursuant to the Operating Agreement, Vertex has the right to a non-revocable, non-transferable, royalty-free, perpetual (except as provided in the agreement) license to use the technology associated with the operations of TCEP in any market in the world (the "License").

Vertex has not obtained any patents (although patent applications for the TCEP are pending, which patent pending is owned by Vertex LP and its affiliates) in the United States or internationally for its technology to date.

In addition, we have developed a website and have registered www.vertexenergy.com as our domain name, which contains information we do not desire to incorporate by reference herein.

## ITEM 1A. Risk Factors

Our securities are highly speculative and should only be purchased by persons who can afford to lose their entire investment in our Company. If any of the following risks actually occur, our business and financial results could be negatively affected to a significant extent. The Company's business is subject to many risk factors, including the following:

***The sales of common stock previously subject to (a) lock-up agreements, in connection with our common stock, and/or (b) conversion limitations, in connection with the conversion of our Series A Preferred Stock; may depress the market price of and cause immediate and substantial dilution to the share price of our common stock.***

Approximately 6,600,000 of the Company's outstanding shares of common stock are subject to Lock-up Agreements that provide that until three years following the effective date of the Merger (April 16, 2012)(the "Lock-Up Period"), shareholders subject to the Lock-Up Agreements cannot sell, assign, pledge or otherwise transfer more than 5% of the total number of shares of common stock such holders beneficially own, without the Company's prior written consent. The Company's Board of Directors is currently in discussions regarding the potential partial or complete release and cancellation of some or all of the Lock-Up Agreements. As a result, up to approximately 6,600,000 of such shares currently subject to such Lock-Up Agreements may be eligible to be sold (subject to restrictions of such shares under the Securities Act of 1933, as amended (the "Securities Act")) following the release of such Lock-Up Agreements by the Board of Directors, subsequent to the filing of this Report.

Additionally, the Company has approximately 4.6 million shares of Series A Convertible Preferred Stock (Series A Preferred Stock) issued and outstanding as of the date of this Report. Among the other rights of the Series A Preferred Stock, each share of Series A Preferred Stock can be converted into one (1) share of common stock, provided that prior to the three-year anniversary of the Merger (April 16, 2012), no holder may, in any given three-month period, convert more than that number of shares of Series A Preferred Stock that equals 5% of the total number of shares of Series A Preferred Stock then beneficially owned by such holder (the "Conversion Limitation"). Additionally, holders may convert only up to that number of shares of Series A Preferred Stock, such that upon conversion, the aggregate beneficial ownership of the Company's common stock held by any such holder does not exceed 4.99% of the Company's common stock then outstanding (the "Beneficial Limitation"). The Company's Board of Directors is currently in discussions regarding the approval of an amended and restated Series A Preferred Stock designation which would remove all or some portion of the Conversion Limitation and may allow for the Series A Preferred Stock holders to convert the entire amount of their holdings of Series A Preferred Stock into shares of the Company's common stock and sell such common stock, subject only to the Beneficial Limitation (and any conversion or resale limitations under the Securities Act). Assuming the Board of Directors approves such amended and restated designation, such amendment will be subject to the approval of a majority of the outstanding shares of Series A Preferred Stock and the filing of such amended designation with the Secretary of State of Nevada. The Company plans to file a current report on Form 8-K at such time as the Lock-Up Agreements (or any portion thereof) are terminated and/or the terms of the Series A Preferred Stock are amended.

As such, and subject to the above and any restrictions on resale set forth in the Securities Act, it is possible that following the filing of this report, and the Board of Director's approval (and in the case of the Series A Preferred Stock, the Series A Preferred Stock shareholders' approval), we will have an additional approximately 11.2 million shares of common stock available for immediate resale, which were previously locked-up and/or restricted from conversion. The sale of such common stock previously subject to Lock-Up Agreements may cause the price of our common stock to decline in value and the conversion and sale of shares of Series A Preferred Stock may cause the price of our common stock to decline in value and/or may cause immediate and substantial dilution to our common stock shareholders. Additionally, the sale of such previously locked-up and/or recently converted Series A Preferred Stock shares may cause continued downward pressure on the price of our common stock. Such sales and downward pressure may be exacerbated by the limited volume of our shares which trade.

Additionally, the effect of any downward pressure on our common stock will likely cause a decrease in the trading value of our common stock, which could make the automatic conversion of the 600,000 shares of Series B Preferred Stock less likely (which shares automatically convert into common stock in the event our stock trades above \$2.00 per share for a period of 10 trading days), and therefore make it more likely that we are required to redeem such Series A Preferred Stock shares at \$1.00 per share on the third anniversary date of the issuance of such shares.

***We are currently in discussions regarding potential acquisition, merger or business combination opportunities and transactions and may choose to enter into such transactions in the future.***

We are currently in discussions with certain third parties regarding potential acquisition, merger or business combination transactions. We have not entered into or agreed to the terms of any definitive transactions to date. However, in the future, we may choose to enter into acquisition, merger and/or business combination transactions with separate third-party or related-party companies, which may result in our majority shareholders changing and/or new shares of common or preferred stock (including preferred stock with rights and privileges superior to our common stock) being issued, resulting in substantial dilution to our then shareholders. Additionally, any such transaction could result in a change of control, a change in our business focus or operations, and a change in the composition of our Board of Directors, which could result in the replacement of our current management. In the event we enter into an acquisition, merger and/or business combination in the future, we can make no assurances that our management (or new management in the event our management changes in connection with such transaction) will be able to properly manage our direction or that any change in our business focus or operations will be successful or ultimately beneficial to our shareholders. If we do consummate any acquisition, merger and/or business combination transaction in the future and such transaction, or our resulting business focus or operations are unsuccessful, we may be forced to scale back or abandon our then current business plan or raise additional capital (which could result in further dilution to our then shareholders) either of which will likely cause the value of our common stock to decline in value or become worthless.

***The Trustee for the Lehman Brothers Inc. Bankruptcy has alleged that World Waste received funds from Lehman Brothers Inc. which are recoverable by the Trustee in Bankruptcy.***

We are currently in discussions with the Trustee for the liquidation of Lehman Brothers Inc. ("Lehman"). The Trustee has alleged that World Waste received a payment from Lehman prior to the liquidation of Lehman and prior to the consummation of the Merger. The Trustee has further alleged that such payment is a preference payment (i.e., that World Waste received more than other, similarly situated creditors would receive through the bankruptcy process) and that the Trustee has rights to some part of that payment under Bankruptcy law. We are currently researching the payment in an effort to determine whether any preference rights exist and are in discussions with the Trustee regarding the potential settlement of such claims. At this point no formal claim has been filed against us or World Waste by the Trustee, and we believe that it is too early at this point to comment as to the potential outcome of any of the Trustee's allegations, the applicability of any Bankruptcy laws or the potential expiration of any applicable statutes of limitations; however, if we were forced to repay the payment, or a significant portion of the payment to the Trustee, or agree to settle with the Trustee, such funds could decrease our working capital and adversely effect our ability to expand our operations and implement our business plan as discussed herein. As a result, the value of our common stock may decline in value.

***Benjamin P. Cowart, our Chief Executive Officer and Chairman, controls Vertex.***

Benjamin P. Cowart, Vertex's Chairman and Chief Executive Officer, beneficially owns a total of approximately 36% of the total outstanding shares of the Company's capital stock, and holds the right to vote an additional approximately 22% of the Company's capital stock pursuant to voting agreements entered into with various shareholders of Vertex, which voting agreements provide him the right to elect four (4) of Vertex's five (5) directors (the Company is currently in the process of amending such voting agreements to provide for Mr. Cowart to appoint five of the Company's six directors) and which voting agreements remain in effect until April 16, 2012. As such, subject to the resale terms and conditions of the voting agreements and the Lock-up Agreements (described below) which certain of Vertex's shareholders signed, until April 12, 2012, Mr. Cowart will have the right, to appoint four (4) of Vertex's directors, and therefore to exercise significant control over the Company, including making decisions with respect to issuing additional shares, entering into mergers, asset sales, and other fundamental transactions, and amending the terms of Vertex's articles of incorporation.

***Vertex owes a significant amount of money in accounts payable.***

As of December 31, 2010, Vertex owed approximately \$4.6 million in accounts payable. Moving forward, Vertex may need to raise additional funding, and as such may need to seek additional debt or equity financing. If debt financing is available and obtained, our interest expense may increase and we may be subject to the risk of default, depending on the terms of such financing. If equity financing is available and obtained it may result in our shareholders experiencing significant dilution. If such financing is unavailable, we may be forced to curtail our operations, which may cause the value of our securities to decline in value and/or become worthless.



**An event of default by Vertex LP, and a foreclosure of Vertex LP's and CMT's assets by Regions Bank, would materially adversely effect the Company's operations and the value of its securities.**

Vertex LP, which is majority-owned and controlled by the Company's Chief Executive Officer and Director, Benjamin P. Cowart, is a party to certain loan agreements, security agreements and related agreements with Regions Bank ("Regions"). In August 2009, Vertex LP (and certain other entities controlled by and/or associated with Vertex LP, including but not limited to CMT) received notice from Regions that Regions believed it was in default of certain borrowing criteria set forth in the loan agreement between Vertex LP and Regions, and that Vertex LP had until October 1, 2009 at the latest, to remedy such alleged defaults. Regions subsequently agreed to provide Vertex LP a six month extension of the due date of the loans made by Regions, and as a result, Vertex LP had until May 28, 2010 to remedy such defaults. Subsequently, Vertex LP entered into a 12 month forbearance agreement by which it has agreed to certain principal and interest payments through September 27, 2011 in consideration for Regions forbearing from taking any action against Vertex LP. In the event that Vertex LP is unable to remedy its alleged defaults with Regions prior to September 27, 2011 or repay the amounts owed to Regions at that time, Regions may declare the entire outstanding amount of the loan agreement in default and/or take action to enforce its security interests over substantially all of Vertex LP's and CMT's assets, including but not limited to the lease agreement pursuant to which CMT leases the land at the Terminal, and the assets and operations relating to the Company's licensed thermal chemical extraction process. As a result, if Regions were to call Vertex LP's debts in default and foreclose on Vertex LP's assets, it may delay and/or prevent the Company from operating its thermal chemical extraction process (or potentially effect the license to use the technology), using the Terminal for its operations, and/or using any of the other services provided to the Company by Vertex LP's affiliated companies. Therefore, if Regions were to declare Vertex LP in default of its loan agreements, it could result in the value of the Company's securities becoming devalued and/or worthless and potentially force the Company to curtail or abandon its business plan or operations.

**Vertex has no significant long-term assets and needs to rely on its contracts and relationships with Vertex LP and its affiliates and certain third parties, which could affect Vertex's ability to operate its business.**

Vertex does not currently have any long-term assets, but instead its business is comprised of the rights to various contracts and arrangements. As such, moving forward, Vertex will need to rely on its relationships and agreements with Vertex LP and its affiliates, including with the following:

- CrossRoad Carriers, for the transportation of Vertex's feedstock of refined and re-refined petroleum products; and
- Cedar Marine Terminal LP, which will sublease terminal space to Vertex, and from which Vertex may purchase certain re-refining assets.

Although Vertex has a right of first refusal to purchase the entities (including the assets of such entities), there can be no assurance that Vertex will exercise such right.

In the event that any of the above-described relationships are terminated, Vertex may be forced to spend significant resources to identify and secure alternative sources to provide these services. There can be no assurance that Vertex will be able to locate such alternative sources on terms acceptable to it, or at all. As a result, Vertex may be unable to continue its operations in its current form, may be required to expend significant resources identifying alternative sources of services, and/or may be forced to expend significant resources to purchase and/or manufacture long-term assets, the construction of which assets may take a significant amount of time and capital to complete.

**Holders of shares of common stock will not have the right to vote for directors.**

Due to Mr. Cowart's beneficial ownership of approximately 36% of Vertex's common stock and voting agreements which are in place, which allow him to vote an additional approximately 22% of Vertex's common stock for four of the six Directors of Vertex, at least one of whom must be "independent" as defined by the New York Stock Exchange, Mr. Cowart will have the right to appoint four of our six Directors until April 16, 2012. The holders of Vertex's Series A preferred stock are entitled to elect one of Vertex's six directors. Accordingly, so long as the voting agreements remain in effect and the shares of Vertex Series A Preferred Stock remain outstanding, the minority holders of shares of Vertex's common stock will have a limited ability to vote for the election of directors.

**Potential conflicts of interest exist between the Company, Mr. Cowart, our Chief Executive Officer, and certain entities which he controls.**

Benjamin P. Cowart, Vertex's Chief Executive Officer and Chairman of the Board, owns and is involved in other businesses that have relationships and agreements with Vertex, including, but not limited to Vertex LP. These relationships may cause conflicts of interest with Vertex.

Benjamin P. Cowart, Vertex's Chief Executive Officer and Chairman of the Board, also serves as the General Partner of and controls several other entities, including, but not limited to Vertex LP, through VTX, Inc. (collectively, the "Vertex Entities"), that have entered into transactions with, supplied feedstock for, and performed various business services for Vertex. These transactions and relationships include the following:

- Cross Road Carriers transports some of Vertex's feedstock and refined and re-refined petroleum products;
- Vertex subleases terminal space from CMT and may purchase certain re-refining assets, and perform certain other services for, Cedar Marine Terminal pursuant to other agreements described herein; and
- Vertex Recovery collects used oil feedstock and sells it to Vertex.

Vertex has (1) a right of first refusal to match any third-party offer to purchase any of the Vertex LP Entities on the terms and conditions set forth in such offer; and (2) the option, exercisable in Vertex's sole discretion any time after the 18-month anniversary of the closing of the merger and so long as Mr. Cowart is employed by Vertex, to purchase all or any part of the outstanding stock of any of the Vertex LP Entities owned by Vertex LP or VTX, Inc., at a price based on an independent third-party valuation and appraisal of the fair market value of such Vertex LP Entity (the "Right of First Refusal"). Pursuant to the merger agreement, Vertex was required to form a committee of its board of directors (the "Related Party Transaction Committee") including at least two "independent directors" (defined as any individuals who do not beneficially own more than 5% of the outstanding voting shares of Vertex, are not employed by, or officers of Vertex or any entity related to Mr. Cowart, are not directors or managers of any such company, are not family members of Mr. Cowart, and would qualify as "Independent Directors" as defined in the rules and regulations of the New York Stock Exchange). The Related Party Transaction Committee is charged with the review and pre-approval of any and all related party transactions, including between Vertex and Vertex LP, Mr. Cowart, or any other company or individual which may be affiliated with Mr. Cowart.

Notwithstanding the Right of First Refusal and the Related Party Transaction Committee, perceived or actual conflicts of interest may exist between Mr. Cowart and Vertex in connection with the Vertex Entities and/or any other entity which Mr. Cowart may be affiliated and/or control in the future. Furthermore, if any disagreement were to occur between Mr. Cowart and/or any Vertex Entity, Vertex may be forced to find alternative suppliers and contractors to supply the services or products then supplied by any of the Vertex Entities, which new arrangements may not be on as favorable terms to Vertex and/or Mr. Cowart may be forced to make a decision between remaining in control of any of the Vertex Entities and/or Vertex. Such perceived or actual conflicts of interest may cause potential investors to not be willing to invest in Vertex, which could make it harder for Vertex to raise funds through the sale of debt and/or equity securities and/or cause Vertex's securities to be devalued. As a result of these perceived and/or actual conflicts of interest, the value of Vertex's securities may decrease in value and/or be valued less than similarly situated publicly-traded companies without such potential conflicts of interest.

***Vertex has established preferred stock which can be designated by the Vertex Board of Directors without shareholder approval and has established Series A preferred stock and Series B preferred stock, which gives the holders a liquidation preference and the ability to convert such shares into Vertex's common stock.***

Vertex has 50,000,000 shares of preferred stock authorized which includes 5 million shares of designated Series A preferred stock of which approximately 4.6 million shares are issued and outstanding and 2,000,000 designated shares of Series B preferred stock, of which 600,000 shares are outstanding as of the date of this report. The Vertex Series A preferred stock has a liquidation preference of \$1.49 per share. As a result, if Vertex were to dissolve, liquidate or sell its assets, the holders of Vertex's Series A preferred stock would have the right to receive up to the first approximately \$7.0 million in proceeds from any such transaction. Additionally, the Series B preferred stock has a liquidation preference which is junior to the Series A preferred stock, senior securities and other security holders (other than the common stock shareholders) equal to the face value of such Series B preferred stock, \$1.00 per share. Consequently, holders of Vertex common stock may receive less consideration or no consideration in connection with such a transaction. Furthermore, the conversion of Series A preferred stock into common stock and/or conversion of Series B preferred stock into common stock may cause substantial dilution to Vertex's common shareholders. Additionally, because Vertex's board of directors is entitled to designate the powers and preferences of the preferred stock without a vote of its shareholders, Vertex's shareholders will have no control over what designations and preferences Vertex's future preferred stock, if any, will have.

***Vertex's shareholders may have difficulty selling their shares because such shares will likely be deemed penny stock.***

Since the shares of Vertex's common stock are not be listed on a national securities exchange, if the trading price of such shares is below \$5.00 per share, trading in such shares will be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a penny stock (generally, any equity security not listed on a national securities exchange that has a market price of less than \$5.00 per share, subject to certain exceptions). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors (generally defined as an investor with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 individually or \$300,000 together with a spouse). For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in Vertex's common stock, which could severely limit the market liquidity of such shares of common stock and the ability of such holders to sell their shares.

***The market price of Vertex's common stock may be adversely affected by market volatility.***

The market price of Vertex's common stock is likely to be volatile and could fluctuate widely in response to many factors, including:

- actual or anticipated variations in Vertex's operating results;
- developments with respect to patents or proprietary rights;
- announcements of technological innovations by Vertex or its competitors;
- announcements of new products or new contracts by Vertex or its competitors;
- changes in financial estimates by securities analysts and whether Vertex's earnings meet or exceed such estimates;
- conditions and trends in the industries in which Vertex operates;
- changing environmental standards;
- new accounting standards;
- general economic, political and market conditions and other factors; and
- the occurrence of any of the other risks described in this report.

***We incur significant costs as a result of operating as a fully reporting company in connection with Section 404 of the Sarbanes Oxley Act, and our management is required to devote substantial time to compliance initiatives.***

We incur significant legal, accounting and other expenses in connection with our status as a fully reporting public company. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and rules subsequently implemented by the SEC have imposed various new requirements on public companies, including requiring changes in corporate governance practices. As such, our management and other personnel are required to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly. In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure of controls and procedures. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to comply with such compliance requirements. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

***If we are late in filing our Quarterly or Annual reports with the Securities and Exchange Commission, we may be de-listed from the Over-The-Counter Bulletin Board.***

Pursuant to Over-The-Counter Bulletin Board ("OTCBB") rules relating to the timely filing of periodic reports with the Securities and Exchange Commission ("SEC"), any OTCBB issuer which fails to file a periodic report (Form 10-Q or 10-K) by the due date of such report (notwithstanding any extension granted to the issuer by the filing of a Form 12b-25), three times during any 24 month period is automatically de-listed from the OTCBB. Such removed issuer would not be re-eligible to be listed on the OTCBB for a period of one year, during which time any subsequent late filing would reset the one-year period of de-listing. If we are late in our filings three times in any 24 month period and are de-listed from the OTCBB, our securities may become worthless and we may be forced to curtail or abandon our business plan.

***We do not intend to pay cash dividends on our common stock in the foreseeable future, and therefore only appreciation of the price of our common stock will provide a return to our stockholders.***

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. In addition, the terms of our senior note prohibit us from paying dividends and making other distributions. As a result, only appreciation of the price of our common stock, which may not occur, will provide a return to our stockholders.

***The market price of our common stock historically has been volatile.***

The market price of our common stock historically has fluctuated significantly based on, but not limited to, such factors as general stock market trends, announcements of developments related to our business, actual or anticipated variations in our operating results, our ability or inability to generate new revenues, conditions and trends in the industries in which our customers are engaged.

In recent years, the stock market in general has experienced extreme price fluctuations that have oftentimes been unrelated to the operating performance of the affected companies. Similarly, the market price of our common stock may fluctuate significantly based upon factors unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock.

***We currently have a sporadic, illiquid, volatile market for our common stock, and the market for our common stock may remain sporadic, illiquid, and volatile in the future.***

We currently have a highly sporadic, illiquid and volatile market for our common stock, which market is anticipated to remain sporadic, illiquid and volatile in the future and will likely be subject to wide fluctuations in response to several factors, including, but not limited to:

- (1) actual or anticipated variations in our results of operations;
- (2) our ability or inability to generate revenues;
- (3) the number of shares in our public float;
- (4) increased competition; and
- (5) conditions and trends in the market for oil and gas and re-refining services.

Furthermore, because our common stock is traded on the Over The Counter Bulletin Board, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Due to the limited volume of our shares which trade, we believe that our stock prices (bid, asked and closing prices) may not be related to the actual value of the Company, and not reflect the actual value of our common stock. Shareholders and potential investors in our common stock should exercise caution before making an investment in the Company, and should not rely on the publicly quoted or traded stock prices in determining our common stock value, but should instead determine the value of our common stock based on the information contained in the Company's public reports, industry information, and those business valuation methods commonly used to value private companies.

***Shareholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of additional shares of our common stock.***

Wherever possible, our Board of Directors will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of restricted shares of our common stock or warrants to purchase shares of our common stock. Our Board of Directors has authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares of common stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing shareholders, may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of the Company because the shares may be issued to parties or entities committed to supporting existing management.

#### **RISKS RELATING TO VERTEX'S BUSINESS**

***Vertex's contracts may not be renewed and its existing relationships may not continue, which could be exacerbated by the fact that a limited number of Vertex's customers represented a significant portion of Vertex's sales.***

Vertex's contracts and relationships in the black oil business include feedstock purchasing agreements with local waste oil collectors, an off-take arrangement with one re-refinery, along with a few key relationships in the bunkering, blending and No. 6 oil industry. Because Vertex's operations are extremely dependent on the black oil key bunkering, blending and No. 6 oil relationships as well as its third-party refining contracts, if we were to lose relationships there would be a material adverse effect on Vertex's operations and results of operations. Additionally, if Vertex were to lose any of its current local waste oil collectors, Vertex could be required to spend additional resources locating and providing incentives for other waste oil collectors, which could cause Vertex's expenses to increase and/or cause it to curtail or abandon its business plans.

This is exacerbated by the fact that three large companies with various independent divisions represented 28%, 18%, and 17% of the Company's gross sales and two companies represented 66% and 32% of outstanding trade receivables for the year ended December 31, 2010. As a result, if the Company were to lose any of its largest revenue producing relationships, the Company may be forced to expend additional resources attempting to secure replacement relationships, which may not be on as favorable terms as its current relationships, if such relationships can be secured at all.

***A significant portion of our historical revenues are a result of our agreement with KMTEX, which can be terminated by either party with sixty days prior notice.***

We have an agreement in place with KMTEX, pursuant to which KMTEX has agreed to process feedstock of certain petroleum distillates, which we provide to KMTEX into more valuable feedstocks, including pygas, gasoline blend stock and cutter stock, which agreement expires on June 30, 2011, provided that Vertex believes that it will be able to renew or extend such agreement subsequent to the expiration of such term. The agreement can be terminated upon sixty days prior written notice by either party at any time. If KMTEX were to terminate and/or not agree to renew our agreement with it, we would be forced to spend resources attempting to locate another party which we could supply our feedstock which could take substantial time, if such alternative party is even available. If we are able to find another contracting party, the terms of the understanding or agreement with such contracting party may be on terms less favorable to us and/or may force us to transport our feedstock a greater distance. As a result of the above, if we were to lose our agreement with KMTEX our expenses may increase, our results of operations may decrease and/or it may cause us to curtail or abandon our business plans, all of which would likely cause the value of our securities to decrease in value.

***Vertex operates in competitive markets, and there can be no certainty that Vertex will maintain its current customers or attract new customers or that its operating margins will not be impacted by competition.***

The industries in which Vertex operates are highly competitive. Vertex competes with numerous local and regional companies of varying sizes and financial resources in its refining and feedstock consolidation operations, and expects to compete with larger oil companies, with significantly greater resources than Vertex, in its planned oil re-refining operations. Vertex expects competition to intensify in the future. Furthermore, numerous well-established companies are focusing significant resources on providing refining and re-refining services that will compete with Vertex's services. We cannot assure you that Vertex will be able to effectively compete with these other companies or that competitive pressures, including possible downward pressure on the prices Vertex charges for its products and services, will not arise. In the event that Vertex cannot effectively compete on a continuing basis, or competitive pressures arise, such inability to compete or competitive pressures could have a material adverse effect on Vertex's business, results of operations and financial condition.

***Disruptions in the supply of feedstock could have an adverse effect on Vertex's business.***

Vertex depends on the continuing availability of raw materials, including feedstock, to remain in production. A serious disruption in supply of feedstock, or significant increases in the prices of feedstock, could significantly reduce the availability of raw materials at Vertex's plant. Additionally, increases in production costs could have a material adverse effect on its business, results of operations and financial condition.

For example, Vertex has previously experienced difficulty in obtaining feedstock from its suppliers who, because of the sharp downturn in the price of oil (used and otherwise) have seen their margins decrease substantially, which in some cases has made it uneconomical for such suppliers to purchase feedstock from their suppliers and/or sell to Vertex at the rates set forth in their contracts. Any similar decline in the price of oil and/or the economy in general could create a decrease in the supply of feedstock, prevent Vertex from maintaining its required levels of output and/or force Vertex to seek out additional suppliers of feedstock, who may charge more than its current suppliers, and therefore adversely affect its results of operations.

***Vertex is subject to numerous environmental and other laws and regulations and, to the extent Vertex is found to be in violation of any such laws and regulations, Vertex's business could be materially and adversely affected.***

Vertex is subject to extensive federal, state, provincial and local laws and regulations relating to the protection of the environment which, among other things:

- regulate the collection, transportation, handling, processing and disposal of hazardous and non-hazardous wastes;
- impose liability on persons involved in generating, handling, processing, transporting or disposing hazardous materials;
- impose joint and several liability for remediation and clean-up of environmental contamination; and
- require financial assurance that funds will be available for the closure and post-closure care of sites where hazardous wastes are stored, processed or disposed.

The breadth and complexity of all of these laws and regulations affecting Vertex make consistent compliance extremely difficult and often result in increased operating and compliance costs, including requiring the implementation of new programs to promote compliance. Even with these programs, Vertex and other companies in the industry are routinely faced with legal and administrative proceedings which can result in civil and criminal penalties, interruption of business operations, fines or other sanctions and require expenditures. Under current law, Vertex may be held liable for damage caused by conditions that existed before it acquired its assets and/or before it took control of its leased properties or if it arranges for the transportation, disposal or treatment of hazardous substances that cause environmental contamination. In the future, Vertex may be subject to monetary fines, civil or criminal penalties, remediation, clean-up or stop orders, injunctions, orders to cease or suspend certain practices or denial of permits required to operate its facilities and conduct its operations. The outcome of any proceeding and associated costs and expenses could have a material adverse impact on Vertex's operations and financial condition.

Environmental laws and regulations are subject to change and may become increasingly stringent or relaxed. Interpretation or enforcement of existing laws and regulations, or the adoption of new laws and regulations, may require Vertex to modify or curtail its operations or replace or upgrade its facilities or equipment at substantial costs which it may not be able to pass on to its customers. On the other hand, if new laws and regulations are less stringent, then Vertex's customers or competitors may be able to compete with Vertex more effectively, without reliance on its services, which could decrease the need for its services and/or increase competition which could adversely affect its revenues and profitability, if any.

Vertex is required to obtain and maintain permits, licenses and approvals to conduct its operations in compliance with such laws and regulations. If Vertex is unable to maintain its currently held permits, licenses and approvals, it may not be able to continue certain of its operations. If it is unable to obtain any additional permits, licenses and approvals which may be required as Vertex expands its operations, it may be forced to curtail or abandon its current and/or future planned business operations.

***Vertex could be subject to involuntary shutdowns or be required to pay significant monetary damages or remediation costs if it is found to be a responsible party for the improper handling or the release of hazardous substances.***

As a company engaged in the sale, handling, transportation, storage, recycling and disposal of materials that are or may be classified as hazardous by federal, state, provincial or other regulatory agencies, Vertex faces risks of liability for environmental contamination. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or "CERCLA" or Superfund, and similar state laws impose strict liability for clean-up costs on current or former owners and operators of facilities that release hazardous substances into the environment, as well as on the businesses that generate those substances or transport them. As a potentially responsible party, or "PRP," Vertex may be liable under CERCLA for substantial investigation and cleanup costs even if it operates its business properly and complies with applicable federal and state laws and regulations. Liability under CERCLA may be joint and several, which means that if it were found to be a business with responsibility for a particular CERCLA site, Vertex could be required to pay the entire cost of the investigation and cleanup, even though it was not the party responsible for the release of the hazardous substance and even though other companies might also be liable. Even if Vertex is able to identify who the other responsible parties might be, it may not be able to compel them to contribute to the remediation costs, or they might be insolvent or unable to contribute due to lack of financial resources.



Vertex's facilities and the facilities of its clients and third-party contractors may have generated, used, handled and/or disposed of hazardous substances and other regulated wastes. Environmental liabilities could exist, including cleanup obligations at these facilities or at off-site locations, which could result in future expenditures that cannot be currently quantified and which could materially reduce Vertex's profits. In addition, new services or products offered by Vertex could expose it to further environmental liabilities for which it has no historical experience and cannot estimate its potential exposure to liabilities.

***Environmental risks and regulations may adversely affect Vertex's business.***

All phases of designing, constructing and operating Vertex's refining and planned re-refining plant present environmental risks and hazards. Vertex is subject to environmental regulation implemented or imposed by a variety of federal, state and municipal laws and regulations as well as international conventions. Among other things, environmental legislation provides for restrictions and prohibitions on spills and discharges, as well as emissions of various substances produced in association with Vertex's operations. Legislation also requires that facility sites be operated, maintained, abandoned and reclaimed in such a way that would satisfy applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which could be material. Environmental legislation is evolving in a manner Vertex expects may result in stricter standards and enforcement, larger fines and liability, as well as potentially increased capital expenditures and operating costs. The presence or discharge of pollutants in or into the air, soil or water may give rise to liabilities to governments and third parties and may require Vertex to incur costs to remedy such presence or discharge. If Vertex is unable to remediate such conditions economically or obtain reimbursement or indemnification from third parties, its financial condition and results of operations could be adversely affected. Vertex cannot assure you that the application of environmental laws to its business will not cause it to limit its production, to significantly increase the costs of its operations and activities, to reduce the market for its products or to otherwise adversely affect its financial condition, results of operations or prospects.

***Penalties Vertex may incur could impair its business.***

Failure to comply with government regulations could subject Vertex to civil and criminal penalties and may negatively affect the value of its assets or its ability to conduct its business. Vertex may also be required to take corrective actions, including, but not limited to, installing additional equipment, which could require it to make substantial capital expenditures. Vertex could also be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against Vertex. These could result in a material adverse effect on Vertex's prospects, business, financial condition and its results of operations.

***Vertex is dependent on third parties for the disposal of its waste streams.***

Vertex does not own any waste disposal sites. As a result, it is dependent on third parties for the disposal of waste streams. To date, disposal vendors have met their requirements, but we cannot assure you that they will continue to do so. If for some reason Vertex's current disposal vendors cannot perform up to standards, Vertex may be required to replace them. Although Vertex believes there are a number of potential replacement disposal vendors that could provide such services, it may incur additional costs and delays in identifying and qualifying such replacements. In addition, any mishandling of its waste streams by disposal vendors could expose Vertex to liability. Any failure by disposal vendors to properly collect, transport, handle or dispose of Vertex's waste streams could expose it to liability, damage its reputation and generally have a material adverse effect on its business, financial condition or results of operations.

***Worsening economic conditions and trends and downturns in the business cycles of the industries Vertex serves and which provide services to Vertex would impact its business and operating results.***

A significant portion of Vertex's customer base is comprised of companies in the chemical manufacturing and hydrocarbon recovery industries. The overall levels of demand for its products, refining operations, and future planned re-refined oil products, are driven by fluctuations in levels of end-user demand, which depend in large part on general macroeconomic conditions in the U.S., as well as regional economic conditions. For example, many of Vertex's principal consumers are themselves heavily dependent on general economic conditions, including the price of fuel and energy, availability of affordable credit and capital, employment levels, interest rates, consumer confidence and housing demand. These cyclical shifts in Vertex's customers' businesses may result in fluctuations in demand, volumes, pricing and operating margins for its services and products.

In addition to its customers, the suppliers of Vertex's feedstock may also be affected by downturns in the economy and adverse changes in the price of feedstock. For example, Vertex previously experienced difficulty obtaining feedstock from its suppliers who, because of the sharp downturn in the price of oil (used and otherwise) have seen their margins decrease substantially, which in some cases have made it uneconomical for such suppliers to purchase feedstock from their suppliers and/or sell to Vertex at the rates set forth in their contracts. Any similar decline in the price of oil and/or the economy in general could create a decrease in the supply of feedstock, prevent Vertex from maintaining its required levels of output and/or force Vertex to seek additional suppliers of feedstock, who may charge more than its current suppliers, and therefore adversely affect its results of operations.

***Vertex's operating margins and profitability may be negatively impacted by changes in fuel and energy costs.***

Vertex transports its refined oil, and plans in the future to transport re-refined oil, with trucks and by rail. As a result, increases in shipping and transportation costs caused by increases in oil, gasoline and diesel prices have a significant impact on its operating expenses. The price and supply of oil and gas is unpredictable and fluctuates based on events beyond Vertex's control, including geopolitical developments, natural disasters, supply and demand for oil and natural gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns and environmental concerns. A significant increase in transportation or fuel costs could lower Vertex's operating margins and negatively impact its profitability.

Additionally, the price at which Vertex sells its refined oil and its re-refined oil is affected by changes in certain oil indexes. If the relevant oil index rises, Vertex anticipates being able to increase the prices for its refined and re-refined oil. If the relevant oil index declines, Vertex anticipates having to reduce prices for its refined and re-refined oil. However, the cost to collect used oil and refinery feedstock, including the amounts that must be paid to obtain used oil and feedstock, generally also increases or decreases when the relevant index increases or decreases. Even though the prices that can be charged for Vertex's refined (and in the future, re-refined) products and the costs to collect, refine, and re-refine the feedstock generally increase and decrease together, Vertex cannot assure you that when the costs to collect, refine and re-refine used oil and petrochemical products increase, Vertex will be able to increase the prices it charges for its refined and re-refined products to cover such increased costs, or that the costs to collect, refine and re-refine used oil and petrochemical products will decline when the prices Vertex can charge for its products declines. If the prices Vertex charges for its finished products and the costs to collect, refine and re-refine products do not move together or in similar magnitudes, Vertex's profitability may be materially and negatively impacted.

***Expansion of Vertex's business may result in unanticipated adverse consequences.***

In the future, Vertex may seek to grow its business by investing in new or existing facilities or technologies, making acquisitions or entering into partnerships and joint ventures. Acquisitions, partnerships, joint ventures or investments may require significant managerial attention, which may divert management from its other activities and may impair the operation of Vertex's existing businesses. Any future acquisitions of businesses or facilities could entail a number of additional risks, including:

- the failure to successfully integrate the acquired businesses or facilities or new technology into Vertex's operations;
- the inability to maintain key pre-acquisition business relationships;
- loss of key personnel of the acquired business or facility;
- exposure to unanticipated liabilities; and
- the failure to realize efficiencies, synergies and cost savings.

As a result of these and other factors, including the general economic risk associated with the industries in which it operates, Vertex may not be able to realize the expected benefits from any future acquisitions, partnerships, joint ventures or other investments.

***Vertex depends heavily on the services of its Chief Executive Officer and Chairman, Benjamin P. Cowart.***

Vertex's success depends heavily upon the personal efforts and abilities of Benjamin P. Cowart, its Chief Executive Officer and Chairman, who is employed by Vertex under a five-year employment contract. Vertex does not currently have any "key man" life insurance policy in place for Mr. Cowart. Mr. Cowart has numerous business relationships with entities separate from Vertex, which could take a significant portion of his time and/or could cause conflicts of interest with Vertex's operations. The loss of Mr. Cowart or other key employees could have a material adverse effect on Vertex's business, results of operations or financial condition. In addition, the absence of Mr. Cowart may force Vertex to seek a replacement who may have less experience or who may not understand Vertex's business as well, or Vertex may not be able to find a suitable replacement.

***Unanticipated problems or delays in building Vertex's facilities to the proper specifications may harm its business and viability.***

Vertex's future growth will depend on its ability to timely and economically complete and operate its planned re-refining facility and operate its existing refining operations. If Vertex's operations are disrupted or its economic integrity is threatened for unexpected reasons, its business may experience a substantial setback. Moreover, the occurrence of significant unforeseen conditions or events in connection with the construction of Vertex's planned facility may require it to reexamine its business model. Any change to Vertex's business model or management's evaluation of the viability of its planned services may adversely affect its business. Construction costs for Vertex's facility may also increase to a level that would make a new facility too expensive to complete or unprofitable to operate. Contractors, engineering firms, construction firms and equipment suppliers also receive requests and orders from other companies and, therefore, Vertex may not be able to secure their services or products on a timely basis or on acceptable financial terms. Vertex may suffer significant delays or cost overruns as a result of a variety of factors, such as increases in the prices of raw materials, shortages of workers or materials, transportation constraints, adverse weather, equipment failures, fires, damage to or destruction of property and equipment, environmental damage, unforeseen difficulties or labor issues, any of which could prevent Vertex from commencing operations as expected at its planned re-refining facility.

***Strategic relationships on which Vertex relies are subject to change.***

Vertex's ability to identify and enter into commercial arrangements with feedstock suppliers and refined and re-refined oil clients depends on developing and maintaining close working relationships with industry participants. Vertex's success in this area also depends on its ability to select and evaluate suitable projects as well as to consummate transactions in a highly competitive environment. These factors are subject to change and may impair Vertex's ability to grow.

***Disruptions to infrastructure could materially and adversely affect Vertex's business.***

Vertex's business depends on the continuing availability of railroad, port, storage and distribution infrastructure. Any disruptions in this infrastructure network, whether caused by labor difficulties, earthquakes, storms, other natural disasters, human error or malfeasance or other reasons, could have a material adverse effect on Vertex's business. Vertex relies on third parties to maintain the rail lines from their plants to the national rail network, and any failure by these third parties to maintain the lines could impede the delivery of products, impose additional costs and could have a material adverse effect on Vertex's business, results of operations and financial condition. For example, previous damage to the Cedar Marine Terminal as a result of Hurricane Ike (which caused the terminal to temporarily be out of operation), resulted in increased costs associated with the shipping of feedstock through third party contractors, thereby raising the overall cost of the feedstock and lowering Vertex's margins. Additional hurricanes or natural disasters in the future could cause similar damage to Vertex's infrastructure, prevent Vertex from generating revenues while such infrastructure is undergoing repair (if repairable) and/or cause Vertex's margins and therefore its results of operations to be adversely affected.

***Vertex's commercial success will depend in part on its ability to obtain and maintain protection of its intellectual property.***

Vertex's success will depend in part on its ability to maintain or obtain and enforce any future patent rights and/or other intellectual property protection for its technologies and to preserve its trade secrets, and to operate without infringing upon the proprietary rights of third parties. Vertex has not obtained patents (although patent applications for the Company's licensed Thermo-Chemical Extraction Process are pending, which patent pending is owned by Vertex LP and its affiliates) in the United States or internationally for its technology to date. We cannot assure you that if Vertex files patent applications for its technologies, such patents will be granted or that the scope of any claims granted in any patent will provide Vertex with proprietary protection or a competitive advantage. Furthermore, we cannot assure you that if granted, such patents will be valid or will afford Vertex with protection against competitors with similar technology. The failure to obtain or maintain patent or other intellectual property protection on the technologies underlying Vertex's technologies may have a material adverse effect on its competitive position and business prospects. It is also possible that Vertex's technologies may infringe on patents or other intellectual property rights owned by others. Vertex may have to alter its products or processes, pay licensing fees, defend an infringement action or challenge the validity of the patents in court, or cease activities altogether because of patent rights of third parties, thereby causing additional unexpected costs and delays to it. We cannot assure you that a license will be available to Vertex, if at all, upon terms and conditions acceptable to it or that it will prevail in any intellectual property litigation. Intellectual property litigation is costly and time consuming, and we cannot assure you that Vertex will have sufficient resources to pursue such litigation. If Vertex does not obtain a license under such intellectual property rights, is found liable for infringement or is not able to have such patents declared invalid, Vertex may be liable for significant money damages and may encounter significant delays in bringing products to market.

***Competition may impair Vertex's success.***

New technologies may be developed by others that could compete with Vertex's refining and re-refining technologies. In addition, Vertex faces competition from other producers of oil substitutes and related products. Such competition is expected to be intense and could significantly drive down the price for Vertex's products. Competition will likely increase as prices of energy in the commodities market, including refined and re-refined oil, rise. Additionally, new companies are constantly entering the market, thus increasing the competition even further. These companies may have greater success in the recruitment and retention of qualified employees, as well as in conducting their own refining and re-refining operations, and may have greater access to feedstock, market presence, economies of scale, financial resources and engineering, technical and marketing capabilities, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. If Vertex is unable to compete effectively or adequately respond to competitive pressures, this may materially adversely affect its results of operation and financial condition and could also have a negative impact on its ability to obtain additional capital from investors.

***Potential competition from Vertex's existing employees and affiliated entities could negatively impact Vertex's profitability.***

Although Mr. Cowart and other employees of Vertex are prohibited from competing with Vertex while they are employed with Vertex and for six months thereafter, none of such individuals will be prohibited from competing with Vertex after such six month period ends. Additionally, none of Mr. Cowart's affiliated companies, including Vertex LP, are prohibited from competing with Vertex. Accordingly, any of these individuals or entities could be in a position to use industry experience gained while working with Vertex to compete with Vertex. Such competition could increase Vertex's costs to obtain feedstock, and increase its costs for contracting use of operating assets and services such as third party refining capacity, trucking services or terminal access. Furthermore, such competition could distract or confuse customers, reduce the value of Vertex's intellectual property and trade secrets, or result in a reduction in the prices Vertex is able to obtain for its finished products. Any of the foregoing could reduce Vertex's future revenues, earnings or growth prospects.

***Competition due to advances in renewable fuels may lessen the demand for Vertex's products and negatively impact its profitability.***

Alternatives to petroleum-based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean-burning gaseous fuels that may address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns, which if successful could lower the demand for Vertex's services. If these non-petroleum based products and oil alternatives continue to expand and gain broad acceptance such that the overall demand for Vertex's products is reduced, it may not be able to compete effectively in the marketplace.

***Vertex will rely on new technology to conduct its business, including the Thermal Chemical Extraction Process, and its technology could become ineffective or obsolete.***

Vertex will be required to continually enhance and update its technology to maintain its efficiency and to avoid obsolescence. Additionally, Vertex initially plans to rely on the License from CMT in connection with the Thermal/chemical extraction technology (the "Process"). The Process is currently commercially unproven and may never work in a profitable manner, if at all. Currently the Process is not producing at expected levels and not producing the quality of product we had originally planned to produce. As a result, the total revenues generated by the process have been below our previous estimates. The Process may be unable to produce the level or quality of product we originally hoped and as a result, our results of operations may be adversely affected and the value of our securities may decline in value.

Additionally, the costs moving forward of enhancing and updating our technology may be substantial and may be higher than the costs that we anticipated for technology maintenance and development. If Vertex is unable to maintain the efficiency of its technology, its ability to manage its business and to compete may be impaired. Even if Vertex is able to maintain technical effectiveness, its technology may not be the most efficient means of reaching its objectives, in which case it may incur higher operating costs than it would if its technology was more effective. The impact of technical shortcomings, including but not limited to the failure of the Process, could have a material adverse effect on Vertex's prospects, business, financial condition, and results of operations.

***Vertex's business is subject to local, legal, political, and economic factors which are beyond its control.***

Vertex believes that the current political environment for construction of its planned re-refining facility is sufficiently supportive to enable it to plan and implement its operations, funding permitting, of which there can be no assurance. However, there are risks that conditions will change in an adverse manner. These risks include, but are not limited to, environmental issues, land use, air emissions, water use, zoning, workplace safety, restrictions imposed on the re-refining industry such as restrictions on production, substantial changes in product quality standards, restrictions on feedstock supply, price controls and export controls. Any changes in financial incentives, investment regulations, policies or a shift in political attitudes are beyond the control of Vertex and may adversely affect its business and future financial results.

***If Vertex cannot maintain adequate insurance coverage, it will be unable to continue certain operations.***

Vertex's business exposes it to various risks, including claims for causing damage to property and injuries to persons that may involve allegations of negligence or professional errors or omissions in the performance of its services. Such claims could be substantial. Vertex believes that its insurance coverage is presently adequate and similar to, or greater than, the coverage maintained by other similarly situated companies in the industry. If Vertex is unable to obtain adequate or required insurance coverage in the future, or if such insurance is not available at affordable rates, Vertex could be in violation of its permit conditions and other requirements of the environmental laws, rules and regulations under which it operates. Such violations could render Vertex unable to continue certain of its operations. These events could result in an inability to operate certain assets and significantly impair its financial condition.

***Increases in energy costs will affect Vertex's operating results and financial condition.***

Vertex's production costs will be dependent on the costs of the energy sources used to run its facilities and to procure feedstock. These costs are subject to fluctuations and variations, and Vertex may not be able to predict or control these costs. If these costs exceed Vertex's expectations, this may adversely affect its results of operations.

***Vertex's insurance policies do not cover all losses, costs or liabilities that it may experience.***

Vertex maintains insurance coverage, but these policies do not cover all of its potential losses, costs or liabilities. Vertex could suffer losses for uninsurable or uninsured risks, or in amounts in excess of its existing insurance coverage, which would significantly affect its financial performance. Vertex's insurance policies also have deductibles and self-retention limits that could expose it to significant financial expense. Vertex's ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which it has no control. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on Vertex's business, financial condition and results of operations. In addition, Vertex's business requires that it maintain various types of insurance. If such insurance is not available or not available on economically acceptable terms, Vertex's business would be materially and adversely affected.

*If Vertex is unable to maintain a line of credit, it could have an adverse effect on Vertex's business.*

Our Line of Credit with Bank of America comes due on September 16, 2011 (as described in greater detail below). Vertex relies heavily on the availability and utilization of this line of credit for its operations and for the purchase of inventory. If Vertex is unable to renew or replace this facility it may be forced to curtail or abandon its current and/or future planned business operations.

**ITEM 1B. Unresolved Staff Comments**

Not applicable.

**ITEM 2. Properties**

Vertex sub-leases office space from Vertex LP at its current principal executive office located at 1331 Gemini St., Houston, Texas 77058. The office rent is approximately \$6,629 per month for 3,250 square feet of space, and the facility lease expires in June 2012.

Vertex leases approximately 30,000 barrels in storage capacity for its Black Oil division at Cedar Marine Terminal, located in Baytown, Texas. The monthly lease expense is \$22,500 and the lease expires in March 2011, provided that Vertex believes that it will be able to renew or extend such agreement subsequent to the expiration of such term.

Vertex leases approximately 45,000 barrels in storage capacity for its TCEP division at Cedar Marine Terminal, located in Baytown, Texas. The monthly lease expense is \$38,250 and the lease expires in March 2011, provided that Vertex believes that it will be able to renew or extend such agreement subsequent to the expiration of such term.

**ITEM 3. Legal Proceedings**

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not currently involved in any legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

**ITEM 4. (Removed and Reserved)**

**ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock has been traded on the OTC Bulletin Board over-the-counter market since May 4, 2009, under the symbol "VTNR.OB". Our common stock was traded on the OTC Bulletin Board over-the-counter market from August 24, 2004 until May 4, 2009 under the symbol "WDWT.OB" and prior to August 24, 2004 under the symbol "VPTI.OB".

The following table sets forth, for the periods indicated, the high and low sales prices for our common stock on the OTC Bulletin Board, for the quarters presented. Prices represent inter-dealer quotations without adjustments for markups, markdowns, and commissions, and may not represent actual transactions. Additionally, as a result of the Merger, the common stock of World Waste was effectively reversed one for ten (10) as a result of the exchange ratios set forth in the Merger, and the table below retroactively reflects the impact of such effective reverse stock split.

QUARTER ENDING	HIGH	LOW
<b>FISCAL 2010</b>		
December 31, 2010	\$ 0.90	\$ 0.43
September 30, 2010	\$ 0.96	\$ 0.32
June 30, 2010	\$ 0.98	\$ 0.32
March 31, 2010	\$ 1.25	\$ 0.45
<b>FISCAL 2009</b>		
December 31, 2009	\$ 2.10	\$ 0.37
September 30, 2009	\$ 2.25	\$ 0.31
June 30, 2009	\$ 1.25	\$ 0.15
March 31, 2009	\$ 0.18	\$ 0.02

**HOLDERS**

As of March 31, 2011, there were approximately 730 holders of record of our common stock, not including holders who hold their shares in street name and 8,452,169 shares of common stock issued and outstanding. As of March 31, 2011, there were 4,634,396 shares of our Series A Preferred Stock issued and outstanding and held by approximately 207 holders and 600,000 shares of our Series B Preferred Stock issued and outstanding held by three holders.

**DIVIDENDS**

We have not paid any dividends on our common stock to date and do not anticipate that we will be paying dividends in the foreseeable future. Any payment of cash dividends on our common stock in the future will be dependent upon the amount of funds legally available, our earnings, if any, our financial condition, our anticipated capital requirements and other factors that our Board of Directors may think are relevant. However, we currently intend for the foreseeable future to follow a policy of retaining all of our earnings, if any, to finance the development and expansion of our business and, therefore, do not expect to pay any dividends on our common stock in the foreseeable future. Additionally, the terms of our preferred stock impose restrictions on our ability to pay dividends.



## Description of Capital Stock

### Common Stock

The total number of authorized shares of Vertex common stock is 750,000,000 shares, \$0.001 par value per share.

Each share of Vertex common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by Vertex's board of directors. No holder of any shares of Vertex common stock has a preemptive right to subscribe for any Vertex security, nor are any shares of Vertex common stock subject to redemption or convertible into other securities. Upon liquidation, dissolution or winding-up of Vertex, and after payment of creditors and preferred shareholders of Vertex, if any, the assets of Vertex will be divided pro rata on a share-for-share basis among the holders of Vertex common stock. Each share of Vertex common stock is entitled to one vote, except with respect to the election of directors. Shares of Vertex common stock do not possess any rights in respect of cumulative voting.

In general, holders of Vertex common stock and Vertex Series A Preferred (described in greater detail below) vote together. However, so long as at least 50% of the shares of the Vertex Series A Preferred originally issued in the Merger remain outstanding, holders of Vertex Series A Preferred, voting together as a class and separate from the common stock shareholders are entitled to elect one member of Vertex's six-person Board of Directors. Shares of Vertex common stock do not possess any rights in respect of cumulative voting.

The remaining five members of the Board of Directors are voted on by the common stock and Vertex Series A Preferred stock shareholders voting together, and are appointed by a plurality of the votes cast by such common stock and Vertex Series A Preferred stock shareholders. Each common stockholder is entitled to one vote for every share of stock having voting rights registered in his or her name on the record date for the meeting or vote.

### Preferred Stock

The total number of "blank check" authorized shares of Vertex preferred stock is 50,000,000 shares, \$0.001 par value per share. The total number of authorized shares of Vertex's Series A Convertible Preferred Stock ("Vertex Series A Preferred") is 5,000,000 and the total number of authorized shares of Vertex's Series B Convertible Preferred Stock is 2,000,000 ("Vertex Series B Preferred").

### Vertex Series A Preferred

Holders of outstanding shares of Vertex Series A Preferred are entitled to receive dividends, when, as, and if declared by Vertex's board of directors. No dividends or similar distributions may be made on shares of capital stock or securities junior to the Vertex Series A Preferred until dividends in the same amount per share on the Vertex Series A preferred have been declared and paid. In connection with a liquidation, winding-up, dissolution or sale of Vertex, each share of Vertex Series A Preferred is entitled to receive \$1.49 prior to similar liquidation payments due on shares of Vertex common stock or any other class of securities junior to the Vertex Series A Preferred. Shares of Vertex Series A Preferred are not entitled to participate with the holders of Vertex common stock with respect to the distribution of any remaining assets of Vertex.

Each share of Vertex Series A Preferred is entitled to that number of votes equal to the number of whole shares of Vertex common stock into which it is convertible. Generally, holders of Vertex common stock and Vertex Series A Preferred vote together as a single class.

Shares of Vertex Series A Preferred automatically convert into shares of Vertex common stock on the earliest to occur of the following:

- The affirmative vote or written consent of the holders of a majority of the then-outstanding shares of Vertex Series A Preferred;
- If the closing market price of Vertex common stock averages at least \$15.00 per share over a period of 20 consecutive trading days and the daily trading volume averages at least 7,500 shares over such period;
- If Vertex consummates an underwritten public offering of its securities at a price per share not less than \$10.00 and for a total gross offering amount of at least \$10 million; or
- If a sale of Vertex occurs resulting in proceeds to the holders of Vertex Series A Preferred of a per share amount of at least \$10.00.
- Holders of Vertex Series A Preferred may not voluntarily convert their shares into Vertex common stock for at least one year following the issuance of the Vertex Series A Preferred. Thereafter, holders may convert their shares of Vertex Series A Preferred subject to the following conditions:
  - At any time following the one-year anniversary of the issuance of Vertex Series A Preferred, holders may convert only up to that number of shares such that, upon conversion, the aggregate beneficial ownership of Vertex common stock of any such holder does not exceed 4.99% of Vertex's common stock then outstanding; and
  - Prior to the three-year anniversary of the issuance of Vertex Series A Preferred, no holder may, in any given three-month period, convert more than that number of shares of Vertex Series A Preferred that equals 5% of the total number of shares of Vertex Series A Preferred then beneficially owned by such holder.

Each share of Vertex Series A Preferred converts into one share of Vertex common stock, subject to adjustment.

### **Special Voting Rights**

The holder of each share of Vertex Series A Preferred is entitled to that number of votes equal to the number of whole shares of Vertex common stock into which such holder's shares are convertible. In general, holders of Vertex common stock and Vertex Series A Preferred vote together as a single class. However, so long as at least 50% of the shares of the Vertex Series A Preferred originally issued in the merger remain outstanding, holders of Vertex Series A Preferred are entitled to elect one member of Vertex's six-person board of directors. Any director elected by holders of shares of Vertex Series A Preferred may be removed during such director's term of office, either with or without cause, only by the affirmative vote of at least 66-2/3% of the then outstanding shares of Vertex Series A Preferred.

## Vertex Series B Preferred Stock

On January 13, 2010, the Company's Board of Directors approved the filing of a Certificate of Designation of the Company's Series B Convertible Preferred Stock (the "Vertex Series B Preferred Stock"), which was filed with the Secretary of State of Nevada on or around January 14, 2010 (the "Designation"). The Designation provides for 2,000,000 shares of Vertex Series B Preferred Stock which have the following rights, preferences and limitations (which rights, preferences and limitations are qualified in all respects by the terms and conditions of the actual Designation as filed with the Secretary of State of Nevada):

- The Vertex Series B Preferred Stock accrues a dividend of 12% per annum, payable quarterly in arrears (beginning on the first full quarter after the issuance date of such Vertex Series B Preferred Stock), based on a face value of \$1.00 per share;
- The Vertex Series B Preferred Stock includes a liquidation preference which is junior to the Company's previously outstanding shares of preferred stock, senior securities and other security holders as provided in further detail in the Designation;
- The Vertex Series B Preferred Stock is convertible into shares of the Company's common stock on a one for one basis at a conversion price of \$1.00 per share, provided that the Vertex Series B Preferred Stock automatically converts into shares of the Company's common stock on a one for one basis if the Company's common stock trades above \$2.00 per share for a period of 10 consecutive trading days;
- The Vertex Series B Preferred Stock has no voting rights (other than on matters concerning the Vertex Series B Preferred Stock as further described in the Designation); and
- The Company is obligated to redeem any unconverted shares of Vertex Series B Preferred Stock in cash at \$1.00 per share on the third anniversary date of the original issuance date of each share of Vertex Series B Preferred Stock.

## Lock-Up Agreements

The Vertex shares issued to certain insiders, founders and early owners of World Waste are subject to a contractual lock-up voluntarily entered into by such holders in connection with the Merger (the "Lock-up Agreements"). The Lock-up Agreements provide that until three years following the effective date of the Merger (the "Lock-Up Period"), such shareholders cannot sell, assign, pledge or otherwise transfer any shares of Vertex common stock such holders beneficially own, without Vertex's prior written consent. Notwithstanding the foregoing, the Lock-up Agreements provide that the holders may transfer (i) all or any portion of the shares subject to the Lock-up Agreements commencing on the date that the closing price of Vertex's common stock has averaged at least \$15.00 per share over a period of 20 consecutive trading days and the daily trading volume over the same 20-day period has averaged at least 7,500 shares; (ii) all or any portion of the shares as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound by the restrictions set forth in the Lock-up Agreement, (iii) all or any portion of the shares to any trust for the direct or indirect benefit of the holder or the immediate family of the holder, provided that the trustee of the trust agrees to be bound by the restrictions set forth in the Lock-up Agreement, and provided further that any such transfer shall not involve a disposition for value, and (iv) in any given three-month period commencing on the one-year anniversary of the effective date of the Merger, up to that number of shares equal to 5% of the total number of shares then beneficially owned by such holder.

## Options and Warrants

Vertex assumed warrants to purchase approximately 94,084 shares of its common stock, each at a nominal exercise price and warrants to purchase an aggregate of 542,916 shares of common stock with exercise prices ranging from between \$10.00 and \$27.50 per share and options to purchase 659,300 shares of common stock with exercise prices ranging from between \$1.55 to \$37.00 per share in connection with the Merger (of which 1,250 warrants had expired unexercised as of December 31, 2010). Vertex also granted warrants to purchase an aggregate of 774,478 shares of Vertex's common stock to the partners of Vertex LP, which warrants had various exercise prices ranging from \$1.55 to \$37.00 per share, and had various expiration dates from between April 28, 2010 and February 26, 2018, and which warrants represented 40% of the total outstanding warrants and options of World Waste (not taking into account the warrants with a nominal exercise price, as described above) on the effective date of the Merger (of which 10,707 warrants had expired unexercised as of December 31, 2010).

Vertex has also granted an aggregate of 1,681,500 options (of which 75,000 have expired unexercised) with exercise prices between \$0.45 and \$1.20 per share, all of which are held by Vertex's employees, directors, and consultants and an aggregate of 30,000 options which are held by consultants of the Company, which have exercise prices between \$0.95 and \$1.10 per share. There were 200,000 warrants granted to a consultant, of which 75,000 are vested and exercisable, which have an exercise price of \$0.75 per share.

Finally, Vertex granted warrants to purchase 600,000 shares of Vertex's common stock at an exercise price of \$2.00 per share, to three different purchasers of the Company's Units (as described below) in during 2010 in connection with the sale of the Units each including one share of Series B Preferred Stock and one warrant to purchase one share of Vertex's common stock.

## EQUITY COMPENSATION PLAN INFORMATION

Effective May 16, 2008, the Company's Board of Directors approved the Company's 2008 Stock Incentive Plan, which was subsequently approved by the majority shareholders of the Company on December 3, 2008, which allows the Board of Directors to grant up to an aggregate of 600,000 qualified and non-qualified stock options, restricted stock and performance based awards of securities to the Company's officers, Directors and consultants to help attract and retain qualified Company personnel (the "2008 Plan").

Effective July 15, 2009, the Company's Board of Directors approved the Company's 2009 Stock Incentive Plan, which was subsequently approved by the majority shareholders of the Company on July 14, 2010, which allows the Board of Directors to grant up to an aggregate of 1,575,000 qualified and non-qualified stock options, restricted stock and performance based awards of securities to the Company's officers, Directors and consultants to help attract and retain qualified Company personnel (the "2009 Plan" and collectively with the 2008 Plan, the "Plans").

The following table provides information as of December 31, 2010 regarding the Plans (including individual compensation arrangements) under which equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities available for future issuance under equity compensation plans (excluding those in first column)
Equity compensation plans approved by the security holders	620,200	\$21.83	143,500
Equity compensation plans not approved by the security holders	1,870,600	\$11.58	370,000
<b>Total</b>	<b>2,490,800</b>		<b>513,500</b>

## Recent Sales of Unregistered Securities

In January 2010, the Company began a private placement offering to accredited investors only of up to 2,000,000 units (the "Offering"), each consisting of (a) one share of Series B Preferred Stock; and (b) one three year warrant to purchase one share of common stock of the Company at an exercise price of \$2.00 per share (each a "Unit"). We also agreed to grant investors in the offering piggy-back registration rights in connection with the shares of common stock issuable in connection with the conversion of the Series B Preferred Stock and the shares of common stock underlying the exercise of the warrants sold in the Offering. The shares of Series B Preferred Stock are convertible at the option of the holder into shares of our common stock at the rate of one for one, automatically convert into common stock if our common stock trades for at least ten consecutive trading days over \$2.00 per share, accrue quarterly dividends at the rate of 12% per annum, and are required to be redeemed by the Company, if not converted prior to such redemption date, on the third anniversary of the issuance date of such shares at a redemption rate of \$1.00 per share. The dividends are recorded as interest expense, due to the preferred stock being classified as a liability. The Company recognized \$49,267 of interest expense related to these instruments.

In fiscal 2010, the Company sold 600,000 Units and raised \$600,000 in connection with the Offering. There are 600,000 shares of Series B Preferred Stock issued and outstanding as of the date of this Report. The Company claims an exemption from registration provided by Rule 506 of the Securities Act of 1933, as amended, as the subscriber was an accredited investor and made certain representations and warranties to the Company in the Subscription Agreement evidencing the purchase.

In July 2010, we entered into a letter agreement with a non-exclusive consultant, pursuant to which the consultant agreed to provide us three months of investor relations and public relations consulting services, beginning on August 1, 2010 and continuing through October 2010. In November 2010, we entered into a subsequent agreement with the consultant, which provides for the consultant to perform investor correspondence and liaison services for us for a term of 24 months, in consideration for the grant to the consultant of warrants to purchase 200,000 shares of our common stock, with cashless exercise rights, at an exercise price of \$0.75 per share, of which warrants to purchase 75,000 shares vested immediately and warrants to purchase 125,000 shares vest at the rate of the lesser of (a) 5,209 warrants or (b) the remaining unvested portion of the warrants, per month for the 24 months following the parties entry into the agreement, provided that any warrants that are not vested by the termination of the agreement are forfeited. The agreement can be terminated by either party with 30 days prior written notice.

During the twelve months ending December 31, 2010, 79,950 shares of the Company's Series A Preferred Stock were converted and options and warrants to purchase 11,643 shares were exercised for an aggregate of 91,593 shares of the Company's common stock which have since been issued. In addition, an employee exercised options to purchase 5,000 shares of the Company's common stock at an exercise price of \$0.45 per share or \$2,250 in aggregate. The Company issued 20,000 shares to consultants during the twelve months ending December 31, 2010, for services valued at \$17,000.

Subsequent to December 31, 2010, 41,320 shares of the Company's Series A Preferred Stock were converted and warrants to purchase 40,000 shares of the Company's common stock held by affiliates of Trellus Management Company, LLC, were exercised resulting in the issuance of 40,000 shares of the Company's common stock, in consideration for \$4,000 being paid in connection with the exercise of such warrants (which had an exercise price of \$0.10 per share).

We claim an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, for the above issuances, since the issuances did not involve a public offering, the recipients took the securities for investment and not resale and we took appropriate measures to restrict transfer.

## Item 6. Selected Financial Data

Not applicable.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### RESULTS OF OPERATIONS

#### Description of Material Financial Line Items:

##### *Revenues*

We generate revenues from two existing operating divisions as follows:

BLACK OIL - Revenues for our Black Oil division are comprised primarily of feedstock sales (used motor oil) which are purchased from a network of local and regional suppliers. Volumes are consolidated for efficient delivery and then sold to third-party re-refiners and fuel oil blenders for the export market.

REFINING AND MARKETING - The Refining and Marketing division generates revenues relating to the sales of finished products. The Refining and Marketing division gathers hydrocarbon streams in the form of petroleum distillates, transmix and other chemical products that have become off-specification during the transportation or refining process. These feedstock streams are purchased from pipeline operators, refineries, chemical processing facilities and third-party providers, and then processed at a third-party facility under our direction. The end products are typically three distillate petroleum streams (gasoline blendstock and fuel oil cutterstock), which are sold to major oil companies or to large petroleum trading and blending companies. The end products are delivered by barge and truck to customers. In addition, the Refining and Marketing division purchases black oil which is then re-refined through our thermal chemical extraction process. The finished product is then sold by barge as fuel oil cutterstock and a feedstock component for major refineries.

Our revenues are affected by changes in various commodity prices including crude oil, natural gas, diesel and #6-oil.

##### *Cost of Revenues*

BLACK OIL - Cost of revenues for our Black Oil division are comprised primarily of feedstock purchases from a network of providers. Other cost of revenues include transportation costs incurred by third parties, purchasing and receiving costs, analytical assessments, brokerage fees and commissions, surveying and storage costs.

REFINING AND MARKETING - The Refining and Marketing division incurs cost of revenues relating to the purchase of feedstock, purchasing and receiving costs, and inspection and processing of the feedstock into gasoline blendstock and fuel oil cutter by a third party. Cost of revenues also includes broker's fees, inspection and transportation costs.

Our cost of revenues are affected by changes in various commodity indices, including crude oil, natural gas and #6 oil. For example, if the price for crude oil increases, the cost of solvent additives used in the production of blended oil products, and fuel cost for transportation cost from third party providers will generally increase. Similarly, if the price of crude oil falls, these costs may also decline.

### General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and other employee-related benefits for executive, administrative, legal, financial and information technology personnel, as well as outsourced and professional services, rent, utilities, and related expenses at our headquarters, as well as certain taxes.

### Merger Related Expenses

In connection with the merger with World Waste we incurred additional nonrecurring general and administrative expenses. These expenses include legal, audit, stock compensation, and additional start-up compliance expenses that are nonrecurring and are a result of the merger.

### RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010 COMPARED TO THE FISCAL YEAR ENDED DECEMBER 31, 2009

Set forth below are our results of operations for the year ended December 31, 2010, as compared to the same period in 2009; in the comparative tables below, increases in revenue/income or decreases in expense (favorable variances) are shown without parentheses while decreases in revenue/income or increases in expense (unfavorable variances) are shown with parentheses in the "\$ Change" and "% Change" columns.

	Twelve Months Ended December 31,			% Change
	2010	2009	\$ Change	
Revenues	\$ 58,140,985	\$ 38,703,847	\$ 19,437,138	50%
Cost of Revenues	53,901,041	35,974,295	(17,926,746)	(50)%
Gross Profit	4,239,944	2,729,552	1,510,392	55%
Selling, general and administrative expenses (exclusive of merger related expenses)	3,093,307	3,089,539	(3,768)	(0)%
Merger related expenses	-	249,397	249,397	100%
Total selling, general and administrative expenses	3,093,307	3,338,936	245,629	7%
Income (loss) from operations	1,146,637	(609,384)	1,756,021	288%
Other Income	219,333	-	219,333	100%
Interest Expense	(116,747)	-	(116,747)	(100)%
Total other income (expense)	102,586	-	102,586	100%
Income tax expense	(20,797)	-	(20,797)	(100)%
Net income	\$ 1,228,426	\$ (609,384)	\$ 1,837,810	302%

Each of our segments' gross profit during these periods was as follows:

	Twelve Months Ended December		\$ Change	% Change
	31,			
	2010	2009		
<b>Black Oil Segment</b>				
Total revenue	\$ 15,355,192	\$ 22,197,711	\$ (6,842,519)	(31)%
Total cost of revenue	14,378,393	20,338,112	5,959,719	29%
Gross profit	<u>\$ 976,799</u>	<u>\$ 1,859,599</u>	<u>\$ (882,800)</u>	<u>(47)%</u>
<b>Refining Segment</b>				
Total revenue	\$ 42,785,793	\$ 16,506,136	\$ 26,279,657	159%
Total cost of revenue	39,522,648	15,636,183	(23,886,465)	(153)%
Gross profit	<u>\$ 3,263,145</u>	<u>\$ 869,953</u>	<u>\$ 2,393,192</u>	<u>275%</u>

Our revenues and cost of revenues are significantly impacted by fluctuations in commodity prices; decreases in commodity prices typically result in decreases in revenue and cost of revenues. Our gross profit is to a large extent a function of the market discount we are able to obtain in purchasing feedstock, as well as how efficiently management conducts operations.

Total revenues increased 50% for the year ended December 31, 2010, compared to the year ended December 31, 2009, due to increases in commodity pricing and increased volume. The average posting (U.S. Gulfcoast Residual Fuel No. 6 3%) for 2010 increased \$14.34 per barrel from a 2009 average of \$55.76 per barrel to an average of \$70.10 per barrel during 2010. On average, prices we received for our products increased 26% for the year ended December 31, 2010, compared to the year ended December 31, 2009, resulting in a \$19 million increase in revenue.

Volume for our Black Oil division decreased 3% percent during fiscal 2010 compared to 2009, respectively. Our volumes were impacted somewhat due to the loss of the Omega Refining, LLC ("Omega") contract; however such losses were offset by volumes delivered to other third party re-refiners along with newly formed relationships in the #6 oil blending market. Our per barrel margin in the Black Oil division decreased approximately 46% for the twelve months ended December 31, 2010 from the same period in 2009. The reductions in margins were due to the increase in volume of product being transferred to be used in the TCEP process. As volumes and production increase for TCEP, we believe the margins in the Black Oil division will decrease; however the Company anticipates that additional margins will be recognized in our Refining and Marketing division as a result of any such decrease in margins in the Black Oil division.

Total volume company wide increased 17% during fiscal 2010 compared to 2009, and our per barrel margin increased approximately 32% for fiscal 2010, compared to 2009.



Our Refining and Marketing division experienced an increase in production of 210% for its fuel oil cutter product for the year ended December 31, 2010, compared to the same period in 2009, and commodity price increases of approximately 29% over the same period. The increased production was due in large part to the increased TCEP production during 2010. The average posting (U.S. Gulfcoast No. 2 Waterborne) during 2010 increased \$19.95 per barrel from \$67.87 per barrel for 2009 to \$87.82 per barrel for 2010.

Our Pygas production decreased 11% for the year ended December 31, 2010, compared to the same period in 2009; however, commodity prices increased approximately 25% for our finished product for 2010, compared to the same period in 2009.

Our gasoline blendstock volumes increased 111% for the year ended December 31, 2010 as compared to the same period in 2009. The overall increase in revenues associated with our Refining and Marketing division was due to increases in market prices as well as volumes for the period ended December 31, 2010. Overall volume for the Refining and Marketing division increased 94% during the twelve months ended December 31, 2010, compared to the twelve months ended December 31, 2009. Margins per barrel increased substantially as well, mostly as a result of market prices.

Our re-refining business, through the use of the contracted TCEP facility, generated revenues of \$20,422,977 for the year ended December 31, 2010, with cost of revenues of \$20,578,009 producing a gross loss of \$155,032. During the year ended December 31, 2009, these revenues were \$5,247,131, with cost of revenues of \$5,171,111 producing gross profit of \$76,020. The Company believes that the enhancements to the TCEP technology are substantially complete and that we will begin to see positive results of operations in the near future from such enhancements. Furthermore, while the Company's current operations may have been positively effected if it were unable to use the license (and therefore not obligated to pay expenses associated therewith) its ongoing operations would be significantly negatively impacted if it were to lose the License.

Therefore, if the Company were not able to use the CMT facilities moving forward, the Company would be negatively impacted by its ability to compete in the marketplace, as it believes that in order to compete with its competitors, it may need the CMT facilities to produce higher valued products from Black Oil streams. Additionally, as our competitors bring new technologies to the marketplace, which will likely enable them to obtain higher values for the finished products created through their technologies from purchased Black Oil feedstock, they will be able to pay more for feedstock due to the additional value received from their finished product (i.e., as their margins increase, they are able to increase the prices they are willing to pay for feedstock). If CMT is not able to continue to refine the technology and gain efficiencies in their TCEP process we could be negatively impacted by the ability of our competitors to bring new processes to market which compete with our processes as well as their ability to outbid us for feedstock supplies.

If we are unable to effectively compete with additional technologies brought to market by our competitors, our finished products could be worth less and if our competitors are willing to pay more for feedstock than we are, they could drive up prices, which would cause our revenues to decrease, and cause our cost of sales to increase, respectively. Additionally, if we are forced to pay more for feedstock, our cash flows will be negatively impacted and our margins will decrease.

Provided the Company's expenses do not increase, the Company is able to meet its objectives and reduce its operating costs associated with the TCEP technology, as well as increase volumes of Black Oil feedstock being purchased, and none of our competitors bring similar technology to market as our TCEP technology, we anticipate our revenues increasing moving forward. In addition, if we are able to accomplish our goals, as described above, we believe our cash flow will improve substantially which will further the Company's ability to expand its contracted TCEP operations as well as reduce its reliance on its Line of Credit with Bank of America. This will further increase available cash for future research and development and potentially the creation of additional facilities using its license.

Prevailing prices of certain commodity products significantly impacted our revenues and cash flows during 2010, as noted above the revenue variances from fiscal 2009 to 2010 were largely due to the changes in commodity pricing between the two periods as detailed below.

The following table sets forth the high and low spot prices during 2009 for our key benchmarks.

Benchmark	High	Date	Low	Date
U.S. Gulfcoast No. 2 Waterborne (dollars per gallon)	\$ 2.07	December 29	\$ 1.05	March 11
U.S. Gulfcoast Unleaded 87 Waterborne (dollars per gallon)	\$ 2.05	June 16	\$ 1.05	January 7
U.S. Gulfcoast Residual Fuel No. 6 3% (dollars per barrel)	\$ 75.55	November 4	\$ 37.50	January 2
NYMEX Crude oil (dollars per barrel)	\$ 81.19	October 22	\$ 33.98	February 12

*Reported in Platt's US Marketscan (Gulf Coast)*

The following table sets forth the high and low spot prices during 2010 for our key benchmarks.

Benchmark	High	Date	Low	Date
U.S. Gulfcoast No. 2 Waterborne (dollars per gallon)	\$ 2.50	December 23	\$ 1.84	February 8
U.S. Gulfcoast Unleaded 87 Waterborne (dollars per gallon)	\$ 2.41	December 23	\$ 1.86	February 8
U.S. Gulfcoast Residual Fuel No. 6 3% (dollars per barrel)	\$ 77.00	December 31	\$ 60.55	May 25
NYMEX Crude oil (Dollars per barrel)	\$ 91.38	December 31	\$ 68.01	May 20

*Reported in Platt's US Marketscan (Gulf Coast)*

We have seen steady increases in each of the benchmark commodities through December 2010; and each benchmark has been particularly stronger and more stable than they were in 2009. However, we expect to see increasing volatility until the global economy stabilizes. Declining commodity pricing, typically results in a corresponding decrease in our revenues, gross profits and net income. As such, we have adjusted the way we price some of our products and the overall results of operations for the year ended 2010 were consistent with our projections and we believe this will help to mitigate some of our volatility experienced in prior periods.

Our margins are a function of the difference between what we are able to pay for raw materials and the market prices for the range of products produced. The various petroleum products produced are typically a function of Crude Oil indices and are quoted on multiple exchanges such as the New York Mercantile Exchange ("NYMEX"). These prices are determined by a global market and can be influenced by many factors, including but not limited to supply/demand, weather, politics, and global/regional inventory levels. As such, we cannot provide any assurances regarding results of operations for any future periods, as numerous factors outside of our control affect the prices paid for raw materials and the prices (for the most part keyed to the NYMEX) that can be charged for such products. Additionally, for the near term, results of operations will be subject to further uncertainty, as the global markets and exchanges, including the NYMEX, have recently experienced extreme volatility due to a tightening of the credit markets and an overall malaise in the financial investment market in general.

Gross profit increased 55% from \$2,729,552 for the twelve months ended 2009 to \$4,239,944 for the twelve months ended 2010, primarily due to increased volumes, more stabilized and increasing commodity pricing, and adjustments to certain contracts which further reduce our market exposure. The Company was able to increase its margins in light of increased costs related to its contracted TCEP process.

Selling, general, and administrative expenses remained relatively unchanged; however when including merger related expenses they actually decreased 7% or \$245,629 for the twelve months ended 2010 to \$3,093,307 compared to \$3,338,936 for the same period in 2009. This decrease is primarily due to the absence of merger related expenses in 2010 some of which included legal expenses of approximately \$75,000 specifically related to SEC filings, administrative and transitional costs.

We had net income of \$1,228,426 for the twelve months ended December 31, 2010 compared to a net loss of \$609,384 for the twelve months ended December 31, 2009, an increase in net income of \$1,837,810 or 302% from the prior year's period. The increase in net income was largely due to maintaining similar selling, general, and administrative expenses as fiscal 2009, along with a 55% increase in gross profit for the year ended December 31, 2010, compared to the year ended December 31, 2009.

Financial Highlights for the Fourth Quarter Include:

- . Revenue increased 16% to \$15.7 million for the fourth quarter 2010, compared with \$13.5 million in the year-ago quarter; and
- . Gross profit increased 55% to \$1.5 million compared with \$956,000 in the year-ago quarter.

## Liquidity and Capital Resources

The success of our current business operations is not dependent on extensive capital expenditures, but rather on relationships with feedstock suppliers and end-product customers, and on efficient management of overhead costs. Through these relationships, we are able to achieve volume discounts in the procurement of our feedstock, thereby increasing the margins of our segments' operations. The resulting operating cash flow is crucial to the viability and growth of our existing business lines.

We had total assets of \$8,139,345 as of December 31, 2010 compared to \$7,547,987 at December 31, 2009. This increase was partially due to the improvement in net income during the twelve months ended December 31, 2010 which increased by \$1,837,810 to net income of \$1,228,426 for the year ended December 31, 2010 compared to the year ended December 31, 2009, as well as the \$922,898 increase in inventory which was somewhat offset by the \$705,913 decrease in our Accounts receivable over the same period in 2009. This increase in inventory is partly due to increased commodity pricing which increases the carrying cost of our inventory as well as timing of our sales. In addition there was a \$158,769 increase in the balance of the license for the TCEP technology (due to increased expenditures on such process offset by amortization on such asset), described below, all of which attributed to the increase in total assets as of December 31, 2010, compared to December 31, 2009. Total current assets as of December 31, 2010 of \$6,229,089 consisted of cash and cash equivalents of \$744,313, accounts receivable, net of \$1,482,510, inventory of \$3,901,781, and prepaid expenses of \$100,485. Long term assets consisted of fixed assets, net of \$76,290, and a licensing agreement, net in the amount of \$1,833,966, which represents the value of the Company's licensing agreement for the use of the thermal chemical extraction technology, net of amortization. As of December 31, 2010, an additional \$619,904 of development investments have been made to the thermal/chemical process technology and added to the original \$1.4 million license value. The Company has fully paid CMT for the license for the thermal/chemical process as of the date of this filing. Our cash, accounts receivable, inventory and accounts payable fluctuate and are somewhat tied to one another based on the timing of our inventory cycles and sales.

The enhancements to the contracted TCEP process during the year ended December 31, 2010, which were expended by CMT and reimbursed by the Company totaled \$288,015, and helped regulate the amount of chemicals being added to the process which also decreases future maintenance costs, monthly chemical costs and improves the quality of the finished product. The infrastructure and piping was reconfigured during the period to reduce the amount of water disposed of in the process, thus decreasing the monthly disposal costs associated with the operation of the process. Pumps were installed in certain areas of the process which will decrease the monthly repair and maintenance costs on site. Liners were added to some of the process tanks in order to preserve the future value of the assets. These are just a few of the enhancements that were made to the process during the year ended December 31, 2010, substantially all of which enhancements relate to improving the efficiency and quality of the process and did not relate to the replacement of existing equipment.

We had total liabilities of \$5,600,472 as of December 31, 2010, compared to \$6,422,144 at December 31, 2009. This decrease was largely due to the payment of debt to a related party in the amount of \$841,855, as well as a substantial reduction in our accounts payable during the twelve months ended December 31, 2010 of \$459,358. At December 31, 2010, total liabilities consisted of accounts payable of \$4,593,199, accounts payable – related parties of \$407,273, and long-term liabilities of \$600,000 relating to the 600,000 outstanding shares of our Series B Convertible Preferred Stock (“Series B Preferred Stock”), which are mandatorily redeemable, unless converted into common stock pursuant to the terms of such Series B Preferred Stock on the third anniversary of the issuance date of such shares of Series B Preferred Stock.

We had positive working capital of \$1,228,617 as of December 31, 2010. Excluding current liabilities to related parties our working capital was \$1,635,890 as of December 31, 2010. The improvement in working capital from December 31, 2009 to December 31, 2010 is due to the net income of \$1,228,426 which we generated for the twelve months ended December 31, 2010, the payment of debt to a related party in the amount of \$841,855 (which decreased current liabilities), as well as a reduction in our accounts payable of \$459,358 during the twelve months ended December 31, 2010.

The continuing turmoil in the financial markets has resulted in a decreased willingness on the part of lenders to enter into new agreements or extend loans. The banks and other businesses with which we transact our business have also been affected by market developments and conditions, which could affect their ability to enter into transactions with us and further impact the way we conduct business.

Our future operating cash flows will vary based on a number of factors, many of which are beyond our control, including commodity prices, the cost of recovered oil, and the ability to turn our inventory. Other factors that have affected and are expected to continue to affect earnings and cash flow are transportation, processing, and storage costs. Over the long term, our operating cash flows will also be impacted by our ability to effectively manage our administrative and operating costs.

In September 2010, the Company entered into a loan agreement with Bank of America Merrill Lynch (“Bank of America”). Prior to entering into the loan agreement, the Company satisfied in full all of its prior obligations owing to Regions Bank (“Regions”) under the revolving line of credit agreement entered into in June 2009 and amended on May 25, 2010, which had an outstanding balance of \$1,300,000 on June 30, 2010, and terminated such line of credit agreement. Regions subsequently released all of its previously held security agreements and financing statements.

Pursuant to the loan agreement, Bank of America agreed to loan up to \$3,500,000 in the form of a revolving line of credit, which is expected to be used for feedstock purchases and general corporate purposes. The line of credit bears interest at the Bank of America LIBOR rate plus 3%, adjusted daily, and is due on September 16, 2011. We also agreed to certain affirmative and negative covenants in connection with our entry into the Loan Agreement, including, among other things, the requirement to maintain a ratio of (a) net income, plus income taxes and interest expense; to (b) interest expense, of at least 1.5 to 1, on a quarterly basis; and the prohibition, without the prior consent of Bank of America, of the sale of any assets outside the normal course of business and/or the acquisition of any assets outside the normal course of business. As of December 31, 2010, the Company was in compliance on all of its covenants.

The financing arrangement discussed above is secured by all of the assets of the Company. The available amount is based on ratios of accounts receivable and inventory. The management of the Company believes that with the financing arrangement, in addition to projected earnings, it will have sufficient liquidity to fund the Company’s operations for the foreseeable future, although it may seek additional financing to fund acquisitions or other development in the future.

As of December 31, 2010, there was no balance due on the Line of Credit, of which there was \$2,600,000 available (based on the criteria described above, and the letter of credit described below).

In October 2010 we entered into a Sales Agreement, pursuant to which we agreed to purchase approximately 400,000 to 600,000 gallons of raw pyronaphtha per month at a variable price per gallon formula, based on the prior weeks' market prices of certain market indexes, for a term beginning on October 1, 2010 and ending on September 30, 2011. The agreement required the Company to provide a standby letter of credit in the amount of \$900,000, which expires on October 14, 2011. To date there have been no draws against the letter of credit. This letter of credit reduces the amount of available balance under the line of credit.

Our re-refining business will require significant capital to design and construct any new facilities other than the existing facility in Baytown, Texas, owned by CMT. We have the right to use the existing facility in Baytown, Texas, pursuant to an Operating Agreement with CMT described above. We currently estimate that the cost to construct a new, fully functional full-scale commercial process at another location would be approximately \$2.5 to \$5.0 million, based on throughput capacity. The facility infrastructure would be an additional capitalized expenditure to these proposed process costs and would depend on the location and site specifics of the facility.

We believe that cash from ongoing operations and our working capital facility will be sufficient to satisfy our existing cash requirements. However, in order to implement our growth strategy, and pay our outstanding debts (as described above) we may need to secure additional financing in the future.

Additionally, as part of our ongoing efforts to maintain a capital structure that is closely aligned with what we believe to be the potential of our business and goals for future growth, which is subject to cyclical changes in commodity prices, we will be exploring additional sources of external liquidity. The receptiveness of the capital markets to an offering of debt or equities cannot be assured and may be negatively impacted by, among other things, debt maturities, current market conditions, and potential stockholder dilution. The sale of additional securities, if undertaken by the Company and if accomplished, may result in dilution to our shareholders. We cannot assure you, however, that future financing will be available in amounts or on terms acceptable to us, or at all.

There is currently only a limited market for our common stock, and as such, we anticipate that such market will be illiquid, sporadic and subject to wide fluctuations in response to several factors moving forward, including, but not limited to:

- (1) actual or anticipated variations in our results of operations;
- (2) our ability or inability to generate new revenues; and
- (3) the number of shares in our public float.

Furthermore, because our common stock is traded on the Over-The-Counter Bulletin Board, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Additionally, at present, we have a limited number of shares in our public float, and as a result, there could be extreme fluctuations in the price of our common stock. The total number of shares of common stock outstanding as of the date of this report was 8,452,169 shares, and approximately 6,600,000 of these shares are subject to Lock-up Agreements. The Lock-up Agreements provide that until three years following the effective date of the Merger (the "Lock-Up Period"), shareholders subject to the Lock-Up Agreements cannot sell, assign, pledge or otherwise transfer any shares of common stock such holders beneficially own, without the Company's prior written consent. Notwithstanding the foregoing, the Lock-up Agreements provide that the holders may transfer (i) all or any portion of the shares subject to the Lock-up Agreements commencing on the date that the closing price of our common stock has averaged at least \$15.00 per share over a period of 20 consecutive trading days and the daily trading volume over the same 20-day period has averaged at least 7,500 shares; (ii) all or any portion of the shares as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound by the restrictions set forth in the Lock-up Agreement, (iii) all or any portion of the shares to any trust for the direct or indirect benefit of the holder or the immediate family of the holder, provided that the trustee of the trust agrees to be bound by the restrictions set forth in the Lock-up Agreement, and provided further that any such transfer shall not involve a disposition for value, and (iv) in any given three-month period commencing on the one-year anniversary of the effective date of the Merger, up to that number of shares equal to 5% of the total number of shares then beneficially owned by such holder.

The Company's Board of Directors is currently in discussions regarding the potential partial or complete release and cancellation of some or all of the Lock-Up Agreements. As a result, up to approximately 6.6 million of such shares currently subject to such Lock-Up Agreements may be eligible to be sold (subject to restrictions of such shares under the Securities Act of 1933, as amended (the "Securities Act") following the release of such Lock-Up Agreements by the Board of Directors, subsequent to the filing of this Report.

Additionally, the Company has approximately 4.6 million shares of Series A Convertible Preferred Stock ("Series A Preferred Stock") issued and outstanding as of the date of this report. Among the other rights of the Series A Preferred Stock, each share of Series A Preferred Stock can be converted into one (1) share of common stock, provided that prior to the three-year anniversary of the Merger (April 16, 2012), no holder may, in any given three-month period, convert more than that number of shares of Series A Preferred Stock that equals 5% of the total number of shares of Series A Preferred Stock then beneficially owned by such holder (the "Conversion Limitation"). Additionally, holders may convert only up to that number of shares of Series A Preferred Stock, such that upon conversion, the aggregate beneficial ownership of the Company's common stock held by any such holder does not exceed 4.99% of the Company's common stock then outstanding (the "Beneficial Limitation"). The Company's Board of Directors is currently in discussions regarding the approval of an amended and restated Series A Preferred Stock designation which would remove all or some portion of the Conversion Limitation and may allow for the Series A Preferred Stock holders to convert the entire amount of their holdings of Series A Preferred Stock into shares of the Company's common stock and sell such common stock, subject only to the Beneficial Limitation (and any conversion or resale limitations under the Securities Act). Assuming the Board of Directors approves such amended and restated designation, such amendment will be subject to the approval of a majority of the outstanding shares of Series A Preferred Stock and the filing of such amended designation with the Secretary of State of Nevada. The Company plans to file a current report on Form 8-K at such time as the Lock-Up Agreements (or any portion thereof) are terminated and/or the terms of the Series A Preferred Stock are amended.

As such, and subject to the above and any restrictions on resale set forth in the Securities Act, it is possible that following the filing of this report, and the Board of Director's approval (and in the case of the Series A Preferred Stock, the Series A Preferred Stock shareholders' approval), we will have an additional approximately 11.2 million shares of common stock available for immediate resale, which were previously locked-up and/or restricted from conversion. The sale of such common stock previously subject to Lock-Up Agreements may cause the price of our common stock to decline in value and the conversion and sale of shares of Series A Preferred Stock may cause the price of our common stock to decline in value and/or cause immediate and substantial dilution to our common stock shareholders. Additionally, the sale of such previously locked-up and/or converted Series A Preferred Stock shares on the Over-The-Counter Bulletin Board may cause continued downward pressure on the price of our common stock.

We believe that our stock prices (bid, ask and closing prices) are entirely arbitrary, are not related to the actual value of the Company, and may not reflect the actual value of our common stock (and may reflect a lower value). Shareholders and potential investors in our common stock should exercise caution before making an investment in the Company, and should not rely on the publicly quoted or traded stock prices in determining our common stock value, but should instead determine the value of our common stock based on the information contained in the Company's public reports, industry information, and those business valuation methods commonly used to value private companies.

We may seek the listing of our common stock on NASDAQ, NYSE, or AMEX or another national securities exchange in the future. We believe that the listing of our securities on a national exchange will facilitate the Company's access to capital, from which certain acquisitions and capital investments might be financed. However, we can provide no assurances that we will be able to meet the initial listing standards of any stock exchange in the future, or that we will be able to maintain a listing of our common stock on any stock exchange in the future, assuming we are initially approved for quotation on an exchange of which there can be no assurance. Until meeting the listing requirements of a national securities exchange, we expect that our common stock will continue to be eligible to trade on the OTC Bulletin Board, another over-the-counter quotation system, or on the "pink sheets," where our stockholders may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of our common stock.

**Cash flows for the fiscal year ended December 31, 2010 compared to the same period ended December 31, 2009:**

	<u>Years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Beginning cash and cash equivalents	\$ 514,136	\$ 17,616
Net cash provided by (used in):		
Operating activities	774,978	713,681
Investing activities	(305,229)	(1,816,003)
Financing activities	(239,572)	1,598,842
Net increase in cash and cash equivalents	<u>230,177</u>	<u>496,520</u>
Ending cash and cash equivalents	<u>\$ 744,313</u>	<u>\$ 514,136</u>

Operating activities provided cash of \$774,978 for the twelve months ended December 31, 2010 as compared to providing \$713,681 of cash during the corresponding period in 2009. Our primary sources of liquidity are cash flows from our operations and the availability to borrow funds under our Line of Credit with Bank of America, described above. The primary reasons for this increase are related to our net income of \$1,228,426, our \$705,913 decrease in accounts receivable, which was offset by a \$459,358 decrease in accounts payable, and \$120,459 decrease in accounts payable-related parties, and a \$922,898 increase in inventory for the year ended December 31, 2010. Additionally, non-cash net income related to stock compensation provided \$182,321 of liquidity and depreciation and amortization contributed \$145,977 of net cash.

Investing activities used cash of \$305,229 for the twelve months ended December 31, 2010 as compared to having used \$1,816,003 during the corresponding period in 2009. Investing activities in 2010 are comprised of \$288,015 in cash payments related to the license of the thermal chemical extraction process and \$17,214 for the purchase of fixed assets.

Financing activities used \$239,572 of cash during the twelve months ended December 31, 2010, as compared to providing \$1,598,842 during the corresponding period in 2009. Financing activities in 2010 included \$841,855 of payments on amounts due to related parties representing amounts paid to an entity controlled by Vertex LP, an entity which is majority-owned and controlled by our Chief Executive Officer and Chairman, Benjamin P. Cowart, offset by \$600,000 of proceeds from sale of Series B Preferred Stock and \$2,283 of proceeds from the exercise of warrants and options.

## Net Operating Losses

We intend to take advantage of any potential tax benefits related to net operating losses ("NOLs") acquired as part of the World Waste merger. As a result of the merger we acquired approximately \$42 million of net operating losses that may be used to offset taxable income generated by the Company in future periods.

It is possible that the Company may be unable to use these NOLs in their entirety. The extent to which the Company will be able to utilize these carry-forwards in future periods is subject to limitations based on a number of factors, including the number of shares issued within a three-year look-back period, whether the merger is deemed to be a change in control, whether there is deemed to be a continuity of World Waste's historical business, and the extent of the Company's subsequent income. The Company has not yet determined the extent, if any, to which it may be able to utilize these carry-forwards. The history of these NOLs and the related tax laws are complex and the Company is researching the facts and circumstances as to whether the Company will ultimately be able to utilize the benefit from these NOLs. As of December 31, 2010, there were approximately \$39.8 million of potential NOLs.

## Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management regularly evaluates its estimates and judgments, including those related to revenue recognition, goodwill, intangible assets, long-lived assets valuation, and legal matters. Actual results may differ from these estimates. (See Note 2 to the Vertex Energy, Inc. financial statements).

The Company evaluates the carrying value and recoverability of its long-lived assets within the provisions of the FASB ASC regarding long-lived assets. It requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

*Revenue Recognition.* Revenue for each of the Company's divisions is recognized when persuasive evidence of an arrangement exists, goods are delivered, sales price is determinable, and collection is reasonably assured. Revenue is recognized upon delivery by truck and railcar of feedstock to its re-refining customers and upon product leaving the Company's terminal facilities via barge.

*Legal Matters.* Accruals are established for legal matters when, in our opinion, it is probable that a liability exists and the liability can be reasonably estimated. Actual expenses incurred in future periods can differ materially from accruals established.

### *Stock Based Compensation*

The Company accounts for share-based expense and activity in accordance with FASB ASC Topic 718, which establishes accounting for equity instruments exchanged for services. Under this provision share-based compensation costs are measured at the grant date, based on the calculated fair value of the award, and are recognized as an expense over the employee's requisite service period, generally the vesting period of the equity grant.

Share-based payments to non-employees are measured at the grant date, based on the calculated fair value of the award, and are recognized as an expense over the service period, generally the vesting period of the equity grant. The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, expected option term, expected volatility of the stock over the option's expected term, risk-free interest rate over the option's expected term, and the expected annual dividend yield. The Company believes that the valuation technique and approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the stock options granted.



#### *Basic and Diluted Loss per Share*

Basic and diluted loss per share has been calculated based on the weighted average number of shares of common stock outstanding during the period.

#### *License Agreement Development Costs*

The Company capitalizes costs to improve any acquired intangible asset which is specifically identifiable, and has a definite life. All other costs are expensed as incurred.

#### *Income Taxes*

The Company accounts for income taxes in accordance with the FASB ASC Topic 740. The Company records a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and when temporary differences become deductible. The Company considers, among other available information, uncertainties surrounding the recoverability of deferred tax assets, scheduled reversals of deferred tax liabilities, projected future taxable income, and other matters in making this assessment.

#### *Recently Issued Accounting Pronouncements*

In June 2009, the FASB issued ASC Topic 810-10-15, "Consolidation-Variable Interest Entities," or Topic 810-10-15. Topic 810-10-15 improves financial reporting by enterprises involved with variable interest entities and provides more relevant and reliable information to users of financial statements. Topic 810-10-15 is effective as of the beginning of the first annual reporting period that begins after November 15, 2009 and for interim periods within that first annual reporting period. We adopted Topic 810-10-15 on January 1, 2010, but it did not have a material impact on our consolidated financial statements.

#### **Market Risk**

Our revenues and cost of revenues are affected by fluctuations in the value of energy related products. We attempt to mitigate much of the risk associated with the volatility of relevant commodity prices by using our knowledge of the market to obtain feedstock at attractive costs, by efficiently managing the logistics associated with our products, by turning our inventory over quickly, and by selling our products into markets where we believe we can achieve the greatest value. We believe that the current downward trend in natural gas prices coupled with increasing crude oil prices provides an attractive margin opportunity for our proposed thermal chemical extraction process.

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a smaller reporting company, as defined by Rule 229.10(f)(1).

VERTEX ENERGY, INC.  
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

CONTENTS

	<u>Page</u>
Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Balance Sheets	F-4
Consolidated Statements of Operations	F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors  
Vertex Energy, Inc.  
Houston, TX

We have audited the accompanying consolidated balance sheets of Vertex Energy, Inc. (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vertex Energy, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

LBB & Associates Ltd., LLP  
Houston, Texas  
March 23, 2011

**VERTEX ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 744,313	\$ 514,136
Accounts receivable, net	1,482,510	2,188,423
Inventory	3,901,781	2,978,883
Prepaid expenses	100,485	115,541
Total current assets	<u>6,229,089</u>	<u>5,796,983</u>
Noncurrent assets		
Licensing agreement, net	1,833,966	1,675,197
Fixed assets, net	76,290	75,807
Total noncurrent assets	<u>1,910,256</u>	<u>1,751,004</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,139,345</u></u>	<u><u>\$ 7,547,987</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,593,199	\$ 5,052,558
Accounts payable-related party	407,273	527,731
Due to related party	-	841,855
Total current liabilities	<u>5,000,472</u>	<u>6,422,144</u>
Long-term liabilities		
Mandatorily redeemable preferred stock, Series B, \$0.001 par value, 2,000,000 shares authorized, 600,000 and 0 issued and outstanding as of December 31, 2010 and December 31, 2009, respectively (includes \$150,000 to a related party)	<u>600,000</u>	<u>-</u>
Total liabilities	<u>5,600,472</u>	<u>6,422,144</u>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.001 par value per share: 50,000,000 shares authorized		
Series A convertible preferred stock, \$0.001 par value, 5,000,000 authorized and 4,675,716 and 4,755,666 issued and outstanding at December 31, 2010 and 2009 respectively	4,676	4,756
Common stock, \$0.001 par value per share; 750,000,000 shares authorized; 8,370,849 and 8,254,256 issued and outstanding at December 31, 2010 and 2009 respectively	8,371	8,254
Additional paid-in capital	2,275,074	2,090,507
Retained earnings (deficit)	250,752	(977,674)
Total stockholders' equity	<u>2,538,873</u>	<u>1,125,843</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 8,139,345</u></u>	<u><u>\$ 7,547,987</u></u>

See accompanying notes to the consolidated financial statements

**VERTEX ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
Revenues	\$ 58,135,407	\$ 38,555,976
Revenues-related parties	5,578	147,871
	58,140,985	38,703,847
Cost of revenues	53,901,041	35,974,295
	4,239,944	2,729,552
Gross profit		
Selling, general and administrative expenses	3,093,307	3,089,539
Merger related expenses	-	249,397
	3,093,307	3,338,936
Total selling, general and administrative expenses		
Income (loss) from operations	1,146,637	(609,384)
Other income (expense)		
Other income	219,333	-
Interest expense	(116,747)	-
Total other income (expense)	102,586	-
Income (loss) before income taxes	1,249,223	(609,384)
Income tax expense	(20,797)	-
Net income (loss)	\$ 1,228,426	\$ (609,384)
Earnings per common share		
Basic	\$ 0.15	\$ (0.08)
Diluted	\$ 0.09	\$ (0.08)
Shares used in computing earnings per share		
Basic	8,294,436	7,453,958
Diluted	14,128,864	7,453,958

See accompanying notes to the consolidated financial statements

**Vertex Energy, Inc.**  
**Statements of Stockholders' Equity**  
**For the Years Ending December 31, 2010 and 2009**

	<u>Common Stock Shares</u>	<u>Common Stock \$.001 Par</u>	<u>Preferred Stock Shares</u>	<u>Preferred Stock \$.001 Par</u>	<u>Additional Paid- in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>
Balance on December 31, 2008	5,502,000	\$ 5,502	-	\$ -	\$ 421,541	\$ (368,290)	\$ 58,753
Distribution to Partners	-	-	-	-	(51,391)	-	(51,391)
Issuance of stock options and warrants	-	-	-	-	324,589	-	324,589
Recapitalization due to merger	2,749,616	2,750	4,755,666	4,756	1,395,506	-	1,403,012
Exercise of warrants for cash	2,640	2	-	-	262	-	264
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(609,384)</u>	<u>(609,384)</u>
Balance on December 31, 2009	8,254,256	8,254	4,755,666	4,756	2,090,507	(977,674)	1,125,843
Exercise of stock options and warrants	16,643	17	-	-	2,266	-	2,283
Issuance of stock options and warrants	20,000	20	-	-	182,301	-	182,321
Conversion of preferred stock to common	79,950	80	(79,950)	(80)	-	-	-
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,228,426</u>	<u>1,228,426</u>
Balance on December 31, 2010	<u>8,370,849</u>	<u>\$ 8,371</u>	<u>4,675,716</u>	<u>\$ 4,676</u>	<u>\$ 2,275,074</u>	<u>\$ 250,752</u>	<u>\$ 2,538,873</u>

See accompanying notes to the consolidated financial statements

**VERTEX ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
Cash flows operating activities		
Net income (loss)	\$ 1,228,426	\$ (609,384)
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Stock based compensation expense	182,321	324,589
Depreciation and amortization	145,977	65,572
Changes in assets and liabilities		
Accounts receivable, net	705,913	(1,954,704)
Accounts receivable- related parties	-	21,232
Due from partnership	-	265,219
Inventory	(922,898)	(2,397,911)
Prepaid expenses	15,056	(45,378)
Accounts payable and accrued expenses	(459,358)	5,713,388
Accounts payable – related parties	(120,459)	(668,942)
Net cash provided by operating activities	774,978	713,681
Cash flows from investing activities		
Purchase of intangible assets	(288,015)	(1,731,889)
Purchase of fixed assets	(17,214)	(84,114)
Net cash used by investing activities	(305,229)	(1,816,003)
Cash flows from financing activities		
Proceeds from sale of Preferred “B” shares	600,000	-
Proceeds from exercise of common stock warrants and options	2,283	264
Distributions to limited partners prior to merger	-	(51,391)
Proceeds from recapitalization	-	2,408,114
Payments on amounts due to related party balance	(841,855)	(758,145)
Net cash provided (used) by financing activities	(239,572)	1,598,842
Net increase in cash and cash equivalents	230,177	496,520
Cash and cash equivalents at beginning of the period	514,136	17,616
Cash and cash equivalents at end of period	\$ 744,313	\$ 514,136
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest during the period	\$ 95,874	\$ 89,682
Cash paid for income taxes during the period	\$ 10,500	\$ -
<b>NON-CASH TRANSACTIONS</b>		
Assumption of liability from related party in connection with recapitalization	\$ -	\$ 1,600,000
Capital contributions by related party in connection with recapitalization	\$ -	\$ 594,898

See accompanying notes to the consolidated financial statements



**NOTE 1. BASIS OF PRESENTATION AND NATURE OF OPERATIONS**

Vertex Energy, Inc. ("Vertex Energy" or the "Company"), provides a range of services designed to aggregate, process and recycle industrial and commercial waste systems. Vertex Energy currently provides these services in 13 states, with its primary focus in the Gulf Coast region.

**COMPANY OPERATIONS**

Vertex Energy's operations are primarily focused on recycle/reuse options for petroleum products, crudes, used lubricants and distillate petroleum products. This focus includes the aggregation, processing and refining of these used petroleum materials into viable commodity products. Vertex Energy's two principal divisions are comprised of Black Oil and Refining and Marketing.

**Black Oil**

Through its Black Oil division, which has been operational since 2001, Vertex Energy recycles used motor oil by purchasing it from a network of local and regional collectors with which Vertex Energy has existing relationships, consolidating it for efficient delivery, and selling it to third-party re-refiners. The re-refiners then upgrade and sell the product for their own accounts. In addition, the Company has established arrangements with other customers of its products such as blenders and burners of black oil.

**Refining and Marketing**

Through its Refining and Marketing division, which has been operational since 2004, Vertex Energy recycles hydrocarbon streams by (1) purchasing and aggregating these streams from collectors and generators, (2) managing the delivery of these streams to a third-party facility for processing into end-products and (3) managing the sale of the end-products. Vertex Energy gathers hydrocarbon streams in the form of petroleum distillates, transmix and other chemical products that have become off-specification during the transportation or refining process. These feedstock streams are purchased from pipeline operators, refineries, chemical processing facilities and third-party providers, processed on Vertex Energy's behalf by a third-party facility, and then resold by Vertex Energy. The end products are typically three distillate petroleum streams (gasoline blendstock, fuel oil cutterstock and marine diesel oil), which are sold to major oil companies or to large petroleum trading and blending companies. In addition the Refining and Marketing division gathers hydrocarbon streams in the form of recovered black oil which is then re-refined through our thermal chemical extraction process. The finished product is then sold by barge as marine fuel cutterstock and a feedstock component for major refineries.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Company considers all short-term investments purchased with original maturities of three months or less at the date of purchase to be cash equivalents.

**Accounts receivable**

Accounts receivable represents amounts due from customers. Accounts receivable are recorded at invoiced amounts, net of reserves and allowances, and do not bear interest. The Company uses its best estimate to determine the required allowance for doubtful accounts based on a variety of factors, including the length of time receivables are past due, economic trends and conditions affecting its customer base, significant one-time events and historical write-off experience. Specific provisions are recorded for individual receivables when we become aware of a customer's inability to meet its financial obligations. The Company reviews the adequacy of its reserves and allowances quarterly.

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

Receivable balances greater than 30 days past due are individually reviewed for collectability and if deemed uncollectible, are charged off against the allowance accounts after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any significant off balance sheet credit exposure related to its customers. The allowance was \$0 at December 31, 2010 and 2009.

**Inventory**

Inventories of products consist of feedstocks and refined petroleum products and are reported at the lower of cost or market.

**Fixed assets**

Fixed assets are stated at historical costs. Depreciation of fixed assets placed in operations is provided using the straight-line method over the estimated useful lives of the assets. The policy of the Company is to charge amounts for maintenance and repairs to expenses, and to capitalize expenditures for major replacements and betterments.

**Intangible assets**

Intangible assets are amortized over their estimated useful lives. Amortizable intangible assets are reviewed at least annually to determine whether events and circumstances warrant a revision to the remaining period of amortization.

**License agreement development costs**

The Company capitalizes costs to improve any acquired intangible asset which is specifically identifiable, and has a definite life. All other costs are expensed as incurred.

**Revenue recognition**

Revenue for each of the Company's divisions is recognized when persuasive evidence of an arrangement exists, goods are delivered, sales price is determinable, and collection is reasonably assured. Revenue is recognized upon delivery by truck and railcar of feedstock to its re-refining customers and upon product leaving the Company's terminal facilities via barge.

**Leases**

The Company recognizes lease expense on a straight-line basis over the minimum lease terms which expire at various dates through 2012. These leases are for office and storage tank facilities and are classified as operating leases. For leases that contain predetermined, fixed escalations of the minimum rentals, the Company recognizes the rent expense on a straight-line basis and records the difference between the rent expense and the rental amount payable in liabilities.

Leasehold improvements made at the inception of the lease are amortized over the shorter of the asset life or the initial lease term as described above. Leasehold improvements made during the lease term are also amortized over the shorter of the asset life or the remaining lease term.

**Fair value of financial instruments**

Under the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), we are permitted to elect to measure financial instruments and certain other items at fair value, with the change in fair value recorded in earnings. We elected not to measure any eligible items using the fair value option. Consistent with the Fair Value Measurement Topic of the FASB ASC, we implemented guidelines relating to the disclosure of our methodology for periodic measurement of our assets and liabilities recorded at fair market value.

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Our Level 1 assets primarily include our cash and cash equivalents. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. The carrying amounts of accounts receivable, accounts payable and accrued liabilities and accounts payable to related party amounts approximate their fair values due to the immediate or short-term maturities of these financial instruments. We do not have any financial instruments for which estimates of fair value disclosures utilize Level 2 and 3 inputs.

#### **Use of estimates**

These consolidated financial statements were prepared in accordance with account principals generally accepted in the United States. Certain amounts included in or affecting the financial statements and related disclosures must be estimated by management, requiring certain assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. These estimates and assumptions affect the amounts reported for assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Any effects on the business, financial position or results of operations from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

#### **Impairment of long-lived assets**

The Company evaluates the carrying value and recoverability of its long-lived assets when circumstances warrant such evaluation by applying the provisions of the FASB ASC regarding long-lived assets. It requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

#### **Income Taxes**

The Company accounts for income taxes in accordance with the FASB ASC Topic 740. The Company records a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and when temporary differences become deductible. The Company considers, among other available information, uncertainties surrounding the recoverability of deferred tax assets, scheduled reversals of deferred tax liabilities, projected future taxable income, and other matters in making this assessment.

As part of the process of preparing its consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process requires the Company to estimate its actual current tax liability and to assess temporary differences resulting from differing book versus tax treatment of items, such as deferred revenue, compensation and benefits expense and depreciation. These temporary differences result in deferred tax assets and liabilities, which are included within the Company's consolidated statements of financial condition. Significant management judgment is required in determining the Company's provision for income taxes, its deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized and, when necessary, valuation allowances are established. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the level of historical taxable income, scheduled reversals of deferred taxes, projected future taxable income and tax planning strategies that can be implemented by the Company in making this assessment. If actual results differ from these estimates or the Company adjusts these estimates in future periods, the Company may need to adjust its valuation allowance, which could materially impact the Company's consolidated financial position and results of operations.

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

Tax contingencies can involve complex issues and may require an extended period of time to resolve. Changes in the level of annual pre-tax income can affect the Company's overall effective tax rate. Significant management judgment is required in determining the Company's provision for income taxes, its deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets. Furthermore, the Company's interpretation of complex tax laws may impact its recognition and measurement of current and deferred income taxes.

**Stock based compensation**

The Company accounts for share-based expense and activity in accordance with FASB ASC Topic 718, which establishes accounting for equity instruments exchanged for services. Under this provision, share-based compensation costs are measured at the grant date, based on the calculated fair value of the award, and are recognized as an expense over both the employee and non-employee's requisite service period, generally the vesting period of the equity grant.

The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, expected option term, expected volatility of the stock over the option's expected term, risk-free interest rate over the option's expected term, and the expected annual dividend yield. The Company believes that the valuation technique and approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the stock options granted.

**Earnings per share**

The Company has adopted FASB ASC Topic 260, which provides for the calculation of basic and diluted earnings per share. Basic and diluted loss per share has been calculated based on the weighted average number of shares of common stock outstanding during the period.

**Recently issued accounting pronouncements**

In June 2009, the FASB issued ASC Topic 810-10-15, "Consolidation-Variable Interest Entities," or Topic 810-10-15. Topic 810-10-15 improves financial reporting by enterprises involved with variable interest entities and provides more relevant and reliable information to users of financial statements. Topic 810-10-15 is effective as of the beginning of the first annual reporting period that begins after November 15, 2009 and for interim periods within that first annual reporting period. We adopted Topic 810-10-15 on January 1, 2010, but it did not have a material impact on our consolidated financial statements.

**NOTE 3. RELATED PARTIES**

The Company has numerous transactions with Vertex Holdings, L.P., formerly Vertex Energy, L.P. (also defined herein as the "Partnership" or "Vertex LP"), including the lease of the Partnership's storage facility, subletting of office space, transportation of feedstock to re-refiners and the Company's storage facility, and delivery from the Company's re-refinery to end customers. The pricing under these contracts is with certain wholly-owned subsidiaries of the Partnership and is priced at market, and is reviewed periodically from time to time by the Board of Directors' Related Party Transaction committee. The Related Party Transaction committee includes at least two independent directors and will review and pre-approve any and all related party transactions.

The consolidated financial statements included revenues from related parties of \$5,578 and \$147,871 and inventory purchases from related parties of \$5,543,630 and \$3,838,624 for the year ended December 31, 2010 and 2009, respectively. As of December 31, 2010, the Company owes \$407,273 of accounts payable to related parties, including Cedar Marine Terminal ("CMT") and H&H Oil-Baytown. CMT and H&H Oil-Baytown are majority-owned and controlled by our Chief Executive Officer and Chairman Benjamin P. Cowart. As of December 31, 2009, the Company owed \$1,369,586 to related parties, which included \$841,855 due to Vertex L.P. and \$527,731 of accounts payable to the entities described above.

The Company subleases office space from Vertex L.P. The lease expires in May 2011. Rental payments under the lease are \$6,629 per month, with a remaining commitment of approximately \$33,145 as of December 31, 2010. Rental expense under the agreement for the years ended December 31, 2010 and 2009 was \$79,548 and \$39,774, respectively.

The Company leases approximately 30,000 barrels in storage capacity for its Black Oil division at Cedar Marine Terminal, located in Baytown, Texas. The monthly lease expense is \$22,500 and the lease expires in March 2011.

The Company leases approximately 45,000 barrels in storage capacity for its TCEP division at Cedar Marine Terminal, located in Baytown, Texas. The monthly lease expense is \$38,250 and the lease expires in March 2011.

**NOTE 4. CONCENTRATIONS, SIGNIFICANT CUSTOMERS, COMMITMENTS AND CONTINGENCIES**

The Company has concentrated credit risk for cash by maintaining deposits in one bank. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time during the years ended December 31, 2010 and 2009, the Company's cash balances exceeded the federally insured limits.

Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables. Three large companies with various independent divisions represented 28%, 18% and 17% of the Company's gross sales for the year ended December 31, 2010. Two companies represented 66% and 32% of outstanding trade receivables at December 31, 2010. Five large companies with various independent divisions represented 26%, 17%, 14%, 14% and 13% of the Company's gross sales and four of these companies represented 6%, 32%, 17%, and 21% of outstanding trade receivables for the year ended December 31, 2009.

The Company purchases goods and services from three companies that represented 21%, 15% and 14% of total purchases for the year ended December 31, 2010. The entity that was 14% of the total is a related party from which Vertex Energy purchased the license described in Note 11.

The Company has several purchase agreements with suppliers that require purchases of minimum quantities of the Company's products. The agreements generally have a one year term, after which they become month-to-month agreements. There are no penalties associated with these agreements. Minimum future purchases under these contracts are approximately \$14,074,046 through December 31, 2011 based on forward contract pricing as of March 21, 2011.

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

The Company has one debt facility available for use, of which there were no amounts outstanding as of December 31, 2010 and December 31, 2009, respectively. See note 5 for further details.

The Company's revenue, profitability and future rate of growth are substantially dependent on prevailing prices for petroleum-based products. Historically, the energy markets have been very volatile, and there can be no assurance that these prices will not be subject to wide fluctuations in the future. A substantial or extended decline in such prices could have a material adverse effect on the Company's financial position, results of operations, cash flows, and access to capital and on the quantities of petroleum-based products that the Company can economically produce.

The Company has substantial potential Net Operating Loss ("NOL") carryforwards as a result of the merger with World Waste Technologies Inc. in 2009 (the "Merger"). It is possible that the Company may be unable to use these NOLs in their entirety. The extent to which the Company will be able to utilize these carry-forwards in future periods is subject to limitations based on a number of factors, including the number of shares issued within a three-year look-back period, whether the merger is deemed to be a change in control, whether there is deemed to be a continuity of World Waste's historical business, and the extent of the Company's subsequent income. The Company has not yet determined the extent, if any, to which it may be able to utilize these carry-forwards. The history of these NOLs and the related tax laws are complex and the Company is researching the facts and circumstances as to whether the Company will ultimately be able to utilize the benefit from these NOLs.

The Company, in the normal course of business, is involved in various other claims and legal actions. In the opinion of management, the outcome of these claims and actions will not have a material adverse impact upon the financial position of the Company.

**NOTE 5. NOTES PAYABLE**

In connection with the Merger with World Waste Technologies, Inc. in 2009, the Company assumed up to \$1.6 million of Vertex LP's indebtedness. The balance on the note was \$0 and \$841,855 as of December 2010 and 2009, respectively.

In September 2010, the Company entered into a loan agreement with Bank of America Merrill Lynch. Prior to entering into the loan agreement, the Company satisfied in full all of its prior obligations owing to Regions Bank under the revolving line of credit agreement entered into in June 2009 and amended on May 25, 2010, which had an outstanding balance of \$1,300,000 on June 30, 2010, and terminated such line of credit agreement. Regions Bank released all of its previously held security agreements and financing statements.

Pursuant to the loan agreement, Bank of America agreed to loan up to \$3,500,000 in the form of a revolving line of credit, which is expected to be used for feedstock purchases and general corporate purposes. The line of credit bears interest at the Bank of America LIBOR rate plus 3% (3.26% as of December 31, 2010), adjusted daily, and is due on September 16, 2011. The available amount is based on 80% of eligible accounts receivable and 50% of eligible inventory, as further defined in the agreement. The balance on the line of credit was \$0 and \$2,600,000 was available at December 31, 2010. The loan agreement is guaranteed by Cedar Marine Terminal, a related party of the Company. The most restrictive covenant of the loan requires an interest coverage ratio of at least 1.5 to 1. The Company believes it was in compliance of all aspects of the agreement as of December 31, 2010.

The financing arrangement discussed above is secured by all of the assets of the Company. Management of Vertex Energy believes that with the financing arrangement, in addition to projected earnings, it will have sufficient liquidity to fund the Company's operations for the foreseeable future, although it may seek additional financing to fund acquisitions or other development in the future.

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

On October 15, 2010, we entered into a sales/purchase agreement with a supplier requiring the Company to provide a standby letter of credit in the amount of \$900,000 which expires on October 14, 2011. To date, there have been no draws against the letter of credit.

**NOTE 6. INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The effective tax rate for the Company is reconcilable to statutory tax rates as follows:

	December 31, 2010	December 31, 2009
U.S. Federal statutory tax rate	34%	34%
U.S. valuation change	(32%)	(34%)
Effective U.S. tax rate	2%	-

Income tax expense (benefit) attributable to income from continuing operations differed from the amounts computed by applying the U.S. Federal income tax of 34% to pretax income from continuing operations as a result of the following:

	December 31, 2010	December 31, 2009
Statutory tax on book income (loss)	\$ 425,000	\$ (207,000)
Nondeductible expenses	3,000	-
Nondeductible stock-based compensation	62,000	-
Net operating loss utilization (increase)	(490,000)	207,000
Alternative minimum tax	20,797	-
Income tax expense	\$ 20,797	\$ -

The cumulative tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2010 and 2009, are presented below:

	December 31, 2010	December 31, 2009
Deferred tax assets:		
Net operating loss carryforwards	\$ 13,540,000	\$ 14,547,000
Less valuation allowance	(13,540,000)	(14,547,000)
Net deferred tax assets	\$ -	\$ -

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

The Company has determined that a valuation allowance of approximately \$13,540,000 at December 31, 2010 is necessary to reduce the deferred tax assets to the amount that will more than likely not be realized. The change in the valuation allowance for 2010 was approximately \$1,007,000. Net operating losses utilized in 2010 were approximately \$490,000. An adjustment for approximately \$517,000 was made due to changes in 2009 estimates related to the use of the net operating loss carryforward for that year. During 2009, the change in the valuation allowance was \$14,547,000, of which \$14,340,000 was acquired as part of the Merger, and \$207,000 was from the 2009 operations of Vertex Energy.

At December 31, 2010, the Company had federal net operating loss carry-forwards ("NOLs") of approximately \$39.8 million acquired as part of the Merger between World Waste Technologies, Inc. ("World Waste") and the Company's wholly-owned subsidiary Vertex Merger Sub, LLC. It is possible that the Company may be unable to use these NOLs in their entirety. The history of these NOLs and the related tax laws are complex and the Company is researching the facts and circumstances as to whether the Company will ultimately be able to utilize the benefit from these NOLs. The extent to which the Company will be able to utilize these carry-forwards in future periods is subject to limitations based on a number of factors, including the number of shares issued within a three-year look-back period, whether the merger is deemed to be a change in control, whether there is deemed to be a continuity of World Waste's historical business, and the extent of the Company's subsequent income.

**NOTE 7. STOCK BASED COMPENSATION**

The stock based compensation cost that has been charged against income by the Company was \$182,321 and \$324,589 for the years ended December 31, 2010 and 2009, respectively.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the table below. Expected volatilities are based on management's estimates given that the Company's stock is not widely traded. The Company uses historical data to estimate option exercise and employee terminations within the valuation model. The expected term of options granted is based on the remaining contractual lives of the related grants. The risk-free rate for periods within the contractual life of the option is based on the Federal Reserve's risk-free interest rate based on zero-coupon government issues at the time of the grant.

The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest based on four years of continuous service and have 10-year contractual terms. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plan).

In November 2010, we entered into an extended agreement with a consultant, which provides for the consultant to perform investor correspondence and liaison services for us for a term of 24 months, in consideration for the grant to the consultant of warrants to purchase 200,000 shares of our common stock, with cashless exercise rights, at an exercise price of \$0.75 per share, of which warrants to purchase 75,000 shares vested immediately and warrants to purchase 125,000 shares vest at the rate of the lesser of (a) 5,209 warrants or (b) the remaining unvested portion of the warrants, per month for the 24 months following the parties entry into the agreement, provided that any warrants that are not vested by the termination of the agreement are forfeited. The warrants have a three year term. The agreement can be terminated by either party with 30 days prior written notice. The fair value of these warrants was \$40,205, as determined by the Black-Scholes model using assumptions in the range described below.

The Company also granted 600,000 warrants as part of the placement of the Series B Preferred Stock, as discussed in Note 10.



**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

Stock option activity for the year ended December 31, 2010 is summarized as follows:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (in Years)</b>	<b>Grant Date Fair Value</b>
Outstanding at December 31, 2009	2,733,334	\$ 5.76	8.61	\$ 731,762
Options granted	-	-	-	-
Options exercised	(5,000)	(.45)	(8.78)	(1,800)
Options cancelled/forfeited/expired	(25,000)	(1.20)	(8.38)	(14,136)
Outstanding at December 31, 2010	<u>2,703,334</u>	<u>\$ 5.81</u>	<u>7.60</u>	<u>\$ 715,826</u>
Vested at December 31, 2010	<u>1,577,209</u>	<u>\$ 9.47</u>	<u>7.00</u>	<u>\$ 257,222</u>
Exercisable at December 31, 2010	<u>1,577,209</u>	<u>\$ 9.47</u>	<u>7.00</u>	<u>\$ 257,222</u>

A summary of the Company's stock warrant activity and related information for the year ended December 31, 2010 is as follows:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (in Years)</b>	<b>Grant Date Fair Value</b>
Outstanding at December 31, 2009	998,944	\$ 24.21	2.54	\$ 57,202
Warrants granted	800,000	1.69	2.46	117,231
Warrants exercised	(13,530)	(0.10)	(2.29)	(775)
Warrants cancelled/forfeited/expired	(11,957)	(22.39)	-	(685)
Warrants at December 31, 2010	<u>1,773,457</u>	<u>\$ 14.24</u>	<u>1.96</u>	<u>\$ 172,973</u>
Vested at December 31, 2010	<u>1,048,457</u>	<u>\$ 22.85</u>	<u>1.44</u>	<u>\$ 70,817</u>
Exercisable at December 31, 2010	<u>1,048,457</u>	<u>\$ 22.85</u>	<u>1.44</u>	<u>\$ 70,817</u>

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

The following table summarizes the assumptions used in assessing the above described option and warrant valuations:

	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Expected volatility	50-75%	50-75%
Expected dividends	0%	0%
Expected term (in years)	3-10	10
Risk-free rate	0.63-3.5%	1.71-3.5%

**NOTE 8. EARNINGS (LOSS) PER SHARE**

Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the periods presented. The calculation of basic earnings per share for the year ended December 31, 2010 includes the weighted average of common shares outstanding. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity, such as convertible preferred stock, stock options, warrants or convertible securities. The calculation of diluted earnings per share for the year ended December 31, 2010 does not include options to purchase 2,225,106 shares, and warrants to purchase 1,692,973 shares due to their anti-dilutive effect, since the instruments were out of the money.

The following is a reconciliation of the numerator and denominator for basic and diluted earnings per share for the years ended December 31, 2010 and 2009:

	2010	2009
<b>Basic Earnings per Share</b>		
Numerator:		
Income (loss) available to common shareholders	\$ 1,228,426	\$ (609,384)
Denominator:		
Weighted-average shares outstanding	8,294,436	7,453,958
Basic earnings (loss) per share	\$ 0.15	\$ (0.08)
<b>Diluted Earnings per Share</b>		
Numerator:		
Income (loss)	\$ 1,228,426	\$ (609,384)
Denominator:		
Weighted-average shares outstanding	8,294,436	7,453,958
Effect of dilutive securities		
Stock options and warrants	558,712	-
Preferred stock	5,275,716	-
Diluted weighted-average shares outstanding	14,128,864	7,453,958
Diluted earnings (loss) per share	\$ 0.09	\$ (0.08)

**NOTE 9. COMMON STOCK**

The total number of authorized shares of the Company's common stock is 750,000,000 shares, \$0.001 par value per share. As of December 31, 2010 there were 8,370,849 common shares issued and outstanding.

Each share of the Company's common stock is entitled to equal dividends and distributions per share with respect to the common stock when, as and if declared by the Company's board of directors. No holder of any shares of the Company's common stock has a preemptive right to subscribe for any of the Company's securities, nor are any shares of the Company's common stock subject to redemption or convertible into other securities. Upon liquidation, dissolution or winding-up of the Company and after payment of creditors and preferred shareholders of the Company, if any, the assets of the Company will be divided pro rata on a share-for-share basis among the holders of the Company's common stock. Each share of the Company's common stock is entitled to one vote, except with respect to the election of one (1) of the Company's directors by the Company's Series A Preferred Stock (described below under Note 10) holder. Shares of the Company's common stock do not possess any cumulative voting rights.

During the year ending December 31, 2010 there were 79,950 shares of the Company's Series A Preferred Stock converted into the Company's common stock and warrants and options to purchase 330 shares of the Company's common stock were exercised. In addition, there were warrants to purchase 13,200 shares exercised for 11,313 shares of the Company's common stock (when adjusting for a cashless exercise of such warrants). There were employee options exercised for 5,000 shares of the Company's common stock. The Company issued 20,000 shares to consultants during the year ended December 31, 2010, for services valued at \$17,000, which is included in stock-based compensation expense.

**NOTE 10. PREFERRED STOCK**

The total number of authorized shares of the Company's preferred stock is 50,000,000 shares, \$0.001 par value per share. The total number of designated shares of the Company's Series A Preferred Stock is 5,000,000 ("Series A Preferred"). The total number of designated shares of the Company's Series B Preferred Stock is 2,000,000. As of December 31, 2010 there were 4,675,716 Series A Preferred shares issued and outstanding and 600,000 Series B Preferred shares issued and outstanding.

Holders of outstanding shares of the Company's Series A Convertible Preferred are entitled to receive dividends, when, as, and if declared by the Company's board of directors. No dividends or similar distributions may be made on shares of capital stock or securities junior to the Company's Series A Preferred until dividends in the same amount per share on the Company's Series A Preferred have been declared and paid. In connection with a liquidation, winding-up, dissolution or sale of the Company, each share of the Company's Series A Preferred is entitled to receive \$1.49 prior to similar liquidation payments due on shares of the Company's common stock or any other class of securities junior to the Company's Series A Preferred shares. The Company's Series A Preferred are not entitled to participate with the holders of the Company's common stock with respect to the distribution of any remaining assets of the Company. Shares of Series A Preferred automatically convert into shares of common stock on the earliest to occur of the following: (a) the affirmative vote or written consent of the holders of a majority of the then-outstanding shares of Series A Preferred; (b) If the closing market price of the Company's common stock averages at least \$15.00 per share over a period of 20 consecutive trading days and the daily trading volume averages at least 7,500 shares over such period; (c) if the Company consummates an underwritten public offering of its securities at a price per share not less than \$10 and for a total gross offering amount of at least \$10 million; or (d) if a sale of the Company occurs resulting in proceeds to the holders of the Company's Series A Preferred of a per share amount of at least \$10; provided that holders of the Company's Series A Preferred may not voluntarily convert their shares into the Company's common stock for at least one year following the issuance of the Series A Preferred. Thereafter, holders may convert their shares of Series A Preferred subject to the following conditions: (i) at any time following the one-year anniversary of the issuance of Series A Preferred, holders may convert only up to that number of shares such that, upon conversion, the aggregate beneficial ownership of the Company's common stock of any such holder does not exceed 4.99% of the Company's common stock then outstanding; and (ii) prior to the three-year anniversary of the issuance of the Series A Preferred, no holder may, in any given three-month period, convert more than that number of shares of the Company's Series A Preferred that equals 5% of the total number of shares of Series A Preferred then beneficially owned by such holder. Each share of the Company's Series A Preferred converts into one share of the Company's common stock.

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

On January 13, 2010, the board of directors approved the filing of a Certificate of Designation of the Company's Series B Convertible Preferred Stock (the "Series B Preferred Stock"), which was filed with the Secretary of State of Nevada on January 14, 2010. The designation provides for 2,000,000 shares of Series B Preferred Stock at \$.001 par value per share.

In January 2010, the Company began a private placement offering to accredited investors only of up to 2,000,000 units (the "Offering"), each consisting of (a) one share of Series B Preferred Stock; and (b) one three year warrant to purchase one share of common stock of the Company at an exercise price of \$2.00 per share (each a "Unit"). We also agreed to grant investors in the Offering piggy-back registration rights in connection with the shares of common stock issuable in connection with the conversion of the Series B Preferred and the shares of common stock issuable in connection with the exercise of the warrants sold in the Offering.

During the year ended December 31, 2010, the Company sold 600,000 Units for total proceeds of \$600,000. Of this amount, \$150,000 was from the sale of Units to a related party. A total of 600,000 shares of Series B Preferred Stock were outstanding as of December 31, 2010.

The Series B Preferred Stock accrues a dividend of 12% per annum, payable quarterly in arrears (beginning on the first full quarter after the issuance date of such Series B Preferred Stock), based on a face value of \$1.00 per share. The Series B Preferred Stock includes a liquidation preference which is junior to the Company's previously outstanding shares of preferred stock, senior securities and other security holders as provided in further detail in the designation. The Series B Preferred Stock is convertible into shares of the Company's common stock on a one for one basis at a conversion price of \$1.00 per share, provided that the Series B Preferred Stock automatically converts into shares of the Company's common stock on a one for one basis if the Company's common stock trades above \$2.00 per share for a period of 10 consecutive trading days. The Series B Preferred Stock has no voting rights (other than on matters concerning the Series B Preferred Stock described in the designation) and the Company is obligated to redeem any unconverted shares of the Series B Preferred Stock in cash at \$1.00 per share on the third anniversary date of the original issuance date of each share of Series B Preferred Stock. As of December 31, 2010, all \$600,000 of unconverted Series B Preferred Stock is redeemable in 2013.

Based upon the Company's evaluation of the terms and conditions of the Series B Preferred Stock, the Company concluded that their features are more akin to a debt instrument than an equity instrument, since the shares are potentially subject to cash redemption, which means that the Company's accounting conclusions are generally based upon standards related to a traditional debt security. The Series B Preferred Stock is recorded as a liability at the carrying value of the possible redemptions, and the dividends are recorded as interest expense. The Company recognized \$49,267 of interest expense related to these instruments.

Each warrant provides the holder the right to purchase one share of the Company's common stock at an exercise price of \$2.00 per share. The warrants contain a cashless exercise provision (exercisable after six months have past from the date of grant of any warrant) whereby the holder can affect a cashless exercise of any portion of the shares of common stock issuable in connection with the exercise of the warrant which have not been previously registered by the Company. The warrants have a term of three years. The right to shares of common stock issuable in connection with the exercise of the warrants ("Warrant Shares") is redeemable by the Company in its sole discretion at a redemption price of \$0.01 per Warrant Share, in the event the Company's common stock trades at or above \$3.00 per share for at least ten consecutive trading days, after providing the holder at least 30 days notice of the Company's intention to exercise such redemption right.

**VERTEX ENERGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 11. LICENSING AGREEMENT**

The Company operates under an operating and licensing agreement with a related party that is majority-owned and controlled by the Company's Chief Executive Officer and Chairman, Benjamin P. Cowart, that provides for an irrevocable, non-transferable, royalty-free, perpetual right to use a certain thermal/chemical extraction technology ("TCEP") to re-refine certain used oil feedstock and associated operations of this technology on a global basis. This includes the right to utilize the technology in any future production facilities built by the Company. If the related entity is unable to continue operations, the Company would not have a source of its TCEP products to sell to customers, which could negatively impact sales. The Company must approve any research and development costs that are performed by the related party and this may affect the related party's ability to maintain technological feasibility of the technology which could impact the value of the license. The Company will continue to make expenditures on the development of the process in the foreseeable future, which could be significant. The Company believes the license is technologically feasible; however, it believes it can make improvements that will enhance the TCEP process and design.

The initial valuation of the license was based upon the cost to acquire the use of TCEP and its processes. It will be assessed over time for changes in the valuation. Additional development costs capitalized during the years ended December 31, 2010 and 2009 were \$288,015 and \$331,889, respectively. The Company is amortizing the value of the license agreement over a fifteen year period. Amortization expense was \$129,246 and \$56,692 for the years ending December 31, 2010 and 2009, respectively. The Company evaluated the carrying value of the license and determined that no impairment existed at December 31, 2010.

**NOTE 12. SEGMENT REPORTING**

The Company's reportable segments include the Black Oil and Refining & Marketing divisions. Segment information for the years ended December 31, 2010 and 2009, is as follows:

**YEAR ENDED DECEMBER 31, 2010**

	Black Oil	Refining & Marketing	Total
Revenues	\$ 15,355,192	\$ 42,785,793	\$ 58,140,985
Income (loss) from operations	\$ (179,250)	\$ 1,325,887	\$ 1,146,637
Total Assets	\$ 2,113,508	\$ 6,025,837	\$ 8,139,345

**YEAR ENDED DECEMBER 31, 2009**

	Black Oil	Refining & Marketing	Total
Revenues	\$ 22,197,711	\$ 16,506,136	\$ 38,703,847
Income (loss) from operations	\$ 43,606	\$ (652,990)	\$ (609,384)
Total Assets	\$ 4,936,343	\$ 2,611,644	\$ 7,547,987

**NOTE 13. SUBSEQUENT EVENTS**

Subsequent to December 31, 2010, the balance on the Line of Credit is \$3,500,000 of which \$900,000 has been allocated to the outstanding letter of credit. To date the outstanding balance drawn on the line of credit is \$0 leaving an available balance of \$2,600,000.

Subsequent to December 31, 2010 there were 41,320 shares of the Company's Series A Preferred Stock converted into the Company's common stock and warrants and options to purchase 40,000 shares of the Company's common stock were exercised.

Subsequent to December 31, 2010, salaries for the Chief Executive Officer and Chairman Benjamin P. Cowart increased from \$190,000 to \$215,000 and for the Chief Operating Officer Matthew Lieb a decrease from \$150,000 to \$75,000.

On or around March 29, 2011, with an effective date of April 1, 2010, Vertex entered into an Employment Agreement with Chris Carlson, pursuant to which Mr. Carlson agreed to serve as the Chief Financial Officer of Vertex (the "Carlson Employment Agreement"). Mr. Carlson is to receive a base salary of \$175,000 annually beginning January 1, 2011 pursuant to the terms of the Carlson Employment Agreement and \$175,000 per year for each remaining twelve month period during the term of the agreement, which continues until April 1, 2015.

The Carlson Employment Agreement can be terminated by the Company for any reason, including for Cause" – defined as a vote by the Board of Directors of the Company that Mr. Carlson should be dismissed as a result of (i) the commission of any act by Mr. Carlson constituting financial dishonesty against the Company (which act would be chargeable as a crime under applicable law); (ii) Carlson engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment, which, as determined in good faith by the Board of Directors is reasonably likely to: (A) materially adversely affect the business or the reputation of the Company with its current or prospective customers, suppliers, lenders and/or other third parties with whom it might do business; or (B) negligently expose the Company to a risk of civil or criminal legal damages, liabilities or penalties; (iii) the repeated failure by Mr. Carlson to follow the directives of the Board of Directors; or (iv) Mr. Carlson's inadequate performance of his duties to the Company, if not cured within thirty days of notice from the Company.

The Carlson Employment Agreement can be terminated by Mr. Carlson for any reason, including Good Reason", which is defined as (i) the assignment to Mr. Carlson of any duties materially inconsistent with Mr. Carlson's positions, duties, authority, responsibilities and reporting requirements as provided in the Carlson Employment Agreement; or (ii) the Company or the Board of Directors taking any action which would require Mr. Carlson to be based outside of Houston, Texas, subject to the exclusions described in further detail in the Carlson Employment Agreement.

If Mr. Carlson's Employment Agreement is terminated without cause by the Company or terminated by such executive for good cause, he is to receive severance pay equal to three months of salary. If his employment is terminated for any other reason, he is to receive any compensation earned as of the termination date. Additionally, Mr. Carlson agreed that he would not directly or indirectly, compete with the Company for a period of six months following the termination of his employment with the Company as an employee, employer, consultant, agent, investor, principal, partner, stockholder, corporate officer or director of any entity (except as provided in the Carlson Employment Agreement).

## Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

This was previously reported on the Company's Form 10-K filed on March 30, 2010.

### Item 9A. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### Management's Annual Report on Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting to ensure we maintain an effective internal control environment. There were no changes in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control over Financial Reporting - Guidance for Smaller Public Companies.

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2010. Based on our assessment and those criteria, our management believes that Vertex maintained effective internal control over financial reporting as of December 31, 2010.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

**Item 9B. Other Information**

None.



**Item 10. Directors, Executive Officers and Corporate Governance**

Directors are elected at each meeting of stockholders and hold office until the next annual meeting of stockholders and the election and qualifications of their successors. Executive officers are elected by and serve at the discretion of the Board of Directors. Set forth below is information regarding the executive officers and directors of Vertex as of the filing of this report:

Name	Age	Position
Benjamin P. Cowart	42	Chairman of the Board of Directors, President and Chief Executive Officer
Matthew Lieb	39	Chief Operating Officer
Chris Carlson	38	Chief Financial Officer and Secretary
John Pimentel	44	Director
Dan Borgen	50	Director
David L. Phillips	53	Director
Ingram Lee	51	Director and Treasurer
Christopher Stratton	42	Director

**OFFICER AND DIRECTOR BIOS:**

**BENJAMIN P. COWART - CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT** (Age 42): Mr. Cowart has served as Chairman, Chief Executive Officer and President of Vertex since April 2009. Mr. Cowart, the president of the General Partner for Vertex LP, has been involved in the petroleum recycling industry for over 25 years. Mr. Cowart is the founder of the Vertex group of companies and has served such companies since 2001. As a leader in the recycling field, Mr. Cowart helped pioneer the reclamation industry by developing recycling options for many residual materials once managed as a hazardous waste. Mr. Cowart co-authored the industry's first e-commerce operating system for the digital management of petroleum waste and residual materials. Mr. Cowart was awarded the 2003 Business Man of the Year from The National Republican Congressional Committee, and served on NORA's Board of Directors and as President in 2008. Mr. Cowart has taken an active role in the petroleum industry with his involvement in speaking, consulting, chairing, and serving on various committees and industry associations. Prior to the formation of Vertex LP, Mr. Cowart served as the Vice President of Aaron Oil Company, a regional recycler in Alabama.

*Director Qualifications:*

Mr. Cowart has extensive industry knowledge as well as a deep knowledge as the Company's founder, of its history, strategy and culture. Having led the Company as CEO and founder, Mr. Cowart has been the driving force behind the strategy and operations that have led to the growth of the Company thus far. His experience at the various levels of the industry over the past 20 years bring valued insight to all facets of the Company.

**MATTHEW LIEB - CHIEF OPERATING OFFICER** (Age 39): Mr. Lieb has served as the Chief Operating Officer of Vertex since the closing of the Merger. Mr. Lieb previously served as World Waste's Chief Operating Officer from May 2007 until the effective date of the Merger. Since 1999, Mr. Lieb served as Chairman of the Board and Chief Executive Officer of Kingsley Management LLC, a company he founded that acquired and operated car wash facilities. Mr. Lieb holds a BS in Finance from Georgetown University and an MBA from Harvard Business School.

**CHRIS CARLSON – CHIEF FINANCIAL OFFICER AND SECRETARY** (Age 38): Mr. Carlson has served as Secretary of Vertex since inception and Chief Financial Officer since April 2010. Mr. Carlson brings a range of experience to his role for Vertex LP. Mr. Carlson oversees all risk management, investments, e-commerce applications, and day-to-day financial accounting of Vertex LP and its subsidiaries. Mr. Carlson worked for FuelQuest, Inc. before joining Vertex LP in 2001. There he worked as a Project Lead managing implementations of e-commerce services for new customers. In addition, he also planned and developed testing requirements for e-commerce applications. Mr. Carlson was with Pagenet, a wireless communications company prior to FuelQuest, Inc. where he worked as a Strategic Account Supervisor. Mr. Carlson earned his BS degree in Business Finance from the University of Houston.

**JOHN PIMENTEL - DIRECTOR** (Age 44): Mr. Pimentel was appointed to the Board of Directors of Vertex in connection with the closing of the Merger in April 2009, and is the Vertex Series A preferred stock appointee to the Board. Mr. Pimentel served as the Chief Executive Officer of World Waste from the fourth quarter of 2005 and as a member of the World Waste board of directors from early 2004 until the effective date of the Merger. Currently, Mr. Pimentel is developing a range of renewable energy generation projects in the Western United States. Mr. Pimentel was employed as a non-executive employee of the Company from the closing of the Merger until June 2009, but Mr. Pimentel continues to serve as a Director of the Company. Previously, he worked with Cagan McAfee Capital Partners, responsible for portfolio company management, strategy and investment structuring in industries including energy and technology. Mr. Pimentel was one of the co-founders of Pacific Ethanol (NASDAQ: PEIX) where he served as a director from 2003 to 2005. He has also served on the boards of Particle Drilling (NASDAQ: PDRT) and Evolution Petroleum (Amex: EVO). Mr. Pimentel has also worked for Bain & Company in its Private Equity Group, as well as that firm's general consulting practice. Mr. Pimentel has extensive operating experience including service as Deputy Secretary for Transportation for the State of California where he oversaw a \$4.5 billion budget and 28,000 employees. Mr. Pimentel has an MBA from Harvard Business School and a BA from the University of California, Berkeley.

*Director Qualifications:*

As the former CEO of World Waste Technologies and member of the board, Mr. Pimentel has brought tremendous value to the Company through the Merger process. Mr. Pimentel brings extensive public company leadership having served as CEO of a public company as well as a founder and board member of several public companies. His experience has provided an understanding of what produces success at firms driven by innovation, research and development.

**DAN BORGEN - DIRECTOR** (Age 50): Mr. Borgen was appointed a Director of Vertex in June 2008. Mr. Borgen currently serves as Chairman, Chief Executive Officer and President of U.S. Development Group LLC ("USD"), where he has worked since May 1995. In his current role, Mr. Borgen guides all senior aspects of USD's corporate activities. USD is comprised of wholly-owned subsidiaries that focus on industrial development, logistics, products terminaling, power corridors, financial services and gasification. In addition to his work with USD, Mr. Borgen has served as President of U.S. Right-of-Way Corporation since June 1993. Prior to this, Mr. Borgen worked for eleven years as an investment banker serving as Merger & Acquisition Director, Portfolio Manager and as a member of the Executive Committee for strategic planning and development. His activities were focused on manufacturing, food service, oil and gas exploration/production, telecommunications, banking and Western European finance. In his capacity as an investment banker, Mr. Borgen served as Vice President of The Oxford Group from July 1990 to June 1993, Vice President/Principal of The Paramount Companies from July 1985 to April 1990 and Manager - Investor Relations of Invoil Inc. from April 1982 to June 1985.

*Director Qualifications:*

With his extensive background in business operations, finance, deal structures and capital markets, Mr. Borgen brings a unique portfolio of business expertise to the Company. A large part of Mr. Borgen's executive experience has been in the operations and logistics segment of the petroleum industry. His service and leadership with leading organizations in financial and operational roles reflects his expertise in navigating opportunities that complex organizations such as the Company face.

**DAVID L. PHILLIPS - DIRECTOR** (Age 53): Mr. Phillips was appointed a Director of Vertex in June 2008. Mr. Phillips is currently the Managing Partner of Bilateral Initiatives LLP, an international business-to-business consulting firm specializing in providing key strategic expansion and corporate growth advice to the chairman and chief executive level members of various firms. Mr. Phillips is also Managing Partner of Phillips International Law Group PLLC, a worldwide recognized international law firm specializing in mergers, acquisitions, project development and EPC construction work with a focus on the international energy landscape in the oil, gas, chemical and power downstream sector and the alternative energy industry. Mr. Phillips' clients include worldwide energy companies, including several Middle East National Oil Companies. Prior to his founding of Bilateral Initiatives LLP and the Phillips International Law Group, Mr. Phillips was a Partner at the law firm of Jackson Walker LLP from May 2002 until May 2008 and chaired several of the firm's practice areas over that period. Prior to working at Jackson Walker LLP, from May 1995 to May 2002 Mr. Phillips served as a chief executive officer in the former KeySpan Energy Corporation, a \$14 billion public energy conglomerate based in New York City, and as a member of the board of directors of certain KeySpan subsidiaries. From June 1991 to May 1995, Mr. Phillips served as a chief executive officer in Equitable Resources, Inc. a \$6 billion public gas utility holding company based in Pittsburgh, Pennsylvania, and as a member of the board of directors of certain Equitable subsidiaries. Mr. Phillips also served as the General Counsel to Eastex Energy Inc., a public midstream energy company, from June 1985 to May 1991, which was later acquired by El Paso Energy and ultimately Enterprise Products LP.

In addition to his current roles at Bilateral Initiatives LLP and Phillips International Law Group PLLC, Mr. Phillips is the Chairman of the Board of Directors and the Executive Board of Advisors, Ambassadors, Ministers & Former US Cabinet Secretaries of the Bilateral US Arab Chamber of Commerce (BUSACC).

Mr. Phillips received his bachelor's degree from the University of Texas in August 1984 and his Juris Doctor from the South Texas College of Law in August 1988. Mr. Phillips is a member of State Bar of Texas, International Bar Association, American Bar Association, and the Houston Bar Association; he is also a member of the Oil, Gas & Energy Law Section, the Business Law Section, and the Corporate Counsel Section of the State Bar of Texas and Houston Bar Association. Additionally, he is a member of the Natural Resources, Energy and Environmental Law Section of the American Bar Association & International Bar Association.

*Director Qualifications:*

Mr. Phillips has had a long and successful career in the energy sector serving in various capacities, having been the CEO, legal counsel and board member of various large public companies. In addition to his extensive experience in oil and gas, he was also a partner in the law firm of Jackson Walker, LLP. Mr. Phillips background brings insights into corporate structure, and project development along with expansion and corporate growth.

**INGRAM LEE - DIRECTOR AND TREASURER** (Age 51): Mr. Lee has been a Director and treasurer of Vertex since its inception in May 2008. Since May 1993, he has worked at PTI, Incorporated ("PTI") where he currently serves as the President. In his current role with PTI, Mr. Lee is responsible for overseeing trading, purchasing, blending, training and sales of both residual and distillate petroleum products. Prior to joining PTI, Mr. Lee was a Trading Manager at Coastal Corporation (currently El Paso Corporation) from 1988 to 1993, responsible for the trading of over 20 million barrels per year of heavy oil and distillate products in and out of South America, Mexico and the Caribbean. From 1985 to 1988, Mr. Lee was an Operations/Blending Manager for Challenger Petroleum USA, Inc. Prior to this, he worked as a field manager for Torco Oil Company from 1982 to 1985 and a petroleum dispatcher and laboratory coordinator for E.W. Saybolt Petroleum Inspection Company from 1979 to 1982. Mr. Lee has been involved in aspects of the petroleum products trading industry for 28 years, from purchasing and sales to operations and transportation.

*Director Qualifications:*

Mr. Lee has had a long successful career in the petroleum trading industry. His leadership ranges from products trading to purchasing, sales, operations and logistics. His experience in trading and blending of petroleum products brings a very unique perspective to the Board of Vertex. Mr. Lee's understanding of the petroleum markets as it relates to Vertex has proven to be a significant asset to the Company.

**CHRISTOPHER STRATTON – DIRECTOR** (Age 42): Mr. Stratton served as Chief Financial Officer of Vertex between August 24, 2009 and June 2010. Mr. Stratton has served as a Director of the Company since July 2010. Since June, 2010, Mr. Stratton has served as Chief Financial Officer of Pro Energy Services. Mr. Stratton served as Director of Finance for CITI in the Global Commodities Group, until August 2009, a position which he held since June 2005. Prior to joining CITI, Mr. Stratton served as a Senior Manager with PricewaterhouseCoopers, LLC, from July 1998 to June 2005. From May 1990 to July 1997, Mr. Stratton co-founded and was employed as Vice President by Marketlink International, Inc., an international trade company which performed commodity trading of industrial products throughout North America, South America, Europe and Asia. Mr. Stratton obtained his Bachelor of Business Administration in Accounting from Baylor University in 1991 and his Master of Business Administration (Finance and Entrepreneurship) from Rice University in 1999. Mr. Stratton is also a Certified Public Accountant. He is a member of the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants and the Rice University Jones Graduate School of Management Partners.

*Director Qualifications:*

With his extensive background in auditing, accounting, finance, risk and capital markets, Mr. Stratton brings a strong grasp of how to deploy assets and optimize a company's capital structure to the Company. He also brings a good understanding of commodity markets and hedging strategies for risk management, which is beneficial to the Company and the Board.

**Board Leadership Structure**

Our Board of Directors has the responsibility for selecting the appropriate leadership structure for the Company. In making leadership structure determinations, the Board of Directors considers many factors, including the specific needs of the business and what is in the best interests of the Company's stockholders. Our current leadership structure is comprised of a combined Chairman of the Board and Chief Executive Officer ("CEO"), Mr. Cowart. The Board of Directors believes that this leadership structure is the most effective and efficient for the Company at this time. Mr. Cowart possesses detailed and in-depth knowledge of the issues, opportunities, and challenges facing the Company, and is thus best positioned to develop agendas that ensure that the Board of Directors' time and attention are focused on the most critical matters. Combining the Chairman of the Board and CEO roles promotes decisive leadership, fosters clear accountability and enhances the Company's ability to communicate its message and strategy clearly and consistently to our stockholders, particularly during periods of turbulent economic and industry conditions.

**Risk Oversight**

Effective risk oversight is an important priority of the Board of Directors. Because risks are considered in virtually every business decision, the Board of Directors discusses risk throughout the year generally or in connection with specific proposed actions. The Board of Directors' approach to risk oversight includes understanding the critical risks in the Company's business and strategy, evaluating the Company's risk management processes, allocating responsibilities for risk oversight among the full Board of Directors, and fostering an appropriate culture of integrity and compliance with legal responsibilities.

The Board of Directors exercises direct oversight of strategic risks to the Company. The Audit Committee reviews and assesses the Company's processes to manage business and financial risk and financial reporting risk. It also reviews the Company's policies for risk assessment and assesses steps management has taken to control significant risks. The Compensation Committee oversees risks relating to compensation programs and policies. In each case management periodically reports to our Board or relevant committee, which provides guidance on risk assessment and mitigation. The Related Party Transaction Committee is charged with the review and pre-approval of any and all related party transactions, including between Vertex and Vertex LP, Mr. Cowart, or any other company or individual which may be affiliated with Mr. Cowart (the Company's committees are described in greater detail below).

#### **Director Independence**

The Over-The-Counter Bulletin Board does not have rules regarding director independence. The Company will seek to appoint independent Directors, if and when it is required to do so.

#### **Family Relationships**

There are no family relationships among our Directors.

#### **Involvement in Certain Legal Proceedings**

None of our Directors have been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

#### **Board of Directors Meetings**

The Company had six official meetings of the Board of Directors of the Company during the last fiscal year ending December 31, 2010. Each member of the Company's Board of Directors is encouraged, but not required to attend shareholder meetings.

#### **Significant Employees:**

##### ***Greg Wallace – Vice President of Refining and Marketing***

Mr. Wallace provides Vertex with over 17 years of experience in the petroleum and chemicals trading industry. Mr. Wallace manages several departments for Vertex LP, including processing, used oil recovery technology, purchasing and selling of various petrochemical products, and transportation of lube oils and solvents. Prior to joining Vertex LP in 2005, Mr. Wallace was President of TRW Trading, a company that he co-founded in 2001. Mr. Wallace has served in various management roles ranging from marketing a variety of gasoline blendstocks, various solvents, waste recycling, hazardous/non-hazardous handling, and then later becoming qualified to perform oil spill prevention and response. Mr. Wallace began his petrochemical career with Valley Solvents & Chemicals, where he served as project General Manager responsible for sourcing used feedstocks and selling products into favorable markets.

**John Strickland - Manager Of Supply**

Mr. Strickland serves as the Manager of Supply of Vertex. Mr. Strickland joined Vertex LP in late 2007 where he currently serves as the Manager of Supply. Mr. Strickland has over 21 years experience in management roles of developing companies in the recycling of used oils and the fuel blending business. In his various positions, he has developed used oil collection fleets, environment services (non-hazardous), Terminal business of #6-oil from water ports and helped develop software for used oil collection fleets. Mr. Strickland was the General Manager of Texpar Energy inc. from 1999 to 2003 and Special Project Manager for Texpar Energy, L.L.C. from 2004 to 2007. From 1986 to 1999, he was the General Manager and Vice- President of Sellers Oil Inc., then one of the largest recycling and fuel marketers of used oil and #6-fuel oil in the southeast.

**Related Party Transaction Committee**

We have formed a Related Party Transaction Committee (the Related Party Transaction Committee). The Related Party Transaction Committee is chaired by Mr. Phillips and includes Mr. Borgen and Mr. Pimentel. The Related Party Transaction Committee is required to include at least two "independent directors" (defined to mean any individual who does not beneficially own more than 5% of the outstanding voting shares of Vertex, is not employed by, or an officer of, Vertex or any entity related to Benjamin P. Cowart, is not a director or manager of any such company, is not a family member of Mr. Cowart, and would qualify as an "Independent Director" as defined in the rules and regulations of the New York Stock Exchange). This Related Party Transaction Committee is charged with the review and pre-approval of any and all related party transactions, including between Vertex and Vertex LP, Mr. Cowart, or any other company or individual which may be affiliated with Mr. Cowart.

**Compensation Committee**

The Company's Board of Directors has appointed a Compensation Committee, chaired by Mr. Borgen and includes Mr. Phillips, and Mr. Lee.

**Audit Committee**

The Company's Board of Directors has appointed an Audit Committee, chaired by Mr. Stratton and includes Mr. Pimentel, Mr. Borgen and Mr. Phillips.

**Nominating Committee**

The Company does not have a Nominating Committee. Furthermore, the Company does not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for Directors. The Board of Directors believes that, given the stage of our development, a specific nominating policy would be of little assistance until our business operations develop to a more advanced level. Our Company does not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and we do not have any specific process or procedure for evaluating such nominees. The Board of Directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

A shareholder who wishes to communicate with our Board of Directors may do so by directing a written request addressed to our President and Director, at the address appearing on the first page of this Report.

The Company promotes accountability for adherence to honest and ethical conduct; endeavors to provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the Securities and Exchange Commission (the "SEC") and in other public communications made by the Company; and strives to be compliant with applicable governmental laws, rules and regulations. The Company has formally adopted a written code of ethics, which is incorporated by reference herein as Exhibit 14.1.

### Compensation of Officers and Directors

In consideration for agreeing to serve as a director of Vertex, on May 16, 2008 each of Messrs. Borgen, Lee and Phillips were granted an option to acquire up to 20,000 shares of Vertex's common stock at an exercise price of \$1.20 per share. The options expire if unexercised on the earlier of (a) the tenth anniversary of the grant date or (b) three months after the termination of the director's service to Vertex. The options vest at the rate of 25% of the total options per year on each annual anniversary of the grant date, assuming that the director is continuing to provide services to Vertex on such date. The options also contain a cashless exercise provision.

In connection with the Merger, Vertex entered into an employment agreement with Benjamin P. Cowart pursuant to which Mr. Cowart serves as its Chief Executive Officer for a term of five years at a base salary of \$190,000 per year (which was increased to \$215,000 per year effective January 1, 2011), and a bonus payment (to be determined in the sole discretion of Vertex's compensation committee), as described in greater detail above.

Effective July 15, 2009, the Company's Board of Directors approved the Company's 2009 Stock Incentive Plan and the grant of an aggregate of 815,000 stock options to certain employees, Directors and officers of the Company. The Company's 2009 Stock Incentive Plan (the "2009 Plan"), was approved on July 14, 2010 by a majority of our shareholders, and allows the Board of Directors to grant up to an aggregate of 1,575,000 qualified and non-qualified stock options, restricted stock and performance based awards of securities to the Company's officers, Directors and consultants to help attract and retain qualified Company personnel.

Pursuant to and in connection with the 2009 Plan, the Board of Directors granted an aggregate of 315,000 incentive stock options to certain of the Company's employees in consideration for services rendered and to be rendered to the Company (the "Employee Options"). Included in the Employee Option grants were the grant of options to purchase 25,000 shares to Chris Carlson, the Chief Financial Officer, Secretary and Vice President of the Company; and options to purchase 50,000 shares to Matthew Lieb, the Chief Operating Officer of the Company.

The Board of Directors also approved the grant of non-qualified stock options to purchase 100,000 shares to Christopher Stratton, our former Chief Financial Officer, pursuant to the 2009 Plan and contingent upon Mr. Stratton's acceptance of Mr. Stratton's terms of employment as Chief Financial Officer, which were subsequently accepted by Mr. Stratton (the "Stratton Options").

Additionally, pursuant to and in connection with the 2009 Plan, the Board of Directors granted an aggregate of non-qualified stock options to purchase 320,000 shares to the Company's Directors as follows in consideration for services rendered and to be rendered to the Company (the "Director Options," and collectively with the Employee Options, and the Stratton Options, the "Employee and Director Options"):

Dan Borgen, Director	80,000 options
Ingram Lee, Director	80,000 options
David Phillips, Director	80,000 options
John Pimentel, Director	80,000 options

Finally, the Board of Directors granted Benjamin P. Cowart, the Chief Executive Officer, President, Chairman of the Board of Directors and largest shareholder of the Company non-qualified stock options to purchase 80,000 shares in consideration for services rendered and to be rendered to the Company (the "Cowart Options") and together with the Employee and Director Options, the "Options").

The Employee and Director Options were granted at an exercise price of \$0.45 per share, which represented the mean between the highest and lowest quoted selling prices of the Company's common stock on the grant date (July 15, 2009)(the "Mean Selling Price"). The Cowart Options have an exercise price of \$0.50, which represents greater than 110% of the Mean Selling Price, as required by the 2009 Plan, as Mr. Cowart is a greater than 10% shareholder of the Company.

All of the Options vest at the rate of ¼ of each grantee's options per year on the anniversary date of such grants, subject to accelerated vesting in the event of a change of control of the Company, and expire upon the earlier of (a) 90 days following the termination of their employment (or in the case of a Director, such Director's appointment) with the Company; and (b) ten years from the grant date in the case of the Employee and Director Options and five years from the grant date in connection with the Cowart Options, as otherwise provided in the option agreements evidencing each grant.

Vertex has entered into an executive employment agreement with Mr. Lieb, pursuant to which he will serve as Vertex's Chief Operating Officer, as described above, and Mr. Wallace, pursuant to which he will serve as the Company's Vice President of Refining and Marketing, as described below.

#### **Employment Agreements**

Mr. Cowart's compensation package includes (1) a base salary of \$190,000 per year (which was increased to \$215,000 per year effective January 1, 2011), subject to annual increases as determined in the sole discretion of the compensation committee of Vertex's board of directors, and (2) a bonus payment determined in the sole discretion of the compensation committee. Mr. Cowart will also be eligible to participate in Vertex's stock option plan and other benefit plans. Vertex may terminate Mr. Cowart's employment for "cause" (which is defined to include, among other things, a material breach of the agreement by Mr. Cowart). Mr. Cowart may terminate his agreement upon delivery to Vertex of written notice of termination for any reason, including "good reason," which is defined to include, among other things, a material breach of the agreement by Vertex, or a modification of Mr. Cowart's duties such that they are inconsistent with the position and title of Chief Executive Officer.

Upon termination of the agreement on the five-year anniversary thereof, or for "cause," Mr. Cowart will be entitled to any salary accrued through such termination date, as well as any other benefits to which he may be entitled under any stock plan or other benefit plan that Vertex maintains. If such agreement is terminated without "cause" or Mr. Cowart resigns for "good reason," Mr. Cowart will be entitled to continue to receive his salary then in effect for a period of six months following the date of termination.

Pursuant to the agreement, as long as Mr. Cowart is employed thereunder and for a period of six months thereafter, he may not engage or participate in any business that is in competition in any manner whatsoever with Vertex's business (as presently or hereafter conducted), subject to certain exceptions.

Although Mr. Cowart will be prohibited from competing with Vertex while he is employed with Vertex he will only be prohibited from competing for six months after his employment with Vertex ends. Additionally, none of Mr. Cowart's affiliated companies, including Vertex LP, will be prohibited from competing with Vertex following the closing of the merger. Accordingly, Mr. Cowart or these entities could be in a position to use industry experience gained while working with Vertex to compete with Vertex.



With an effective date of April 16, 2009, Vertex entered into an employment agreement with Matthew Lieb. Pursuant to the terms of the employment agreement, Mr. Lieb is to serve as the Chief Operating Officer of Vertex, for a term of four years, renewable for additional one year periods thereafter. Pursuant to the employment agreement, so long as Mr. Lieb is employed by Vertex and for 12 months following the termination of his employment, Mr. Lieb is prohibited from competing with Vertex. Pursuant to the employment agreement, Mr. Lieb was to receive a salary of \$150,000 per year, which was amended, effective in February 2011 to provide for a salary of \$75,000 per year.

If Mr. Lieb's employment agreement is terminated without cause by the Company or for good reason by such executive, he is to receive severance pay equal to three months of salary during the first 12 months of the term of the agreement and six months following the initial 12 month term. If his employment is terminated for any other reason, he is to receive any compensation earned as of the termination date.

Mr. Lieb was also granted options in connection with the entry into his employment agreement. Mr. Lieb was granted an aggregate of options to purchase 200,000 shares, of which options to purchase 25,000 shares vested immediately and options to purchase 175,000 shares are to vest quarterly, at the rate of 10,937 per quarter, over the sixteen fiscal quarters following the first fiscal quarter after the effective grant date of the options, subject to acceleration and forfeiture as provided in the option agreement. The exercise price of the option grants was set by the Board of Directors, based on the closing bid price of Vertex's common stock on May 9, 2009, at \$0.50 per share, which includes the effects of the December 2008 1:10 reverse stock split of Vertex's common stock, which has been retroactively reflected herein.

On or around March 29, 2011, with an effective date of April 1, 2010, Vertex entered into an Employment Agreement with Chris Carlson, pursuant to which Mr. Carlson agreed to serve as the Chief Financial Officer of Vertex (the "Carlson Employment Agreement"). Mr. Carlson is to receive a base salary of \$175,000 annually beginning January 1, 2011 pursuant to the terms of the Carlson Employment Agreement and \$175,000 per year for each remaining twelve month period during the term of the agreement, which continues until April 1, 2015.

The Carlson Employment Agreement can be terminated by the Company for any reason, including for Cause" – defined as a vote by the Board of Directors of the Company that Mr. Carlson should be dismissed as a result of (i) the commission of any act by Mr. Carlson constituting financial dishonesty against the Company (which act would be chargeable as a crime under applicable law); (ii) Carlson engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment, which, as determined in good faith by the Board of Directors is reasonably likely to: (A) materially adversely affect the business or the reputation of the Company with its current or prospective customers, suppliers, lenders and/or other third parties with whom it might do business; or (B) negligently expose the Company to a risk of civil or criminal legal damages, liabilities or penalties; (iii) the repeated failure by Mr. Carlson to follow the directives of the Board of Directors; or (iv) Mr. Carlson's inadequate performance of his duties to the Company, if not cured within thirty days of notice from the Company.

The Carlson Employment Agreement can be terminated by Mr. Carlson for any reason, including Good Reason", which is defined as (i) the assignment to Mr. Carlson of any duties materially inconsistent with Mr. Carlson's positions, duties, authority, responsibilities and reporting requirements as provided in the Carlson Employment Agreement; or (ii) the Company or the Board of Directors taking any action which would require Mr. Carlson to be based outside of Houston, Texas, subject to the exclusions described in further detail in the Carlson Employment Agreement.

If Mr. Carlson's Employment Agreement is terminated without cause by the Company or terminated by such executive for good cause, he is to receive severance pay equal to three months of salary. If his employment is terminated for any other reason, he is to receive any compensation earned as of the termination date. Additionally, Mr. Carlson agreed that he would not directly or indirectly, compete with the Company for a period of six months following the termination of his employment with the Company as an employee, employer, consultant, agent, investor, principal, partner, stockholder, corporate officer or director of any entity (except as provided in the Carlson Employment Agreement).

On or around February 22, 2010, with an effective date of April 16, 2009 (the date the Merger closed), Vertex entered into an Employment Agreement with Greg Wallace, pursuant to which Mr. Wallace agreed to serve as the Vice President of Refining and Marketing of Vertex (the "Wallace Employment Agreement"). The Wallace Employment Agreement incorporated certain terms and conditions of a pre-existing employment agreement between Mr. Wallace and Vertex LP. The Wallace Employment Agreement remains in effect until July 14, 2013, unless terminated earlier as described below. Mr. Wallace is to receive a base salary of \$125,000 for the twelve month period ending April 15, 2010 pursuant to the terms of the Wallace Employment Agreement and \$135,000 per year for each remaining twelve month period during the term of the agreement. Mr. Wallace also received stock options to purchase an aggregate of 100,000 shares of common stock of the Company at \$0.45 per share, vesting at the rate of  $\frac{1}{4}$  of such options per year, which were granted to Mr. Wallace on July 15, 2009, and stock options to purchase an aggregate of 124,000 shares of the Company's common stock at an exercise price of \$1.20 per share, vesting at the rate of  $\frac{1}{4}$  of such options per year, which were granted to Mr. Wallace on May 16, 2008, which options are subject to the terms and conditions of the Stock Option Agreements evidencing such grants.

The Wallace Employment Agreement can be terminated by the Company for any reason, including for Cause" – defined as a vote by the Board of Directors of the Company that Mr. Wallace should be dismissed as a result of (i) the commission of any act by Mr. Wallace constituting financial dishonesty against the Company (which act would be chargeable as a crime under applicable law); (ii) Wallace's engaging in any other act of dishonesty, fraud, intentional misrepresentation, moral turpitude, illegality or harassment, which, as determined in good faith by the Board of Directors is reasonably likely to: (A) materially adversely affect the business or the reputation of the Company with its current or prospective customers, suppliers, lenders and/or other third parties with whom it might do business; or (B) negligently expose the Company to a risk of civil or criminal legal damages, liabilities or penalties; (iii) the repeated failure by Mr. Wallace to follow the directives of the Board of Directors; or (iv) Mr. Wallace's inadequate performance of his duties to the Company, if not cured within thirty days of notice from the Company.

The Wallace Employment Agreement can be terminated by Mr. Wallace for any reason, including Good Reason", which is defined as (i) the assignment to Mr. Wallace of any duties materially inconsistent with Mr. Wallace's positions, duties, authority, responsibilities and reporting requirements as provided in the Wallace Employment Agreement; or (ii) the Company or the Board of Directors taking any action which would require Mr. Wallace to be based outside of Houston, Texas, subject to the exclusions described in further detail in the Wallace Employment Agreement.

In the event the Wallace Employment Agreement is terminated by the Company for Cause, or by reason of Mr. Wallace's death, or if Mr. Wallace terminates the Wallace Employment Agreement for any reason other than Good Reason, Mr. Wallace is due any and all salary and other compensation earned by him as of the date of termination. In the event the Wallace Employment Agreement is terminated other than for Cause by the Company, by reason of Mr. Wallace's disability, or by Mr. Wallace for Good Reason, Mr. Wallace is due severance pay equal to 10 weeks salary, if the termination occurs prior to June 30, 2010; and equal to 10 weeks of severance pay, plus two additional weeks of severance pay for each year that has past since June 30, 2010. Additionally, Mr. Wallace agreed that he would not directly or indirectly, compete with the Company for a period of six months following the termination of his employment with the Company as an employee, employer, consultant, agent, investor, principal, partner, stockholder (except as provided in the Wallace Employment Agreement), corporate officer or director of any entity.

The description of the various employment agreements described above are subject in all respects to the actual terms and conditions of such agreements.

**SECTION 16 (A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10% of a class of our equity securities which are registered under the Exchange Act of 1934, as amended, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes of ownership of such registered securities. Such executive officers, directors and greater than 10% beneficial owners are required by Commission regulation to furnish us with copies of all Section 16(a) forms filed by such reporting persons.

To our knowledge, based solely on a review of the copies of such reports furnished to us Benjamin P. Cowart, Christopher Stratton, Matthew Lieb, Chris Carlson, John Pimentel, Dan Borgen, David L. Phillips, and Ingram Lee, are currently subject to Section 16(a) filing requirements and have made their required filings with the Commission.

**Item 11. Executive Compensation**

The following table sets forth information concerning the compensation of our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, which represent the Company's principal executive officer (the Chief Executive Officer), and the Company's two most highly compensated officers other than the principal executive officer:

**SUMMARY COMPENSATION TABLE(1)**

<u>Name and principal position</u>	<u>Year Ended December 31,</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>All other Compensation (\$)</u>	<u>Total (\$)</u>
<b>Benjamin P. Cowart</b> Chairman and CEO	2010	\$ 202,132	\$ 0	\$ 0	\$ 7,200	\$ 0	\$ 209,332
	2009	\$ 146,520(5)	\$ 38,000(4)	\$ 0	\$ 3,600(2)	\$ 0	\$ 188,120
<b>Matthew Lieb</b> Chief Operating Officer, Former Chief Operating Officer of World Waste (3)	2010	\$ 155,769	\$ 9,731(7)	\$ 0	\$ 23,002	\$ 0	\$ 188,502
	2009	\$ 113,077(5)	\$ 17,500(4)	\$ 0	\$ 23,932(2)	\$ 0	\$ 154,509
<b>Christopher Stratton</b> Former Chief Financial Officer (6)	2010	\$ 94,154	\$ 0	\$ 0	\$ 9,000	\$ 0	\$ 103,154
	2009	\$ 78,277(5)	\$ 7,500(4)	\$ 0	\$ 4,500(2)	\$ 0	\$ 90,287
<b>Chris Carlson</b> Chief Financial Officer, Vice President and Secretary (6)	2010	\$ 123,830	\$ 38,901(7)	\$ 0	\$ 17,092	\$ 0	\$ 179,823
	2009	\$ 74,727(5)	\$ 25,000(4)	\$ 0	\$ 29,160(2)	\$ 0	\$ 128,887
<b>Greg Wallace</b> Vice President of Refining and Marketing	2010	\$ 159,842	\$ 48,151(7)	\$ 0	\$ 22,146	\$ 0	\$ 230,139
	2009	\$ 72,189(5)	\$ 25,000(4)	\$ 0	\$ 29,332(2)	\$ 0	\$ 126,521

(1) Does not include perquisites and other personal benefits in amounts less than 10% of the total annual salary and other compensation. No executive officer of the Company received any Non-Equity Incentive Plan Compensation or Nonqualified Deferred Compensation Earnings during the periods presented. The Company was formed as a Nevada corporation on May 14, 2008. As a result of the Merger which closed on April 16, 2009, as the successor entity of World Waste (as described in greater detail above), we assumed World Waste's filing obligations with the Securities and Exchange Commission. As such, the information in the table above for the year ended December 31, 2009, relates to compensation paid to officers of the Company following the Merger.

(2) Represents the fair value of the grant of certain options to purchase shares of our common stock from fiscal 2009 (and World Waste common stock for fiscal 2008 and 2007) calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.

(3) Mr. Lieb served as the Chief Operating Officer of World Waste until April 16, 2009, the effective date of the Merger, at which time he began working for the Company as its Chief Operating Officer.

(4) Represents 2009 bonus amounts that were accrued for as of December 31, 2009 and paid during 2010.

(5) Represents 2009 compensation received subsequent to the effective date of the merger on April 16, 2009.

(6) Effective August 24, 2009, Christopher Stratton, was appointed as the Chief Financial Officer of the Company. Effective June 5, 2010, Christopher Stratton resigned as Chief Financial Officer of Vertex Energy, Inc. and Chris Carlson was appointed as Chief Financial Officer of the Company to fill the vacancy left by Mr. Stratton's resignation.

(7) Represents 2010 bonus amounts that have been accrued for as of December 31, 2010, but subsequently paid in 2011.

**Board of Directors Compensation:**

The following table sets forth summary information concerning the compensation we paid to directors during the year ended December 31, 2010:

<u>NAME (1)</u>	<u>FEES EARNED OR PAID IN CASH (\$)</u>	<u>OPTION AWARDS (\$)</u>	<u>TOTAL (\$)</u>
David Phillips	15,000	9,433 (2)	24,433
Dan Borgen	15,000	9,433 (2)	24,433
Ingram Lee	10,000	9,320 (2)	19,320
John Pimentel	15,500	7,200 (2)	22,700
Christopher Stratton	4,000	9,000	13,000

No Director received any Stock Awards, Non-Equity Incentive Plan Compensation, Nonqualified Deferred Compensation Earnings or other compensation during the fiscal year ended December 31, 2010.

(1) Mr. Cowart did not receive any compensation separate from the consideration he received as an officer of the Company for the year ended December 31, 2010 in consideration for his service to the Board as a Director of the Company.

(2) Represents the fair value of the grant of certain options to purchase shares of our common stock calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END (1)**

Name	Number of securities underlying unexercised options (#) Exercisable	Equity Incentive Plan Awards:		Equity Incentive Plan Awards: Number of Securities underlying unexercised unearned options (#)	Option price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity	Equity
		Number of securities underlying unexercised options (#) Unexercisable	Number of securities underlying unexercised options (#)						incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	incentive plan awards: Market or payout value of unearned other rights that have not vested
Benjamin P. Cowart CEO Ingram Lee	20,000	-		60,000	\$0.50	7/15/14	-	-	-	-
Treasurer Ingram Lee	10,000	-		10,000	\$1.20	5/16/18	-	-	-	-
Treasurer Chris Carlson CFO and Secretary	20,000	-		60,000	\$0.45	7/15/19	-	-	-	-
Chris Carlson CFO and Secretary Matthew Lieb	70,000	-		70,000	\$1.20	5/16/18	-	-	-	-
Matthew Lieb COO	6,250	-		18,750	\$0.45	7/15/19	-	-	-	-
Matthew Lieb COO	112,504	-		87,496	\$0.50	1/28/19	-	-	-	-
Matthew Lieb COO	12,500	-		37,500	\$0.45	7/15/19	-	-	-	-
Matthew Lieb COO	40,000	-		-	\$14.20	5/21/17	-	-	-	-

(1) The table above only includes equity awards granted in consideration for services rendered by the named executives disclosed above, and does not include any warrants granted in connection with the closing of the Merger as otherwise disclosed herein.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and related Stockholder Matters**

The following table sets forth certain information regarding the beneficial ownership of Vertex's capital stock as of March 31, 2011 by (i) each person who is known by Vertex to own beneficially more than five percent (5%) of Vertex's outstanding voting stock; (ii) each of Vertex's Directors; (iii) each of Vertex's executive officers; and (iv) all of Vertex's current executive officers and Directors as a group. As of March 31, 2011, 8,452,169 shares of Vertex common stock were issued and outstanding and 4,634,396 shares of Series A Preferred Stock (which each vote one voting share on shareholder matters) were issued and outstanding for 13,086,565 total voting shares. There were also 600,000 shares of Series B Preferred Stock issued and outstanding, which shares have no voting rights (other than on matters concerning the Series B Preferred Stock).

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and/or investing power with respect to securities. Vertex believes that, except as otherwise noted and subject to applicable community property laws, each person named in the following table has sole investment and voting power with respect to the shares of common stock shown as beneficially owned by such person.

Shareholder Name	Number of Shares Beneficially Owned	Percent (1)
<b>Benjamin P. Cowart</b> Chief Executive Officer and Chairman	4,926,325(a)	35.8%
<b>Chris Carlson</b> CFO, Vice President and Secretary	409,846(b)	3.1%
<b>John Pimentel</b> Director	483,029(c)	3.6%
<b>Ingram Lee</b> Treasurer and Director	247,755(d)	1.8%
<b>Dan Borgen</b> Director	30,000(e)	*
<b>David Phillips</b> Director	30,000(f)	*
<b>Christopher Stratton</b> Former Chief Financial Officer	25,000(g)	*
<b>Matthew Lieb</b> Chief Operating Officer	140,004(h)	1.0%
<b>Trellus Management Company, LLC</b> (i) 350 Madison Avenue, 8th Floor New York, New York 10017	1,881,627(j)	12.6%
<b>Total Officers and Directors</b> <b>(8 Persons)</b>	<b>6,357,431</b>	<b>48.6%</b>

\* Indicates beneficial ownership of less than 1% of the total outstanding common stock.

(1) Based on 8,452,169 shares of Vertex common stock issued and outstanding and 4,634,396 shares of Series A Preferred Stock issued and outstanding (which each vote one voting share on shareholder matters) totaling 13,086,565 voting shares. Additionally, shares of common stock subject to options, warrants or other convertible securities that are currently exercisable or convertible, or exercisable or convertible within 60 days of March 31, 2010, are deemed to be outstanding and to be beneficially owned by the person or group holding such options, warrants or other convertible securities for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group. Unless otherwise indicated, the address for each of the officers or Directors listed in the table above is 1331 Gemini Street, Suite 250, Houston, Texas 77058.

(a) Includes 55,311 shares held by VTX, Inc., which Mr. Cowart serves as President of and is deemed to beneficially own (VTX). Also includes warrants to purchase an aggregate of 7,614 shares of the Company's common stock held by VTX, at various exercise prices from \$1.55 to \$37.00 per share, and with various expiration dates from between May 1, 2011 and February 26, 2018, granted to VTX, as a Partner of Vertex LP, for consideration in connection with the Merger (as described above)(the "Make-Whole Warrants"). Also includes Make-Whole Warrants to purchase an aggregate of 643,912 shares of our common stock held personally by Mr. Cowart. Also includes options to purchase 20,000 shares of the Company's common stock at an exercise price of \$0.50 per share. Does not include options to purchase 60,000 shares of the Company's common stock at an exercise price of \$0.50 per share, which options have not vested to Mr. Cowart to date. Does not include 3,871,887 voting shares subject to voting agreements entered into with various shareholders of Vertex, which allow Mr. Cowart to appoint four of the Company's Directors (the Company is currently in the process of amending such voting agreements to provide for Mr. Cowart to appoint five of the Company's six directors) and which voting agreements remain in effect until April 16, 2012, as such voting agreements only provide Mr. Cowart the right to appoint Directors of the Company and do not otherwise provide him the right to vote or dispose of the shares underlying such agreements.

(b) Includes Make-Whole Warrants to purchase 40,352 shares of our common stock, options to purchase 70,000 shares of the Company's common stock at an exercise price of \$1.20 per share, and options to purchase 6,250 shares of the Company's common stock at an exercise price of \$0.45 per share. Does not include options to purchase 70,000 shares of the Company's common stock at an exercise price of \$1.20 per share, or options to purchase 18,750 shares of the Company's common stock at an exercise price of \$0.45 per share which options have not vested to Mr. Carlson to date.

(c) Includes 35,000 shares held by Mr. Pimentel's wife, 3,030 shares of the Company's Series A Preferred Stock, and options to acquire 125,000 shares of our common stock at exercise prices between \$1.55 and \$14.20 per share. Includes 200,000 options to purchase shares of our common stock at an exercise price of \$0.50 per share and 20,000 options to purchase shares of our common stock at an exercise price of \$0.45 per share. Does not include options to purchase 60,000 shares of the Company's common stock at an exercise price of \$0.45 per share, which options have not vested to Mr. Pimentel to date.

(d) Includes 182,622 shares owned by PTI, Inc., which are beneficially owned by Mr. Lee (PTI) and 10,000 shares owned by Mr. Lee. Also includes Make-Whole Warrants to purchase 25,133 shares of our common stock owned by PTI, options to purchase 10,000 shares of the Company's common stock at an exercise price of \$1.20 per share, and options to purchase 20,000 shares of the Company's common stock at an exercise price of \$0.45 per share. Does not include options to purchase 5,000 shares of the Company's common stock at an exercise price of \$1.20 per share, or options to purchase 60,000 shares of the Company's common stock at an exercise price of \$0.45 per share, which options have not vested to Mr. Lee to date.

(e) Includes options to purchase 10,000 shares of the Company's common stock at an exercise price of \$1.20 per share and options to purchase 20,000 shares of the Company's common stock at an exercise price of \$0.45 per share. Does not include options to purchase 10,000 shares of the Company's common stock at an exercise price of \$1.20 per share, or options to purchase 60,000 shares of the Company's common stock at an exercise price of \$0.45 per share, which options have not vested to Mr. Borgen to date.



(f) Includes options to purchase 10,000 shares of the Company's common stock at an exercise price of \$1.20 per share and options to purchase 20,000 shares of the Company's common stock at an exercise price of \$0.45 per share. Does not include options to purchase 10,000 shares of the Company's common stock at an exercise price of \$1.20 per share, or options to purchase 60,000 shares of the Company's common stock at an exercise price of \$0.45 per share which options have not vested to Mr. Phillips to date.

(g) Includes options to purchase 25,000 shares of the Company's common stock at an exercise price of \$0.45 per share. Does not include options to purchase 75,000 shares of the Company's common stock at an exercise price of \$0.45 per share, which options have not vested to Mr. Stratton to date.

(h) Includes options to purchase 40,000 shares of our common stock at an exercise price of \$14.20 per share and options to purchase 87,504 shares of our common stock at an exercise price of \$0.50 per share and options to purchase 12,500 shares of our common stock at an exercise price of \$0.45 per share. Does not include options to purchase 112,496 shares of the Company's common stock at an exercise price of \$0.50 per share, or options to purchase 37,500 shares of the Company's common stock at an exercise price of \$0.45 per share which options have not vested to Mr. Lieb to date.

(i) Represents shares beneficially owned by Trellus Offshore Fund Limited, Trellus Partners, II and Trellus Partners, LP, which are beneficially owned by Trellus Management Company, LLC (collectively "Trellus"). Pursuant to the terms of the Series A Preferred Stock, holders of such securities are not able to convert such securities into common stock if they would hold more than 4.99% of the Company's outstanding common stock following such conversion.

(j) Includes 1,841,625 shares of Series A Preferred Stock of the Company.

### **Item 13. Certain relationships and related Transactions, and Director Independence**

In January 2011, affiliates of Trellus Management Company, LLC exercised warrants to purchase 40,000 shares of the Company's common stock, in consideration for \$4,000 being paid in connection with the exercise of such warrants (which had an exercise price of \$0.10 per share).

In June 2010, the Company received \$150,000 in cash in connection with the sale of 150,000 Units (described above) to KKB Holdings LLC, a Limited Liability Company which is owned by a Family Trust, which are beneficially owned by family members of Dan Borgen who is a Director of the Company (it was previously incorrectly reported in the Company's June 30, 2010 Form 10-Q that Mr. Borgen controls KKB Holdings LLC, whereas he is only a member and President of such entity).

*The following information describes various related parties and affiliates of Vertex, VTX, Inc., which is wholly-owned by Mr. Cowart, the Chief Executive Officer and Chairman of Vertex, who is the general partner of all of the entities described below.*

#### **Vertex Holdings (Vertex LP)**

Vertex sub-leases office space from Vertex LP at its current principal executive office located at 1331 Gemini St., Suite 250, Houston, Texas 77058. The office rent is approximately \$6,629 per month for 3,250 square feet, and the facility lease expires in June 2012.

#### **CrossRoad Carriers (“CRC”)**

CRC is a transportation company engaged in the transporting of petroleum fuels, bio fuels, and chemicals, and is 95.1% owned by Vertex LP and affiliated with Benjamin P. Cowart, Vertex’s Chairman and Chief Executive Officer, who serves as the general partner of CRC through VTX, Inc., an entity owned by Mr. Cowart. CRC provides transport services for Vertex LP and Vertex as well as for various third parties. The total costs and terms associated with the transportation fees that CRC charges Vertex are substantially similar to the terms granted to CRC’s other clients (including Vertex LP), which Vertex believes approximate current market rates.

Approximately 60% of feedstock that comes into Vertex is transported by CRC, and 85-90% of Vertex’s trucking needs are fulfilled by CRC.

#### **Vertex Recovery (“VR”)**

VR is a generator solutions company for the proper recycling and management of petroleum products, 92.5% owned by Vertex LP, whose general partner is VTX. VR receives used petroleum products from various third parties and generally works as a broker for used petroleum products. VR sells products to Vertex LP and/or acts as a broker in connection with sales. Approximately 25-35% (including H&H and H&H Baytown (described below)) of Vertex’s total feedstock come from VR.

VR’s established business practice is for Vertex to have the first option to accept or not to accept any feedstock streams which VR becomes aware of at the current market price.

VR is a “third party supplier” - a company that collects used petroleum products (“Feedstock”) from various Generators and then resells such feedstock. A “Generator” is any person or entity whose activity or process produces used oil or whose activity first causes used oil to be subject to regulation (for example, an automotive service center that performs oil changes). Vertex is not currently a Generator or a Third Party Supplier, but is only a purchaser of feedstock through VR and/or through alternative third party suppliers.

#### **H&H Oil (Austin, Texas) (“H&H”)**

H&H is a wholly-owned business unit of VR and is a used oil collection company. H&H sells product to Vertex and third parties. Historically, approximately 10% of Vertex’s feedstock has come from H&H, and approximately 40% of H&H’s feedstock has been sold to Vertex.

#### **H&H Oil (Baytown, Texas) (“H&H-Baytown”)**

H&H Baytown is a wholly-owned business unit of VR and is a used oil collection company. H&H Baytown sells product to Vertex. Historically, approximately 10% of Vertex’s feedstock has come from H&H Baytown, and approximately 65% of H&H-Baytown’s feedstock has been sold to Vertex.

### **H&H Oil (Corpus Christi, Texas) (“H&H-Corpus”)**

H&H Corpus is a wholly-owned business unit of VR and is a used oil collection company. H&H Corpus sells product to Vertex. Historically, approximately 1% of Vertex’s feedstock has come from H&H Corpus, and approximately 5% of H&H-Corpus’s feedstock has been sold to Vertex.

### **Cedar Marine Terminal (“CMT”)**

CMT is a marine terminal 99% owned by Vertex LP that is engaged in the storage and terminaling of petroleum fuels. CMT is contracted to store products for Vertex and Vertex LP, as well as third parties. CMT’s general partner is VTX.

Approximately 40% of Vertex’s feedstock is terminaled and stored at CMT. Historically, approximately 80% of the feedstock that is terminaled at CMT belongs to Vertex, with an additional approximately 10% owned by companies affiliated with Vertex LP. The remaining approximately 10% belongs to an unrelated third party.

CMT is the operator of our licensed “thermal/chemical extraction technology” - a process infrastructure located at the Cedar Marine Terminal, operated and managed by CMT, consisting of multiple tanks, associated piping and proprietary design and engineering for the thermal/chemical extraction of used motor oil. Vertex, pursuant to the Operating and Licensing Agreement described below, licensed the technology from CMT, at a price equal to the documented development costs plus 10%. CMT operates the actual thermal/chemical extraction process and Vertex pays them the operations cost plus 10%. Although it is currently anticipated that Vertex LP and Vertex will be the only entities using the thermal/chemical extraction technology, because the license will be non-exclusive, CMT may license the technology to other parties and/or sell the technology outright. CMT currently provides terminaling services to Vertex competitors and may increase the volume of such services in the future.

Additionally, pursuant to the Asset Transfer Agreement (described above) and the terms of the Merger, Vertex was required to pay \$1.6 million to Vertex LP, which has been paid to date.

### **Affiliated Employees**

Certain employees of Vertex spend a portion of their time working on behalf of companies that are affiliates of Mr. Cowart. These employees are not compensated by Vertex for any time dedicated to those companies.

### **Services Agreement**

In connection with the Merger, Vertex LP and Vertex entered into a Services Agreement (the “Services Agreement”). Pursuant to the Services Agreement, Vertex LP (through its various affiliates) agreed to perform services for Vertex, billed at the lesser of (a) the rates Vertex LP charges to non-affiliates, and (b) rates less than the amount Vertex LP charges to non-affiliates as mutually agreed between the parties, including the following:

- Transportation services through CrossRoad Carriers for the transportation of Vertex’s feedstock and refined and re-refined petroleum products;
- Environmental compliance and regulatory oversight services to be performed by VRM, and
- Terminaling services through CMT for the storage and loading out of feedstock by barge, unless such services are covered under a separate agreement entered into between the Parties.

The Services Agreement has a term of five (5) years, but can be terminated at any time with the mutual consent of both parties, with thirty days prior written notice in the event any provision of the agreement is breached, by the non-breaching party, or at any time with five (5) days written notice if Mr. Cowart is no longer employed by Vertex.

#### **Operating and Licensing Agreement**

Additionally, in connection with the Merger and effective as of the effective date of the Merger, CMT and Vertex entered into an Operating and Licensing Agreement (the "Operating Agreement"). Pursuant to the Operating Agreement, CMT agreed to provide services to Vertex in connection with the operation of the Terminal run by CMT, and the operations of and use of certain proprietary technology relating to the re-refining of certain oil feedstock referred to as its "Thermal/chemical extraction process" ("TCEP"), in connection with a Terminaling Agreement by and between CMT and Vertex. Additionally, Vertex has the right, following the payment of the R&D Costs (as defined below) to use the first 33,000 monthly barrels of the capacity of TCEP pursuant to the terms of the Operating Agreement, with CMT being provided the right to use the next 20,000 barrels of capacity and any additional capacity allocated pro rata (based on the percentages above), subject to separate mutually agreeable allocations.

The Operating Agreement has a term expiring on February 28, 2017, and can be terminated (a) by the mutual consent of both parties, (b) with thirty days prior written notice, if any term of the agreement is breached, by the non-breaching party, or (c) at any time after the R&D Costs (as defined below) are paid and Mr. Cowart's employment has been terminated by Vertex; provided that the parties intend for the rights granted pursuant to the License (defined below) to be perpetual.

In consideration for the services to be rendered pursuant to the Operating Agreement, Vertex agreed to pay CMT its actual costs and expenses associated with providing such services, plus 10%, subject to a maximum price per gallon of \$0.40, subject to TCEP meeting certain minimum volume requirements as provided in the agreement. The maximum price to be paid per gallon is subject to change based on the mutual agreement of both parties.

Pursuant to the Operating Agreement, Vertex also has the right to a non-revocable, non-transferable, royalty-free, perpetual (except as provided in the agreement) license to use the technology associated with the operations of TCEP in any market in the world (the "License"), provided that Vertex pays CMT the documented net development costs of TCEP, which we have fully paid for in the amount of \$2,019,904 to date (the "R&D Costs").

The License expires automatically in the event Vertex (i) becomes insolvent or takes any action which constitutes its admission of inability to pay its debts as they mature; (ii) makes an assignment for the benefit of creditors, files a petition in bankruptcy, petitions or applies to any tribunal for the appointment of a custodian, receiver or a trustee for it or a substantial portion of its assets; (iii) commences any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation or statute of any jurisdiction, whether now or hereafter in effect; (iv) has filed against it any such petition or application in which an order for relief is entered or which remains undismissed for a period of ninety (90) days or more; (v) indicates its consent to, approval of or acquiescence in any such petition, application, proceeding or order for relief or the appointment of a custodian, receiver or trustee for it or a substantial portion of its assets; or (vi) suffers any such custodianship, receivership or trusteeship to continue un-discharged for a period of ninety (90) days or more; or dissolves or winds up its assets.

## Right of First Refusal Agreement

Effective as of the date of the Merger, Vertex has the right, pursuant to a Right of First Refusal Agreement (the "Right of First Refusal Agreement"), to (a) match any third party offer to purchase Vertex LP, or any of its subsidiaries or assets (the "Property") within thirty (30) days of the date such offer is received by Vertex, and (b) following the expiration of eighteen (18) months following the effective date of the Merger, to purchase any of the Property at a price to be determined by an independent third-party evaluation expert mutually agreed upon by the parties. The Right of First Refusal Agreement, and the rights provided for therein remain in effect as long as Mr. Cowart is employed by Vertex.

## Related Party Transaction Committee

We have formed a Related Party Transaction Committee (the "Related Party Transaction Committee"). The Related Party Transaction Committee is chaired by Mr. Phillips and includes Mr. Borgen and Mr. Pimentel. The Related Party Transaction Committee is required to include at least two "independent directors" (defined to mean any individual who does not beneficially own more than 5% of the outstanding voting shares of Vertex, is not employed by, or an officer of, Vertex or any entity related to Benjamin P. Cowart, is not a director or manager of any such company, is not a family member of Mr. Cowart, and would qualify as an "Independent Director" as defined in the rules and regulations of the New York Stock Exchange). This Related Party Transaction Committee is charged with the review and pre-approval of any and all related party transactions, including between Vertex and Vertex LP, Mr. Cowart, or any other company or individual which may be affiliated with Mr. Cowart.

All of the transactions described above were approved and ratified by our Related Party Transaction Committee, after taking into account various factors, including the relationships of the related parties described above to the Company; the material facts underlying each transaction; the anticipated benefits to the Company and related costs associated with such benefits; whether comparable products or services were available; and the terms the Company could receive from an unrelated third party. Our Related Party Transaction committee will similarly review any related party transactions moving forward.

## Item 14. Principal Accounting Fees and Services

The Company appointed LBB & Associates Ltd., LLP as independent auditors to audit the consolidated financial statements of the Company for the fiscal years ended December 31, 2010 and December 31, 2009.

Following is a summary of the fees expensed relating to professional services rendered by the principal accountants for the fiscal years ended December 31, 2010 and December 31, 2009:

Fee Category	<u>2010 Fees</u>	<u>2009 Fees</u>
Audit Related Fees	\$ 77,120	\$ 54,915
All Other Fees	\$ -	\$ 9,625
Total Fees	<u>\$ 77,120</u>	<u>\$ 64,540</u>

## Item 15. Exhibits, Financial Statement Schedules

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
2.1(7)	Amended and Restated Agreement and Plan of Merger by and among World Waste Technologies, Inc., Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), Vertex Energy, Inc., Vertex Merger Sub, LLC and Benjamin P. Cowart
2.2(7)	Amendment No. 1, dated December 2008, to Amended and Restated Agreement and Plan of Merger by and among World Waste Technologies, Inc., Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), Vertex Energy, Inc., Vertex Merger Sub, LLC and Benjamin P. Cowart
2.3(7)	Amendment No. 2, dated December 2008, to Amended and Restated Agreement and Plan of Merger by and among World Waste Technologies, Inc., Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), Vertex Energy, Inc., Vertex Merger Sub, LLC and Benjamin P. Cowart
2.4(7)	Amendment No. 3, dated January 28, 2009, to Amended and Restated Agreement and Plan of Merger by and among World Waste Technologies, Inc., Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), Vertex Energy, Inc., Vertex Merger Sub, LLC and Benjamin P. Cowart
2.5(7)	Amendment No. 4, dated February 2, 2009, to Amended and Restated Agreement and Plan of Merger by and among World Waste Technologies, Inc., Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), Vertex Energy, Inc., Vertex Merger Sub, LLC and Benjamin P. Cowart
2.6(1)	Amendment No. 5, dated as of March 31, 2009, to Amended and Restated Agreement and Plan of Merger by and among World Waste Technologies, Inc., Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), Vertex Energy, Inc., Vertex Merger Sub, LLC and Benjamin P. Cowart.
3.1(2)	Articles of Incorporation (and amendments thereto) of Vertex Energy, Inc.
3.2(5)	Amended and Restated Certificate of Designation of Rights, Preferences and Privileges of Vertex Energy, Inc.'s Series A Convertible Preferred Stock.
3.3(2)	Withdrawal of Designation of the Company's Series B Preferred Stock
3.4(4)	Series B Convertible Preferred Stock Filing
3.5(2)	Bylaws of Vertex Energy, Inc.
4.1(2)	Vertex Energy, Inc., 2008 Stock Incentive Plan
4.2(3)	2009 Stock Incentive Plan of Vertex Energy, Inc.
10.1(2)	Asset Transfer Agreement
10.2(2)	Services Agreement
10.3(2)	Right of First Refusal Agreement
10.4(2)	Operating and Licensing Agreement
10.5(2)	Employment Agreement with Benjamin P. Cowart
10.6(2)	Employment Agreement with John Pimentel

10.7(2)	Employment Agreement with Matthew Lieb
10.8(2)	Letter Loan Agreement with Regions Bank
10.9(2)	Line of Credit with Regions Bank
10.10(2)	Security Agreement with Regions Bank
10.11(3)	Letter Agreement with Christopher Stratton
10.12(6)	Loan Agreement with Bank of America
10.13(6)	Security Agreement
10.14*(+)	Tolling (Processing) Agreement with KMTEX
10.15*(+)	First Amendment to Processing Agreement with KMTEX
10.16*	Form of Voting Agreement
10.17*	Form of Lock-Up Agreement
10.18*	Amended and Restated Employment Agreement with Chris Carlson
10.19*	First Amendment to Employment Agreement with Benjamin P. Cowart
10.20*	First Amendment to Employment Agreement with Matt Lieb
14.1(2)	Code of Ethics
16.1(2)	Letter from Stonefield Josephson, Inc.
21.1*	Subsidiaries
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.

31.2*	Certification of Acting Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1*	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act
32.2*	Certification of Acting Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act
99.1(2)	Audited Financial Statements of Vertex Holdings, L.P. formerly Vertex Energy, L.P. (certain assets, liabilities and operations related to its black oil division and certain assets, liabilities and operations of the refining and marketing division) for the years ended December 31, 2008 and 2007
99.2(2)	Unaudited Financial Statements of Vertex Holdings, L.P. formerly Vertex Energy, L.P. (certain assets, liabilities and operations related to its black oil division and certain assets, liabilities and operations of the refining and marketing division) for the three months ended March 31, 2009 and 2008
99.3(2)	Audited Financial Statements of Vertex Energy, Inc. as of December 31, 2008
99.4(2)	Unaudited Interim Financial Statements of Vertex Energy, Inc. for the three months ended March 31, 2009 and 2008
99.5(2)	Pro Forma Financial Statements of Vertex Energy, Inc.
99.6(2)	Glossary of Selected Terms

\* Filed herewith.

- (1) Filed as an exhibit to the registrant's Report on Form 8-K, filed with the Commission on April 8, 2009, and incorporated herein by reference.
  - (2) Filed as an exhibit to the registrant's Report on Form 8-K/A, filed with the Commission on June 26, 2009, and incorporated herein by reference.
  - (3) Filed as an exhibit to the registrant's Report on Form 8-K, filed with the Commission on July 31, 2009, and incorporated herein by reference.
  - (4) Filed as an exhibit to the registrant's Report on Form 8-K, filed with the Commission on January 14, 2010, and incorporated herein by reference.
  - (5) Filed as an exhibit to the registrant's Report on Form 8-K, filed with the Commission on July 16, 2010, and incorporated herein by reference.
  - (6) Filed as an exhibit to the registrant's Report on Form 8-K, filed with the Commission on September 24, 2010, and incorporated herein by reference.
  - (7) Filed as Appendix A to the Company's Definitive Schedule 14A Proxy Statement, filed with the Commission on February 6, 2009, and incorporated by reference herein.
- (+) Certain portions of these documents as filed herewith (which portions have been replaced by "X's") have been omitted in connection with a request for Confidential Treatment as submitted to the Commission in connection with this filing. This entire exhibit including the omitted confidential information has been filed separately with the Commission.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

**VERTEX ENERGY, INC.**

Date: March 31, 2011

By: /s/ Benjamin P. Cowart  
Benjamin P. Cowart  
Chief Executive Officer  
(Principal Executive Officer)

Date: March 31, 2011

By: /s/ Chris Carlson  
Chris Carlson  
Chief Financial Officer  
(Principal Financial Officer)

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Benjamin P. Cowart  
Benjamin P. Cowart  
Chief Executive Officer  
(Principal Executive Officer)  
and Chairman

By: /s/ Chris Carlson  
Chris Carlson  
Chief Financial Officer,  
(Principal Accounting Officer)

Date: March 31, 2011

Date: March 31, 2011

By: /s/ Ingram Lee  
Ingram Lee  
Director

By: /s/ Dan Borgen  
Dan Borgen  
Director

Date: March 31, 2011

Date: March 31, 2011

Christopher Stratton  
Director

Date: March 31, 2011



\*\*\*\*\*  
MATERIAL BELOW MARKED BY AN "X" HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THIS ENTIRE EXHIBIT INCLUDING  
THE OMITTED CONFIDENTIAL INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.  
\*\*\*\*\*

**KMTEX**  
**TOLLING AGREEMENT**

This Agreement effective July 1, 2009, is between KMCO Port Arthur, Inc. dba KMTEX, a Texas Corporation, having an office at 333 North Sam Houston Parkway, East, Suite 1250, Houston, Texas 77060 (hereafter called MANUFACTURER) and Vertex Energy, Inc., a Texas Corporation having an office at 200 Atlantic Pipeline Road, Baytown, TX 77520 (hereafter called CUSTOMER); also collectively referred to as the "Parties".

**RECITALS**

MANUFACTURER and CUSTOMER hereby desire to establish a relationship whereby MANUFACTURER shall provide certain Services for CUSTOMER in exchange for a fee from CUSTOMER in accordance with the terms and conditions set forth below.

**AGREEMENT**

The Parties, in consideration of the premises and the agreement contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

**ARTICLE I**  
**DEFINITIONS**

- Section 1.1 "Agreement" in this Tolling Agreement, and shall have the meaning ascribed to it in the preamble.
- Section 1.2 "CUSTOMER" shall have the meaning ascribed to it in the preamble.
- Section 1.3 "CUSTOMER Raw Materials" (aka Feed) means the Raw Materials specified in Attachment-A as supplied to MANUFACTURER by CUSTOMER.
- Section 1.4 "Effective Date" shall mean the date in the Preamble.
- Section 1.5 "Feed" means any and all products as listed in Attachment-A to be supplied by CUSTOMER in accordance with the specifications set forth in said attachment.
-

- Section 1.6 "Fees" shall mean all compensation for the Toll manufacture of the Finished Products including without limitation any and all costs related to (i) quality control, picking up, transporting and handling of the Raw Materials, (ii) conversion of Feed into Finished Product and, (iii) quality control, warehouse and handling of the Finished Products, under the schedule of fees shown in Attachment-D.
- Section 1.7 "Finished Products" means any and all products as listed in Attachment-B to be produced by MANUFACTURER in accordance with the specifications set forth in said attachment.
- Section 1.8 "HSE" or "SHE" means health, safety, and environment.
- Section 1.9 "Intermediates" shall mean the materials that are in the state of being processed by MANUFACTURER into Finished Products.
- Section 1.10 "Laws" means federal, state, and local rules, orders, laws, ordinances, and regulations applicable to any activities carried out under or incidental to the provisions of this Agreement and/or any amendments to it.
- Section 1.11 "MANUFACTURER" shall have the meaning ascribed to it in the preamble.
- Section 1.12 "MANUFACTURER'S Facility" means the MANUFACTURER'S facility located at 2450 S. Gulfway Dr, Port Arthur, Texas, which is to be utilized for the performance of Services hereunder.
- Section 1.13 "MSDS" means Material Safety Data Sheet.
- Section 1.14 "Manufacturer Supplied Materials" shall mean those materials supplied by MANUFACTURER as identified in Attachment A, Materials.
- Section 1.15 "Parties" shall have the meaning ascribed to it in the preamble.
- Section 1.16 "Reporting Procedures" means those procedures set out in Attachment-F.
- Section 1.17 "Services" shall mean the services MANUFACTURER provides or performs pursuant to this Agreement.
- Section 1.18 "Specification(s)" means the specifications for each Product covered in this Agreement. Specifications for CUSTOMER'S and MANUFACTURER'S Feed(s) is located in Attachment A. Specifications for Finished Product(s) is located in Attachment B.
- Section 1.19 "Terminalling" means handling and storage of Raw Materials, Intermediates, and/or Finished Products.
- Section 1.20 "Toll" or "Tolling" means to convert/process Raw Materials into Finished Products.
-

- Section 1.21 "Tolling Waste(s)" (aka Waste(s)) means any waste, as that term is defined under applicable Laws, resulting from the Tolling of CUSTOMERS Raw Materials into Finished Products under the Tolling Agreement.
- Section 1.22 Attachments:  
Attachment-A Raw Materials  
Attachment-B Finished Product  
Attachment-C Yields  
Attachment-D Fees & Quantities  
Attachment-E Energy Surcharge  
Attachment-F Reporting Procedures

**ARTICLE II**  
**TERM and TERMINATION**

- Section 2.1 This agreement commences on the Effective Date and its Initial Term shall expire on June 30, 2010, subject to the other provisions in this Agreement, or as otherwise agreed to by the Parties.
- Section 2.2 Each Party has the right to terminate this Agreement upon sixty (60) days prior written notice to the other Party. After termination or expiration, CUSTOMER's sole obligation shall be to purchase Finished Products which MANUFACTURER has completed for CUSTOMER and to pay for the return to CUSTOMER of CUSTOMER's Raw Materials in MANUFACTURER's possession. In no event shall either Party claim or receive actual, special, consequential or punitive damages, or anticipated profits for work not performed.
- Section 2.3 Each Party has the right to terminate this Agreement immediately (or suspend its performance) if either Party materially breaches a provision of this Agreement.
- Section 2.4 Upon the expiration date of the Initial Term, as described above, of this Agreement, the Agreement may be renewed and continue in full force and effect for an additional one (3) year period if both parties agree in writing.

**ARTICLE III**  
**QUANTITY**

- Section 3.1 MANUFACTURER agrees to Toll Raw Materials specified in Attachment-A, "Raw Materials", to the specified Finished Product specifications in Attachment-B, "Finished Product", up to the projected annual quantities estimated during the term of this contract as specified in Attachment-D, "Fees & Quantities".
-

Section 3.2 Estimated annual volumes of Finished Products specified in Attachment-D, "Fees & Quantities", were used to develop the terms and conditions of this Agreement. Rules governing these volumes are as follows and shall be considered binding:

- (i) Annual volumes will not exceed 200% of estimated pounds without prior written approval from both Parties.
- (ii) Annual volumes shall not fall short of estimated volumes by more than 25% without prior written approval by both Parties.
- (iii) The activation of either (i) or (ii) will be sufficient cause for MANUFACTURER to review utilization of MANUFACTURER's Facilities and to adjust Fees as necessary for remainder of Agreement period. CUSTOMER shall have the right to accept or reject adjusted Fees. Should CUSTOMER reject adjusted Fees, MANUFACTURER has the right to cancel the remaining period of the Agreement upon 90 day written notice to CUSTOMER. The Fees at the time of the notice of cancellation shall apply for the remainder of the 90 day notice period.

**ARTICLE IV**  
**CUSTOMER RAW MATERIALS**

Section 4.1 CUSTOMER shall, from time to time, furnish for its own account, quantities of one or more CUSTOMER Raw Materials specified in Attachment-A, "Raw Materials". MANUFACTURER will use these materials exclusively to manufacture Finished Product(s) for CUSTOMER.

Section 4.2 CUSTOMER Raw Materials shall be delivered to MANUFACTURER by rail, barge, drum, or truck at CUSTOMER'S expense. The Parties shall mutually agree on delivery dates for delivery of CUSTOMER Raw Materials to MANUFACTURER's Facility. MANUFACTURER shall be deemed to have custody and responsibility (but not title) of CUSTOMER Raw Materials as follows:

- (i) When arriving by truck, commencing at the time MANUFACTURER accepts receipt of CUSTOMER Raw Materials by signing a receipt for same.
- (ii) When arriving by rail, commencing when MANUFACTURER breaks the seal of the rail car for unloading purposes.
- (iii) When shipped by rail, terminating when MANUFACTURER seals the rail car.
- (iv) When shipped by carrier other than rail, terminating when CUSTOMER's customer or carrier signs a shipment receipt at MANUFACTURER's Facility or signs an acceptance receipt at CUSTOMER's facility, whichever occurs first.

Section 4.3 For CUSTOMER Raw Material arriving by rail, MANUFACTURER agrees to inspect such rail upon arrival at MANUFACTURER's Facility to determine whether or not the seals are broken and for other signs of vandalism or theft. If any such vandalism or theft has occurred, MANUFACTURER shall promptly notify CUSTOMER.

---

- Section 4.4 A Certificate of Analysis (C of A) shall accompany all Raw Materials provided by CUSTOMER. If such C of A's do not conform with said specifications, MANUFACTURER shall notify CUSTOMER of such nonconformity and MANUFACTURER shall not receive nor use such nonconforming Raw Materials in performance of this Agreement unless CUSTOMER gives written notice that it waives the nonconformity. If CUSTOMER notifies MANUFACTURER in writing that it waives the nonconformity as to the particular lot of nonconforming Raw Material, MANUFACTURER shall not be liable for failure of the Finished Product produced from such particular lot to meet Finished Product specifications set forth in Attachment-B, provided that such failure results solely from the failure of such particular lot of nonconforming Raw Material to meet Raw Material specifications. Any waiver of or failure to meet Raw Material specifications shall be singular in nature and shall not imply that a similar failure in a subsequent lot will be waived.
- Section 4.5 Upon receipt of CUSTOMER Raw Materials at MANUFACTURER's Facility, MANUFACTURER will be solely responsible for the receiving, handling, storing, and safekeeping of such materials.
- Section 4.6 Sole right and title to CUSTOMER's Raw Materials hereunder shall remain in CUSTOMER at all times until it becomes part of Finished Product(s). MANUFACTURER shall not sell, transfer, grant any security interest in, encumber or otherwise dispose of any interest of CUSTOMER in the CUSTOMER Raw Materials.
- Section 4.7 Except for provisions included in other sections of this Agreement, MANUFACTURER agrees to pay and satisfy any and all reasonable claims for labor, equipment and material employed or used in any way by it in connection with the storage and handling of CUSTOMER's Raw Material and (except for CUSTOMER's non-payments) to permit no liens of any kind to be fixed upon or against CUSTOMER's Raw Materials.
- Section 4.8 Raw Materials not directly provided by CUSTOMER will be purchased using CUSTOMER's Raw Material Specifications detailed in Attachment-A, "Raw Materials".

**ARTICLE V**  
**WAREHOUSING/STORAGE**

- Section 5.1 To the extent that CUSTOMER Raw Materials and Finished Products are stored at MANUFACTURER's Facility, MANUFACTURER shall provide sufficient and appropriate facilities for such storage taking into account segregation by hazardous type.
-

Section 5.2 Fees, charges and other applicable compensation to MANUFACTURER for services covered in Section 5.1 above shall be specified in Attachment-D, "Fees & Quantities".

**ARTICLE VI**  
**CONVERSION RATIOS and INVENTORY IMBALANCES**

Section 6.1 MANUFACTURER shall Toll CUSTOMER Raw Materials into Finished Products solely for the account of CUSTOMER.

Section 6.2 Sole right and title to Finished Products hereunder shall remain in CUSTOMER at all times. MANUFACTURER shall not sell, transfer, grant any security interest in, encumber or otherwise dispose of any interest of CUSTOMER in the Finished Product, unless CUSTOMER is in default of payment or breach of this Agreement.

Section 6.3 At least annually, MANUFACTURER will permit CUSTOMER or an independent inspector to inspect MANUFACTURER's inventories and records to certify to CUSTOMER the inventory quantities of the CUSTOMER Raw Materials and Finished Products as of the date of certification. CUSTOMER and MANUFACTURER will reconcile in writing any differences as to the exact quantities available as of the date of such certification.

Section 6.4 MANUFACTURER shall meet or exceed the Yield Targets defined in Attachment-C, "Yields", of the Agreement.

Section 6.5 MANUFACTURER shall be liable to CUSTOMER for any CUSTOMER Raw Material net shortage imbalance incurred in MANUFACTURER's control and possession. The rules/procedures for determining and resolving MANUFACTURER's liability to CUSTOMER for such inventory imbalances are detailed in Attachment-C, "Yields".

**ARTICLE VII**  
**CONVERSION CHARGES and INVOICING**

Section 7.1 MANUFACTURER shall invoice CUSTOMER for "processing/converting, storage, transportation and handling of Finished Products" in accordance with the schedule of fees in Attachment-D, "Fees & Quantities".

Section 7.2 When applicable, MANUFACTURER shall invoice CUSTOMER for "all other items and special requests not included in Section 7.1" in accordance with the schedule of fees in Attachment-D, "Fees & Quantities".

Section 7.3 Energy Surcharges will be calculated and invoiced in accordance to Attachment-E, "Energy Surcharge".

---



- Section 7.4 Demurrage charges that result from the actions of the MANUFACTURER shall be paid by the MANUFACTURER. Demurrage charges that result from the actions of the CUSTOMER shall be paid by the CUSTOMER.
- Section 7.5 All fees under this agreement include all applicable taxes, costs, and expenses unless noted otherwise.
- Section 7.6 Any tax or other government levy, charge, fee or increase in same, hereafter becoming effective, which increases CUSTOMER's cost to manufacture, waste storage, treatment and/or disposal, or sale covered by this Agreement may, at CUSTOMER's option be added to the price of Finished Product shipped under this agreement upon thirty (30) days' prior written notice to CUSTOMER unless such tax, levy charge, fee or increase is the result of a penalty incurred by the MANUFACTURER as a result of its negligence or its failure to comply with applicable laws and regulations or governmental orders or decrees. Finally, nothing in this Article 7 will cause the CUSTOMER to be responsible for any of the aforementioned taxes and/or charges to the extent that MANUFACTURER has received or is eligible to receive, credit for the payments of these taxes/charges by normal and/or proper filing of documents with the relevant government authority.
- Section 7.7 The terms of payment for any monies owed by CUSTOMER to MANUFACTURER under this Agreement shall be thirty (30) days from the date of MANUFACTURER's invoice to CUSTOMER.
- Section 7.8 If, in the opinion of MANUFACTURER, the financial status of CUSTOMER shall, at any time become impaired, MANUFACTURER will notify CUSTOMER in writing and allow CUSTOMER ten (10) days to respond prior to making the decision to restrict or cease providing services to MANUFACTURER under this Agreement except upon receipt of cash or security satisfactory to MANUFACTURER.

**ARTICLE VIII**  
**QUALITY and MANAGEMENT OF CHANGE**

- Section 8.1 Finished Product(s) produced by conversion of Raw Materials will be in accordance with CUSTOMER's Manufacturing and Product Specifications as indicated in Attachment-B, "Finished Product".
- Section 8.2 MANUFACTURER shall test or cause to be tested each "lot" of Finished Product as specified in Attachment-B, "Finished Product", for compliance with specifications before shipment to CUSTOMER or its designee. MANUFACTURER shall retain a sample of each "lot" tested for a period of six (6) months. For each "lot" shipped, MANUFACTURER shall prepare a certificate of analysis setting forth the items tested, the specifications and test results and forward the certificates to CUSTOMER or its designee at the time the Finished Product is shipped.
-

- Section 8.3 MANUFACTURER will be responsible for the handling, storage, and security of the Finished Product(s) while at MANUFACTURER's Facility.
- Section 8.4 Changes in Raw Material specifications and/or Finished Product specifications as described in Attachments-A, "Raw Materials", & -B, "Finished Product", will only be by mutual agreement, and will be reflected in modified versions of Attachments-A, "Raw Materials" & -B, "Finished Product". If more than sixty (60) days pass following the receipt of CUSTOMER's request and MANUFACTURER and CUSTOMER have not agreed upon mutually acceptable terms and conditions associated with CUSTOMER's request, then either Party, may, at any time thereafter, terminate this agreement or cancel its remaining purchase obligations with respect to such Finished Product(s) by sending ninety (90) days written notice and meeting the requirements of the conditions in the Rights After Termination section of this Agreement.
- Section 8.5 In the event it is anticipated by either Party that a change to the Raw Material specifications, Finished Product specifications, or to any other specification and/or process will result in a change in the Fee as specified in Attachment-D "Fees & Quantities", the Parties shall, upon mutual written agreement adjust the Fee(s) set forth in this Agreement. If agreement cannot be reached as to the adjusted price, then the existing Fee will continue to apply for Finished Product(s) manufactured to the specifications currently in this Agreement for the succeeding ninety (90) day period. In the event agreement cannot be reached during that period, either Party may upon further ninety (90) days written notice, cancel this Agreement without penalty one to the other and meeting the requirements of the conditions in the Rights After Termination section of this Agreement.
- Section 8.6 MANUFACTURER shall allow CUSTOMER to conduct reviews on a regular basis to determine the extent MANUFACTURER is satisfying the CUSTOMERS requirements as defined in this Agreement.
- Section 8.7 Any Finished Product(s) that fails to meet the specifications set forth in Attachment-B "Finished Product", of this Agreement due to MANUFACTURER's error shall be deemed Non-Conforming, except to the extent CUSTOMER agrees to accept any portion of such Non-Conforming Finished Product that has been reworked to meet specifications.

**ARTICLE IX**  
**MEASUREMENTS**

- Section 9.1 In-Bound Feed Material-
- a. If Feed material is delivered to MANUFACTURER's facility by truck, the weight of Feed as determined from CUSTOMER's scale or meter at the time of shipment shall be the applicable weight or gallonage, subject to random confirmation upon arrival at MANUFACTURER's facility. Such confirmation shall occur no more than one time per day and shall be relaxed as agreed to between MANUFACTURER and CUSTOMER.
-

- b. If Feed material is delivered to MANUFACTURER's facility by rail, the calculated weight of the Feed material as measured by the rail car strapping charts at the time of shipment shall be the applicable weight. If that weight is not provided, MANUFACTURER will strap the rail car and calculate the weight of the Feed.
- c. If Feed material is delivered to MANUFACTURER's facility by barge, the calculated weight of the Feed material as measured by the barge surveyor at the time of discharge shall be the applicable weight. CUSTOMER is responsible for all costs associated with inspector/surveyor and tankerman. Barge unloading/loading must begin during daylight hours.

Section 9.2

Out-Bound Finished Product-

- a. If the Finished Product is shipped from MANUFACTURER's facility to CUSTOMER or CUSTOMER's designee by truck, the weight of the Finished Product as determined from MANUFACTURER's scale at the time of shipment shall be the applicable weight, subject to random confirmation upon arrival at CUSTOMER's designated destination.
- b. If the Finished Product is shipped from MANUFACTURER's facility to CUSTOMER or CUSTOMER's designee by rail, the calculated weight of the Finished Product as measured by the rail strapping charts at the time of shipment shall be the applicable weight.
- c. If the Finished Product is shipped from MANUFACTURER's facility to CUSTOMER or CUSTOMER's designee by barge, the calculated weight of the Finished Product as measured by the barge surveyor at the time of discharge shall be the applicable weight. CUSTOMER is responsible for all costs associated with inspector/surveyor and tankerman. Barge unloading/loading must begin during daylight hours.

**ARTICLE X**  
**RISK OF LOSS**

Section 10.1

Risk of loss for all CUSTOMER Raw Materials shall pass to MANUFACTURER upon receipt of such materials at MANUFACTURER's Facility as defined in Section 4.2 of this Agreement. In the event of any loss of CUSTOMER Raw Materials while in the possession of MANUFACTURER other than consumption of the CUSTOMER Raw Materials in the production of Finished Products meeting the CUSTOMER specifications in this Agreement, MANUFACTURER shall either: (i) reimburse CUSTOMER for the cost of replacing such CUSTOMER Raw Materials or (ii) replace the lost CUSTOMER Raw Materials with raw materials meeting the specifications of Attachment-A. The monetary value of CUSTOMER Raw Materials will be valued per instructions set forth in Attachment-A, "Raw Materials".

---

Section 10.2 Risk of loss for all Finished Product produced by MANUFACTURER shall pass to MANUFACTURER upon the completion of production of such Finished Products until delivered to CUSTOMER. Delivery of Finished Product to CUSTOMER occurs as follows at which time risk of loss passes from MANUFACTURER to CUSTOMER:

- (i) As shipped by rail, when MANUFACTURER secures seal to rail car.
- (ii) As shipped by carrier other than rail, when CUSTOMER, or the carrier assigned by CUSTOMER, signs for receipt of load at MANUFACTURER's facility.

Section 10.3 MANUFACTURER's risk of loss is limited to the CUSTOMER Raw Material costs and freight costs; specifically MANUFACTURER is not responsible for replacement, alternative supply costs, expediting costs, special, indirect, incidental, punitive, exemplary, consequential damages, or loss including but limited to lost profits, loss of business opportunity, or other similar damages.

**ARTICLE XI**  
**MANUFACTURER WARRANTIES**

Section 11.1 Acknowledge and agrees that it is solely responsible for and in control of operations at MANUFACTURER's Facility and for any leaks, spill, discharge, release emission or other disposal which may occur in connection with the performance of this Agreement, except those that are due to CUSTOMER's negligence.

Section 11.2 Warrants that, at the time of delivery, any Finished Product supplied by MANUFACTURER shall (i) meet the Specifications for such Finished Product as defined in Attachment-B. "Finished Product" of this Agreement, and (ii) be conveyed with good title, free from any lawful security interest, lien or encumbrance, unless CUSTOMER is in default of payment or breach of this Agreement.

Section 11.3 Represent and agree that it has knowledge of and expertise as to the Raw Materials used, waste generated, procedures and processes employed and/or Finished Products manufactured hereunder, including without limitation, that it has trained its employees in the safe handling of all materials, that it has implemented every reasonable precaution to minimize any hazard in the performance of this Agreement and that it has protected its employees from such hazard.

---

- Section 11.4 Prepare Finished Products for shipment and loading shipping containers in accordance with specifications or instructions provided by CUSTOMER, or industry practice when not specified by CUSTOMER and making products available to a common carrier.
- Section 11.5 MANUFACTURER has sole responsibility for compliance with all applicable laws, rules and regulations in connection with manufacture and storage of Raw Materials and Finished Product(s) and the generation, storage, transportation, and disposal of all waste, including by-products, arising out of the manufacturing and packaging of Finished Product(s) hereunder, including the cleaning of manufacturing equipment.
- Section 11.6 Maintain production, raw materials, product inventory, product quality control and raw material control records, tracking or lot assignment numbers and retain samples of all production lots for a period of one (1) year from date of production and report the same to CUSTOMER in writing if requested.

**ARTICLE XII**  
**CUSTOMER WARRANTIES**

- Section 12.1 Provide to MANUFACTURER technical information relating to the Raw Materials and Finished Products including procedures for manufacturing the Finished Product(s), quality control and test specifications, labeling instructions, MSDS's and such other information as may be required to enable MANUFACTURER to manufacture Finished Product(s) during the term of this Agreement.
- Section 12.2 Provide the identified Raw Materials per Attachment-A that meets CUSTOMER's specifications, also found in Attachment-A, at no cost to MANUFACTURER, with delivery at such times as to allow MANUFACTURER to perform the manufacture of Finished Products under the terms of this Agreement.
- Section 12.3 Provide MANUFACTURER with projections on a quarterly basis or when requested by MANUFACTURER of the product mix to be manufactured for CUSTOMER that is mutually agreed on by both Parties.
- Section 12.4 Issue orders based on specified lead-times for Finished Product with delivery dates that specify the quantity, time, and place for delivery of Finished Product. MANUFACTURER will in a timely manner, confirm availability to manufacture and deliver Finished Product as directed in CUSTOMER's orders for Finished Product. Finished Product will be shipped in mutually acceptable types and sizes of tank trucks or trailers or other acceptable means of transportation.
- Section 12.5 Provide to MANUFACTURER at no cost to MANUFACTURER, technical assistance to affect the efficient transfer of Finished Product manufacturing and quality control expertise, test specifications, labeling instructions, Material Safety Data Sheets and provide subsequent technical assistance as MANUFACTURER may reasonable require throughout the term of this Agreement.
-

Section 12.6 Provide technical information, including but not limited to the list in Attachment-A, "Raw Materials", and Attachment-B, "Finished Product", which documents the exact chemical identity of all Raw Materials, intermediates, components in Finished Product and Finished Product itself, the process to be performed, the amount and composition of wastes and emissions, a process flow diagram and similar information and provide appropriate information to MANUFACTURER which identifies potential environmental, health and safety hazards associated with the process and all chemicals related thereto, including the Finished Product, and means of minimizing these risks.

Section 12.7 Provide documentation relative to the Toxic Substances Control Act (TSCA) and, if Finished Product is to be exported, similar foreign chemical control laws including but not limited to documentation relevant to compliance with the TSCA Chemical Substances Inventory for all raw materials, intermediates, and components in Finished Product and the Finished Product itself. Such documentation will be subject to the approval and acceptance by MANUFACTURER.

**ARTICLE XIII**  
**DISCLAIMER OF WARRANTIES**

Section 13.1 There are no warranties which extend beyond the face hereof, and with the exception of the warranties expressed in this agreement, neither party makes any other warranty, express or implied, statutory or otherwise, concerning either the Raw Materials or the Finished Product(s), including without limitation, any warranty of fitness for a particular purpose, warranty of merchantability or warranty against infringement of patent.

**ARTICLE XIV**  
**CLAIMS**

Section 14.1 CUSTOMER shall test or cause to be tested all Finished Product processed by MANUFACTURER hereunder promptly upon receipt thereof. All claims pertaining to product quality ("Claims") of CUSTOMER shall be deemed waived and forever barred unless CUSTOMER notifies MANUFACTURER of the nature and details of the Claim in writing within Thirty (30) days after delivery of the Finished Product to the CUSTOMER or CUSTOMER's designee.

---

**ARTICLE XV**  
**INDEMNIFICATION**

- Section 15.1 To the fullest extent permitted by applicable law, MANUFACTURER shall defend, indemnify and hold harmless CUSTOMER, its parents, subsidiaries and affiliates, and each of its respective agents, servants, employees, officers and directors ("Indemnified Parties") from and against any and all liability, suits, losses, demands, causes of action, fines, penalties, damages, and claims of any kind or nature, including reasonable attorney's fees and costs (collectively "Claims") which CUSTOMER may hereafter incur, pay out or become responsible for as a result of death or bodily injury to any person (including employees of MANUFACTURER), destruction or damage to property, contamination of, adverse effects on, or imminent or substantial endangerment of, or release or threat of release into the environment, or any threatened or actual release of hazardous substance, or any violation or alleged violation of or liability under any governmental laws, regulations, rules or orders to the extent caused by, arising out of or in any manner connected with MANUFACTURER's acts, omissions, breaches of this Agreement, or failure to comply with applicable laws in the performance of its obligations hereunder.
- Section 15.2 To the fullest extent permitted by applicable law, CUSTOMER shall defend, indemnify and hold harmless MANUFACTURER, its parents, subsidiaries and affiliates, and each of its respective agents, servants, employees, officers and directors ("Indemnified Parties") from and against any and all liability, suits, losses, demands, causes of action, fines, penalties, damages, and claims of any kind or nature, including reasonable attorney's fees and costs (collectively "Claims") which MANUFACTURER may hereafter incur, pay out or become responsible for as a result of death or bodily injury to any person (including employees of CUSTOMER), destruction or damage to property, contamination of, adverse effects on, or imminent or substantial endangerment of, or release or threat of release into the environment, or any threatened or actual release of hazardous substance, or any violation or alleged violation of or liability under any governmental laws, regulations, rules or orders to the extent caused by, arising out of or in any manner connected with CUSTOMER's acts, omissions, breaches of this Agreement, or failure to comply with applicable laws in the performance of its obligations hereunder.
- Section 15.3 The indemnification obligations contained in this section shall specifically survive termination of this Agreement.
- Section 15.4 Indemnified Parties shall have the right to select counsel and control any claims or obligations arising hereunder.
- Section 15.5 IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL DAMAGES OR LOSS INCLUDING, LOST PROFITS, LOSS OF BUSINESS OPPORTUNITY OR OTHER SIMILAR DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, NO LIMITATION OR DISCLAIMER OF LIABILITY SHALL APPLY TO CLAIMS OR LIABILITIES BASED UPON ACTUAL DAMAGES RELATED TO DAMAGES SUFFERED OR INCURED BY A THIRD PARTY FOR WHICH A PARTY TO THIS AGREEMENT IS ENTITLED TO INDEMNIFICATION UNDER THIS PARAGRAPH.
-

**ARTICLE XVI**  
**INSURANCE**

MANUFACTURER shall maintain, at its sole cost, at all times while performing work hereunder, the insurance coverage set forth below with companies satisfactory to CUSTOMER with full policy limits applying.

- a. Workers Compensation Insurance covering all employees in accordance with the statutory requirements of the State of Texas in which the services hereunder are rendered.
- b. Employer's Liability Insurance in an amount not less than \$100,000 for each accident.
- c. Comprehensive General Liability Insurance, including Property Liability, completed operations, blanket contractual , MANUFACTURER'S protective in the following amounts:

Bodily Injury	\$3,000,000 each occurrence \$3,000,000 aggregate
Property Damage	\$3,000,000 each occurrence \$3,000,000 aggregate
Pollution & Environmental Impairment Insurance	\$1,000,000 per occurrence \$2,000,000 aggregate \$5,000,000 umbrella

- d. All Risk Property Insurance in sufficient amounts to cover the loss of CUSTOMER's property in MANUFACTURER's care, custody, and control.

Nothing contained in these provisions relating to coverage and amounts set out herein shall operate as a limitation of MANUFACTURER's liability in tort or contracted for under terms of this Agreement.

**ARTICLE XVII**  
**TAXES**

Section 17.1 CUSTOMER will either pay directly all sales and use taxes properly levied by any properly constituted governmental authority upon the Services by MANUFACTURER under this Agreement or reimburse MANUFACTURER therefore if paid by MANUFACTURER at the written direction of CUSTOMER.

---



Section 17.2 CUSTOMER shall be responsible for taxes imposed on the inventories on CUSTOMER Supplied Materials stored at MANUFACTURER's facilities.

Section 17.3 MANUFACTURER shall assume full responsibility for the payment of employer's share of all federal social security taxes and all federal and state unemployment compensation taxes for all employees engaged by MANUFACTURER in performing Services under this Agreement and for the payment of all federal and state taxes of whatever sort, including gross receipts taxes, franchise taxes, and all other taxes or charges applicable to MANUFACTURER's actions, employees, facilities and materials used for performing Services under this Agreement or applicable MANUFACTURER's income under this Agreement.

**ARTICLE XVIII**  
**OVERTIME CHARGES**

Section 18.1 Upon receipt of an authorization from CUSTOMER to perform services outside of MANUFACTURER's normal hours of operation as specified in Article 12 hereof, MANUFACTURER shall charge CUSTOMER \$XXXX per hour with a four (4) hour minimum for overtime services.

**ARTICLE XIX**  
**HOURS OF OPERATION**

Section 19.1 MANUFACTURER requires an appointment for all inbound and outbound shipments. MANUFACTURER's hours of operation for shipping product are 7:00 AM through 5:00 PM, Monday through Friday. MANUFACTURER's hours of operation for receiving materials are 24 hours per day, Monday through Friday, and processing are 24 hours per day, Monday through Sunday.

**ARTICLE XX**  
**DRUG & ALCOHOL POLICY**

Section 20.1 MANUFACTURER shall enforce its drug and alcohol policy at all times, which includes but is not limited to the following:

Section 20.2 MANUFACTURER shall ensure that its employees and agents do not perform any service for CUSTOMER while under the influence of alcohol or any controlled substance. Employees and agents shall not use, possess, distribute or sell alcoholic beverages, controlled drugs or drug paraphernalia or misuse uncontrolled drugs while performing services for CUSTOMER.

---

**ARTICLE XXI**  
**FORCE MAJEURE**

The obligation of the parties pursuant to this Agreement may be suspended by either party without liability hereunder due to:

- a. fire, explosion, floods, storms, earthquakes, tidal waves, war, military operations, national emergency, acts of terrorism, civil commotions, strikes, or differences with workmen or unions, or any delay or failure in delivery or receipt of Feed or Finished Product hereunder when supplies of CUSTOMER or MANUFACTURER, or the facilities of production, manufacture, transportation, or distribution of CUSTOMER or MANUFACTURER are impaired by causes beyond CUSTOMER's or MANUFACTURER's control or,
- b. the order, requisition, request, or recommendation of any governmental agency or acting governmental authority or court order, or CUSTOMER's, or MANUFACTURER's compliance therewith or,
- c. by governmental authority, or CUSTOMER's or MANUFACTURER's compliance therewith, or by governmental proration, regulation, or priority or,
- d. the inability of CUSTOMER or MANUFACTURER to obtain on terms deemed by MANUFACTURER to be commercially practicable, any raw material (including energy sources) or,
- e. any other delay or failure due to any cause beyond the control of the party suffering the Force Majeure, similar or dissimilar to any such causes.

When such cause or causes exist, the party affected shall have the right in its sole discretion to restrict or cease deliveries or acceptance of Feed or Finished Product hereunder; provided, however, that in any event, CUSTOMER shall accept the return or delivery of any affected Raw Material and Finished Product.

**ARTICLE XXII**  
**EARLY TERMINATIONS**

Section 22.1 If either Party fails to perform any of its obligations under this Agreement, the other Party may eliminate shipments or receipt of deliveries until such default is cured.

Section 22.2 Either Party may terminate this Agreement at any time, without further liability, by providing the other Party with (30) day's written notice upon the occurrence of any of the following events:

- a. The filing of bankruptcy for or on the part of the other Party (or its parent or affiliate organization).
-

- b. The appointment of a receiver, trustee or liquidator for all or substantially all of the assets of the other Party (or its parent or affiliate organization).
- c. An assignment by the other Party (or its parent or affiliate organization) for the benefit of its creditors.
- d. The filing of any petition by or against the other Party (or its parent or affiliate organization) asking for a reorganization under any state insolvency laws or under the Federal Bankruptcy Act.
- e. Written notice by the party not affected by a Force Majeure Event to the party affected by the Force Majeure Event if a Force Majeure Event lasts for more than thirty (30) days.
- f. If CUSTOMER determines, in its sole discretion, to exit the business of producing or selling Finished Product, then CUSTOMER may terminate this Agreement upon providing MANUFACTURER ninety (90) days written notice. CUSTOMER shall purchase all remaining Raw Materials supplied by MANUFACTURER dedicated to the manufacturing/processing of Finished Products covered in this Agreement and all Finished Product inventories from MANUFACTURER per pricing in Schedule D, "Fees & Quantities".
- g. If MANUFACTURER determines, in its sole discretion, to exit the business of producing Finished Product, then MANUFACTURER may terminate this Agreement upon providing CUSTOMER ninety (90) days written notice. CUSTOMER will not be under any obligation to purchase any remaining Raw Materials supplied by MANUFACTURER.

**ARTICLE XXIII**  
**RIGHTS AFTER TERMINATION**

- Section 23.1 Upon termination of this agreement, all obligations of each Party shall cease except as stated herein and except that all warranties and all limitations of liabilities shall continue to be of full force and effect.
- Section 23.2 Such termination shall not relieve the parties of any liability accrued prior to the effective date of such termination; and
- Section 23.3 Such termination shall not affect the continued operation of enforcement of any provision of this Agreement which survives the termination of this Agreement.
- Section 23.4 Upon termination of this Agreement, MANUFACTURER shall promptly return all CUSTOMER supplied Feed to CUSTOMER at (i) CUSTOMER's cost if CUSTOMER exits the business or (ii) at MANUFACTURER's cost if MANUFACTURER exits the business. CUSTOMER will be allowed to remain in MANUFACTURER's storage for a minimum of sixty (60) days at contracted storage rates to allow ample time for materials to move out.
-

**ARTICLE XXIV**  
**ASSIGNMENT**

This Agreement shall not be assigned, transferred, or delegated by either Party without the prior written consent of the other Party to this Agreement.

**ARTICLE XXV**  
**NOTICES**

Any notice to be given under this Agreement shall be in writing and shall be delivered personally, by certified mail (return receipt delivered), by courier or overnight delivery service, or by facsimile. Any notice shall be effective only if and when it is received by the addressee. For the purposes hereof, the addresses and facsimile numbers of MANUFACTURER and CUSTOMER are as follows:

If to MANUFACTURER:           Mr. Will Baker  
333 North Sam Houston Parkway, E  
Suite 1250  
Houston, TEXAS 77060

Phone- (281) 272-4107  
Fax- (281) 272-4103  
E-Mail- willb@kmcoinc.com

If to CUSTOMER:               Greg Wallace  
200 Atlantic Pipeline Road  
Baytown, TX 77520

Phone- (281) 383-5050  
E-Mail- gregw@vertexenergy.com

**ARTICLE XXVI**  
**PLANT VISITS**

Section 26.1   Upon reasonable notice, which shall be no less than forty-eight (48) hours' notice and no act of Force Majeure is occurring at MANUFACTURER's facility, MANUFACTURER shall allow CUSTOMER and/or its designated representative's access to inspect the following:

- a. All records, including, but not limited to, financial and accounting records, which pertain direct and specifically to this Agreement and MANUFACTURER's performance hereunder; and
  - b. MANUFACTURER's facilities at which the materials (Raw Material and Finished Product) covered by this Agreement are produced and or stored.
-

**ARTICLE XXVII**  
**INDEPENDENT CONTRACTOR**

- Section 27.1 MANUFACTURER is, and shall perform this Agreement as an independent contractor. As such, it shall have and maintain sole control over all of its employees, agents and operations. Neither MANUFACTURER nor anyone employed by it shall be, represent, act and/or purport to act, or be deemed to be the agent, representative, employee or servant of CUSTOMER.
- Section 27.2 Nothing contained herein shall create the relationship of joint ventures, principal and agent, or master and servant between CUSTOMER and MANUFACTURER.

**ARTICLE XXIII**  
**CONFIDENTIALITY**

- Section 28.1 MANUFACTURER agrees that all specifications, formulations, recommended manufacturing procedures, including rework procedures, pertaining to the Product(s) and related data and information supplied to it by CUSTOMER or acquired by it from CUSTOMER under the Confidentiality Agreement mentioned in Section 22.1 or this Agreement shall be deemed information as that term is defined in the Confidentiality Agreement and shall be treated in accordance with the terms and conditions thereof except that MANUFACTURER's obligations of secrecy there under and hereunder shall last five (5) years from the date of termination of this Agreement.
- Section 28.2 MANUFACTURER shall have the right to use information in order to perform its obligations under this Agreement or as required by law.
- Section 28.3 MANUFACTURER's obligation under this secrecy provision shall not apply, however, to Confidential Information when, after, and to the extent that the Confidential Information either:
- a. is known to the public, including legal proceedings, through no fault or participation of MANUFACTURER or its employees or agents; or
  - b. was known to MANUFACTURER prior to the first disclosure to MANUFACTURER by or on behalf of CUSTOMER and MANUFACTURER can establish fact by reasonably convincing evidence; or
  - c. is received by MANUFACTURER in good faith from third party, which is not subject to a secrecy obligation with respect to such information.
-

**ARTICLE XXIX**  
**SEVERABLE PROVISIONS**

Section 29.1 Should any provision of this Agreement be or become invalid, void or otherwise unenforceable, the remainder of this Agreement shall continue to be binding on and inure to the benefit of both Parties. The Parties will sever any such invalid, void or unenforceable provision from this Agreement and, if necessary, use their best efforts to agree upon any changes in the Agreement which are required in order to achieve the same effect as the invalid, void or unenforceable provisions.

**ARTICLE XXX**  
**WAIVER OF BREACH**

Section 30.1 A failure by one of the Parties to this Agreement to assert its rights upon any breach of a covenant or condition of this Agreement shall not be deemed to be a waiver of such rights, nor shall any waiver be implied from acceptance of any payment or benefit. No such failure or waiver in writing by any one of the Parties hereto with respect to any such rights shall extend to or affect any subsequent breach or impair any right consequent thereto.

Section 30.2 Binding Agreement: Subject to the Force Majeure Section of this Agreement, the terms hereof shall be binding upon and inure to the benefit of CUSTOMER's and MANUFACTURER's successors and assigns.

**ARTICLE XXXI**  
**GOVERNING LAW**

Section 31.1 This Agreement is to be construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflict of laws. In the event that the Parties are unable to resolve such dispute prior to the initiation of legal action, both CUSTOMER and MANUFACTURER submit to jurisdiction and venue in the state or federal courts of Texas.

**ARTICLE XXXII**  
**CAPTIONS**

Section 32.1 The captions of this Agreement are for reference purposes only and shall not affect the meaning of any provision of this Agreement.

---

**ARTICLE XXXIII**  
**ENTIRE AGREEMENT**

Section 33.1 This Agreement reflects the entire agreement between the parties with respect to the matters set forth herein and shall supersede any prior agreements or understandings, whether oral or in writing, except that this Agreement shall not supersede the Confidentiality Agreement signed by both Parties in anticipation of entering into this Agreement. Said additional agreement is expressly ratified and incorporated by reference herein. This Agreement may not be modified or amended in any manner, including prior or current course of dealing between the Parties or usage of trade, except by a writing executed by the Parties hereto. No purchase order or other form from CUSTOMER will modify, supersede, add to or in any way vary the terms of this Agreement. Any acknowledgement by an employee or agent of MANUFACTURER of such form shall be solely for informational purposes.

Executed June 25, 2009 ("Effective Date") at Houston, Texas

**CUSTOMER**

**MANUFACTURER**

By:/s/ Gregory Wallace

By:/s/ Will Baker

Printed Name: Gregory Wallace

Printed Name: Will Baker

Title: VP

Title: Sales – Custom Processing

---

Attachment-A  
Raw Materials

Material

Petroleum Distillates (BP Range 90F – 690F)

Supplier

CUSTOMER

---



Attachment-B  
Finished Product

Pygas, Gasoline blend stock and Cutter Stock processed to CUSTOMER's Specifications.



Attachment-C  
Yields

KMTEX's production yield shall account for at least XX% of all feed provided by CUSTOMER to KMTEX. Such accounting shall be provided to CUSTOMER on a Quarterly basis. If production yield is below XX%, KMTEX will reimburse CUSTOMER for the value of the feed (\$/lb) multiplied by the pounds short of the XX% target. The value of the feed in this calculation is the current documented value of the effected feed from CUSTOMER based on the posting that the feed is purchased from delivered to KMTEX.

---

## Attachment-D - Fees & Quantities

- KMTEX will terminal, accumulate and blend materials and charge for tank rental and handling.
    - o Tank rental and handling rates as follows:
      - § \$ XXXX/month for XXXX barrel tank to accumulate additional feed
      - § \$ XXXX /month for XXXX gallons of storage for VSR feed. Tank Rental for VSR Feed will be reduced to \$ XXXX in the months that VSR Feed is processed.
    - o In and out charges for additional terminalled product as follows:
      - § \$ XXXX per tank truck of incoming unprocessed material
      - § \$ XXXX per railcar unloaded of unprocessed material
  - Wet, low flash fuel: Either KMTEX (at a cost plus basis) or CUSTOMER will handle the proper disposal of the water co-product from this processing.
  - Processing fee
    - o \$ XXXX per pound of material processed. In the event that the processing rates of a feed material are significantly reduced due to a change in composition that directly effects processing, KMTEX reserves the right to renegotiate the processing fee of that particular feed material.
    - o Includes a dedicated XXXX barrel tank for Pygas feed, a XXXX barrel tank for overheads, and a XXXX barrel tank for MDO bottoms products. These tanks will be provided at no charge as long as a minimum cumulative throughput of XXXX barrels of material is processed quarterly. In the event the throughput falls below target, KMTEX reserves the right to charge tank rental or designate the tanks for other service.
    - o Tank rental rates as follows
      - § \$ XXXX /month (\$XXXX /day) for an 11,000 barrel tank
      - § \$ XXXX /month (\$XXXX /day) for a 7,300 barrel tank
      - § \$ XXXX /month (\$XXXX /day) for a 5,900 barrel tank
      - § \$ XXXX /month (\$XXXX /day) for a 110,000 gallon tank
      - § \$ XXXX /month (\$XXXX /day) for a 72,000 gallon tank
  - The expected rate of production for the terminalled and processed materials are as follows:
    - o XXXX - XXXX barrels per quarter of material to be terminalled
    - o XXXX - XXXX barrels per quarter of material to be processed
  - Regarding Additives
    - o All additives being delivered to KMTEX will have to be scheduled with the KMTEX logistics department and an unloading time assigned.
    - o All additives will have to be labeled with COMPANY name on the side of the drum / tote.
    - o There will be a charge of XXXX per gallon for each additive administered with a minimum charge of \$XXXX for each additive.
    - o It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of \$ XXXX per drum.
  - Anytime CUSTOMER requests a nitrogen roll on a take there will be a charge of \$XXXX per hour.
-

Attachment-E  
Energy Surcharge

- Energy surcharge fee as follows: When the natural gas rate for MMBTU billed to KMTEX from the gas company is greater than \$ XXXX /MMBTU
    - o Variable Surcharge=(Natural Gas Price - \$ XXXX) x (Natural Gas Factor) x (Pounds of Feed Processed)
    - o The Natural gas Factor is XXXX BTU for Pound of Feed Processed
-

Attachment-F  
Reporting Procedures

- Upon completion of the processing, CUSTOMER will be provided a spreadsheet detailing the material balance





\*\*\*\*\*  
MATERIAL BELOW MARKED BY AN "X" HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THIS ENTIRE EXHIBIT INCLUDING  
THE OMITTED CONFIDENTIAL INFORMATION HAS BEEN FILED SEPARATELY WITH THE COMMISSION.  
\*\*\*\*\*

### FIRST AMENDMENT TO PROCESSING AGREEMENT

This FIRST AMENDMENT TO PROCESSING AGREEMENT (1<sup>st</sup> Amendment") is entered into effective this 1<sup>st</sup> day of July, 2010 ("Effective Date") by and between Vertex Energy, Inc., a Texas Corporation having an office at 200 Atlantic Pipeline Road ("CUSTOMER") and KMTEX Ltd., Texas Limited Partnership, having an office at 333 North Sam Houston Parkway East, Suite 1250, Houston, Texas 77060 ("KMTEX").

#### WITNESSETH

WHEREAS, effective July 1, 2009, CUSTOMER and KMTEX entered into an agreement for the processing of certain petroleum distillates ("Processing Agreement");

WHEREAS, CUSTOMER and KMTEX wish to revise the term and fee schedule of the Processing Agreement;

NOW THEREFORE, these premises considered, the parties agree to amend the Processing Agreement as follows:

1. Section 2.1 of the Agreement under Article 2 entitled **Term and Termination** will be deleted in its entirety and the following substituted in its place:

"The term of this agreement shall be from July 1, 2009 through June 30, 2011."

2. Attachment D entitled **Fees & Quantities** will be deleted in its entirety and the following substituted in its place:

- KMTEX will terminal, accumulate and blend materials and charge for tank rental and handling.
  - o Tank rental and handling rates as follows:
    - § \$XXXX/month for XXXX barrel tank to accumulate additional feed
    - § Beginning September 1, 2010 there will be no charge for XXXX gallons of storage for VSR feed.
  - o In and out charges for additional terminalled product as follows:
    - § \$ XXXX per tank truck of incoming unprocessed material
    - § \$ XXXX per railcar unloaded of unprocessed material
- Wet, low flash fuel: Either KMTEX (at a cost plus basis) or CUSTOMER will handle the proper disposal of the water co-product from this processing.



- Processing fee
  - o \$XXXX per pound of material processed. In the event that the processing rates of a feed material are significantly reduced due to a change in composition that directly effects processing, KMTEX reserves the right to renegotiate the processing fee of that particular feed material.
  - o Includes a dedicated XXXX barrel tank for Pygas feed, a XXXX barrel tank for overheads, and a XXXX barrel tank for MDO bottoms products. These tanks will be provided at no charge as long as a minimum cumulative throughput of XXXX barrels of material is processed quarterly. In the event the throughput falls below target, KMTEX reserves the right to charge tank rental or designate the tanks for other service.
  - o Tank rental rates as follows
    - § \$ XXXX /month (\$XXXX /day) for an 11,000 barrel tank
    - § \$ XXXX /month (\$XXXX /day) for a 7,300 barrel tank
    - § \$ XXXX /month (\$XXXX /day) for a 5,900 barrel tank
    - § \$ XXXX /month (\$XXXX /day) for a 110,000 gallon tank
    - § \$ XXXX /month (\$XXXX /day) for a 72,000 gallon tank
- The expected rate of production for the terminalled and processed materials are as follows:
  - o XXXX - XXXX barrels per quarter of material to be terminalled
  - o XXXX - XXXX barrels per quarter of material to be processed
- Regarding Additives
  - o All additives being delivered to KMTEX will have to be scheduled with the KMTEX logistics department and an unloading time assigned.
  - o All additives will have to be labeled with COMPANY name on the side of the drum / tote.
  - o There will be a charge of one dollar per gallon for each additive administered with a minimum charge of \$XXXX for each additive.
  - o It will be the responsibility of the CUSTOMER for the disposal of their empty drums. In the event that KMTEX has to dispose of any drums, there will be a charge of \$ XXXX per drum.
- Anytime CUSTOMER requests a nitrogen roll on a take there will be a charge of \$XXXX per hour.

3. Miscellaneous

All other provisions of the Processing Agreement not specifically amended herein shall remain the same and shall be in full force and effect.

This 1<sup>st</sup> Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute one and the same instrument.

---



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be signed by their duly authorized representative on this the 8th day of October 2010 but effective on July 1, 2010.

**VERTEX ENERGY, INC.**

By: /s/ Gregory Wallace

Name: Gregory Wallace

Title: VP

**KMTEX Ltd.**

By: /s/ Will Baker

Name: Will Baker

Title: Regional Manager

---



#### VOTING AGREEMENT

This Voting Agreement, dated as of an effective as of March \_\_, 2009 (this "Agreement"), is among Benjamin P. Cowart, an individual ("Cowart"), and \_\_\_\_\_, an individual, and shareholder of Vertex Energy, Inc., a Nevada corporation ("Shareholder").

#### RECITALS:

- A. On May 19, 2008, World Waste Technologies, Inc., a California corporation ("WWT"), on the one hand, and Vertex Holdings, L.P. (formerly Vertex Energy, L.P.), Vertex Nevada, Vertex Merger Sub, LLC, a California limited liability company and wholly owned subsidiary of Vertex Nevada ("Merger Sub"), and Benjamin P. Cowart, as agent ("Agent") of all of the shareholders of Vertex Nevada (the "Vertex Shareholders"), entered into an Amended and Restated Agreement and Plan of Merger (as amended from time to time, the "Plan of Merger").
- B. On the Effective Date of the Merger (as defined therein), WWT will merge with and into Merger Sub, and the shareholders of WWT will be issued securities in Vertex Nevada (the "Merger").
- C. Shareholder will own \_\_\_\_\_ shares of Vertex Nevada's common stock following the Effective Date of the Merger (the "Interest").
- D. Shareholder has previously entered into a Lock-Up Agreement with Vertex Nevada (the "Lock-Up"), which Lock-Up puts certain restrictions on Shareholders ability to sell and/or transfer the Interest (as described in such Lock-Up).
- E. Shareholder desires to provide Cowart a voting proxy to vote the Interest at any meeting of Vertex Nevada, pursuant to any consent to action without meeting of Vertex Nevada, and/or any other event which may require or may allow for the vote of the Interest on the terms and conditions set forth below.

**NOW, THEREFORE**, for \$10 and in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

**1. The Interest.** Any interest or other voting securities, or the voting rights relating thereto, of Vertex Nevada that may be owned, held or subsequently acquired in any manner, legally or beneficially, directly or indirectly, of record or otherwise, by Shareholder, other than the Interest, at any time during the term of this Agreement as a result of the ownership of the Interest whether issued incident to any split, dividend, conversion of the Interest into shares of common stock of Vertex Nevada, increase in capitalization, recapitalization, merger, consolidation, reorganization, or other transaction, shall be included within the term "Interest" as used herein and shall be subject to the terms of this Agreement.

---

**2. Due Authority.** Shareholder has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by or on behalf of the Shareholder and constitutes a legal, valid and binding obligation of Shareholder, enforceable against it in accordance with its terms.

**3. No Conflict; Consents.**

- a. The execution and delivery of this Agreement by the Shareholder does not, and the performance of this Agreement by the Shareholder will not, require any consent, approval, authorization or permit of, filing with, or notification to, any government or regulatory authority by the Shareholder.
- b. No other person or entity has, or will have during the Term (as defined below), any right, directly or indirectly, to vote or control or affect the voting of the Interest.

**4. Title to Interest.** The Shareholder, will be, following the Effective Date of the Merger, (a) the record owner of the Interest free and clear of any proxy or voting restriction other than pursuant to this Agreement and (b) will have during the Term, sole voting power with respect to the Interest.

**5. Covenants of Shareholder.** Shareholder hereby covenants and agrees as follows:

- a. **Transfer of Interest.** During the Term (as defined below) Shareholder shall not, and shall not permit anyone else to, (i) sell, transfer, encumber, pledge, assign or otherwise dispose of any of the Interest except as provided in and specifically authorized by the Lock-Up, (ii) deposit the Interest into a voting trust or enter into a voting agreement or arrangement with respect to the Interest or grant any proxy or power of attorney with respect thereto, or (iii) enter into any contract, option or other legally binding undertaking providing for any transaction provided in (i) or (ii) hereof, except as provided in and authorized by the Lock-Up or unless the proposed transferee or pledgee shall have entered into a written agreement with Cowart, containing terms and conditions satisfactory to Cowart, in which such transferee or pledgee shall agree to be bound by all the terms and conditions of this Agreement. The above shall not be construed to restrict the conversion or resale of the Interest beyond those terms and conditions set forth in the Lock-Up.
  - b. **Proxy.** Shareholder, by this Agreement, hereby constitutes and appoints Cowart, with full power of substitution, during and for the Term, as Shareholder's true and lawful attorney and irrevocable proxy, for and in Shareholder's name, place and stead, to vote the Interest owned by Shareholder as Shareholder's proxy as to the election or removal of four (4) of the five (5) Directors of Vertex Nevada, which Directors are to be appointed (or removed) by the entire voting stock of the Company voting as a whole (the "Appointment of Directors")(which voting right shall be separate from the voting right the Series A Convertible Preferred Stock of Vertex Nevada has to appoint one (1) of the five (5) Directors), and in all proceedings in which the vote or written consent of shareholders may be required or authorized by law during the Term for the Appointment of Directors. The Shareholder intends the foregoing proxy to be, and it shall be, irrevocable and coupled with an interest during the Term. All action to be taken on any question shall be determined by Cowart, in his sole discretion.
-

c. **Term.** For the purposes of this Agreement, "Term" means the period from the Effective Date of the Merger (as such term is defined in the Plan of Merger) until the third anniversary of such Effective Date.

d. **Agreements.** Shareholder agrees that it will not enter into any agreement or understanding with any person or entity or take any action during the Term which will permit any person or entity to vote or give instructions to vote the Interest in any manner inconsistent with the terms of this Section. Shareholder further agrees to take such further action and execute and deliver, and cause others to execute and deliver such other instruments as may be necessary to effectuate the intent of this Agreement, including without limitation, proxies and other documents permitting Cowart to vote the Interest or to direct the record owners thereof to vote the Interest in accordance with this Agreement. Without limiting the foregoing, Shareholder shall deliver to Cowart a duly executed Voting Proxy in the form attached hereto as Exhibit A simultaneously with the execution hereof.

6. **Reservation of Rights.** All other rights and privileges of ownership of the Interest shall be reserved to and retained by Shareholder.

7. **Successors and Assigns.** This Agreement shall be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

8. **Waiver.** The waiver by either party to this Agreement of a breach or violation or any provision hereof shall not operate as or be construed to be a waiver of any subsequent breach hereof.

9. **Governing Law.** This Agreement shall be interpreted in accordance with the laws of the State of Texas. In the event of a dispute concerning this Agreement, the parties agree that venue lies in a court of competent jurisdiction in Harris County, Texas.

10. **Headings: Gender.** The paragraph headings contained in this Agreement are for convenience only, and shall in no manner be construed as part of this Agreement. All references in this Agreement as to gender shall be interpreted in the applicable gender of the parties.

---

**11. Severability.** In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

**12. Amendment.** No modification, amendment, addition to, or termination of this Agreement, nor waiver of any of its provisions, shall be valid or enforceable unless in writing and signed by all the parties hereto.

**13. Entire Agreement.** This Agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understanding or written or oral agreements between the parties respecting the subject matter hereof.

**14. Effect of Facsimile and Photocopied Signatures.** This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts. A copy of this Agreement signed by one Party and faxed or scanned and emailed to another Party (as a PDF or similar image file) shall be deemed to have been executed and delivered by the signing Party as though an original. A photocopy or PDF of this Agreement shall be effective as an original for all purposes.

[Remainder of page left intentionally blank. Signature page follows.]

---

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date set forth below.

("SHAREHOLDER")

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

("COWART")

BENJAMIN P. COWART

\_\_\_\_\_  
Benjamin P. Cowart

\_\_\_\_\_

VOTING PROXY

The undersigned holder of \_\_\_\_\_ shares of common stock (the "Interest") of Vertex Energy, Inc. (the "Company"), following the effective date of a pending Merger (as described in greater detail in the Voting Agreement, to which this Voting Proxy is attached as Exhibit A), hereby appoints Mr. Benjamin P. Cowart as proxy (the "Proxy"), with full power of substitution, for and in the name of the undersigned, to vote the Interest, as its proxy, in all proceedings in which the vote or written consent of shareholders may be required or authorized by law for the appointment or removal of Directors of the Company as if the undersigned were present and voting such Interest, on any matters to come before the Company, in his sole discretion as to the election (or removal) of four (4) of the five (5) Directors of the Company to be appointed by the entire voting stock of the Company voting as a whole (which shall be separate from the right provided to the Company's Series A Convertible Preferred Stock to elect one (1) of the five (5) Directors of the Company). The undersigned hereby affirms that this Proxy is coupled with an interest and ratifies and confirms all that the Proxy may lawfully do or cause to be done by virtue hereof. This Voting Proxy shall be in effect until the third anniversary of the Effective Date as such term is defined in the Plan of Merger (as defined in the Voting Agreement).

Executed this \_\_\_\_\_ day of March, 2009.

\_\_\_\_\_  
\_\_\_\_\_

**Witness:**

Printed Name: \_\_\_\_\_

---





**LOCK-UP AGREEMENT**

March \_\_, 2009

Ladies and Gentlemen:

The undersigned is the owner of \_\_\_\_\_ shares of common stock of Vertex Energy, Inc., a Nevada corporation ("Vertex Nevada"), and options or warrants that are exercisable for up to \_\_\_\_\_ shares of Vertex Nevada common stock (collectively, the shares of common stock and the shares of common stock issuable upon exercise of the options or warrants, the "Vertex Nevada Common Stock"). World Waste Technologies, Inc., a California corporation ("WWT"), Vertex Energy, L.P., a Texas limited partnership ("Vertex LP"), and Vertex Merger Sub, LLC., a California limited liability company and wholly owned subsidiary of Vertex Nevada ("Merger Subsidiary") and Benjamin P. Cowart, as agent of all of the shareholders of Vertex Nevada, are parties to an Amended and Restated Agreement and Plan of Merger, dated as of May 19, 2008 (as amended from time to time, the "Merger Agreement"), effective upon the date of the merger of Merger Subsidiary with WWT in accordance with the terms and conditions of the Merger Agreement (the "Closing Date").

In order to induce Vertex LP, WWT and Merger Subsidiary to complete the transactions that are described in the Merger Agreement, the undersigned hereby agrees that, during the period beginning on the Closing Date and ending on the three-year anniversary of the Closing Date (the "Lock-Up Period"), the undersigned will not sell, assign, pledge or otherwise transfer any shares of Vertex Common Stock that the undersigned beneficially owns, including (i) all shares of Vertex Common Stock issued pursuant to the Merger Agreement and issuable upon exercise of options and warrants assumed by Vertex Nevada pursuant to the merger, (ii) all shares of Vertex Common Stock that the undersigned may receive as a stock dividend or other distribution on shares of Vertex Common Stock, and (iii) all other securities of Vertex Nevada that the undersigned may receive in a recapitalization or similar transaction (the "Lock-up Shares"), and the undersigned agrees not to take any of the preceding actions, without Vertex Nevada's prior written consent. In addition, the undersigned agrees that, during the Lock-Up Period, the undersigned will not engage in (i) any short sale of the Lock-up Shares, (ii) any hedging transaction regarding the Lock-up Shares, or (ii) any grant of a put or call option regarding the Lock-up Shares.

Notwithstanding the foregoing, the undersigned may transfer (i) all or any portion of the Lock-Up Shares commencing on the date that the closing Market Price of the Vertex Common Stock (as defined below) has averaged at least \$15.00 per share over a period of 20 consecutive trading days and the daily trading volume over the same 20-day period has averaged at least 7,500 shares; (ii) all or any portion of the Lock-Up Shares as a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound by the restrictions set forth herein, (iii) all or any portion of the Lock-up Shares to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound by the restrictions set forth herein, and provided further than any such transfer shall not involve a disposition for value, and (iv) in any given three-month period commencing on the one-year anniversary of the Closing Date, up to that number of Lock-Up Shares equal to 5% of the total number of shares Vertex Common Stock then beneficially owned by the undersigned. For purposes hereof, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

The term "closing Market Price of the Vertex Common Stock" on any day shall be deemed to be the closing price of the Vertex Common Stock on such day as officially reported by the principal securities exchange in which the shares of Vertex Common Stock are listed or admitted to trading or by the Nasdaq Stock Market, or if the Vertex Common Stock is not listed or admitted to trading on any securities exchange, including the Nasdaq Stock Market, the last sale price, or if there is no last sale price, the closing bid price, as furnished by the National Association of Securities Dealers, Inc. (such as through the OTC Bulletin Board) or a similar organization if Nasdaq is no longer reporting such information. If the closing Market Price of the Vertex Common Stock cannot be determined pursuant to the sentence above, such price shall be determined in good faith (using customary valuation methods) by the Vertex Board of Directors based on the information best available to it.

---

The undersigned consents to the entry of stop transfer instructions with Vertex's transfer agent and registrar against the transfer of shares of Vertex Common Stock except in compliance with the preceding provisions of this letter agreement. The undersigned also consents to the placement of the following legend on any and all stock certificates that evidence the shares of Vertex Common Stock that are the subject of this letter agreement:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF THAT CERTAIN LOCK-UP AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDERS NAMED THEREIN, DATED AS OF MARCH \_\_, 2009. A COPY OF THE LOCK-UP AGREEMENT MAY BE INSPECTED AT THE PRINCIPAL OFFICE OF THE COMPANY."

Nothing in this Agreement shall affect any other contractual lock-up agreement to which the undersigned may currently be a party. This letter agreement is irrevocable and is binding upon the personal representative, heirs and assigns of the undersigned. The letter agreement automatically will terminate upon abandonment of the transactions described in the Merger Agreement.

Very truly yours,

Name of Shareholder

Authorized Signature

Title (if the shareholder is not an individual)

ACCEPTED:

VERTEX ENERGY, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

---



VERTEX ENERGY, INC.

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (this "**Agreement**") is made this 29th day of March, 2011, to be effective as of April 1, 2010 (the "**Effective Date**"), between Vertex Energy, Inc., a Nevada corporation (the "**Company**"), and Chris Carlson ("**Executive**") (each of Company and Executive is referred to herein as a "**Party**," and collectively referred to herein as the "**Parties**").

WITNESSETH:

**WHEREAS**, the Company and Executive previously entered into an Executive Employment Agreement on or around February, 2009 (the "**Prior Agreement**"), which Prior Agreement is amended, restated and superseded in its entirety by the terms and conditions of this Agreement, effective as of the Effective Date; and

**WHEREAS**, the Company desires to obtain the services of Executive, and Executive desires to be employed by the Company upon the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, in consideration of the premises, the agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as of the Effective Date as follows:

ARTICLE I.

EMPLOYMENT; TERM; DUTIES

1.1. **Employment.** Pursuant to the terms and conditions hereinafter set forth, the Company hereby employs Executive, and Executive hereby accepts such employment, as the Chief Financial Officer ("**CFO**") of the Company for a period of five (5) years ending on April, 2015.

1.2. **Duties and Responsibilities.** Executive, as CFO, shall perform such administrative, managerial and executive duties for the Company (i) as are prescribed by applicable job specifications for the Chief Financial Officer of a public company the size and nature of the Company, (ii) as may be prescribed by the Bylaws of the Company, (iii) as are customarily vested in and incidental to such position, and (iv) as may be assigned to him from time to time by the Board of Directors of the Company (the "**Board**").

1.3. **Non-Competition.** Executive agrees to devote substantially all of Executive's business time, energy and efforts to the business of the Company (except as specifically provided for in Section 1.4 below), and will use Executive's best efforts and abilities faithfully and diligently to promote the business interests of the Company. For so long as Executive is employed hereunder, and for a period of six months thereafter (the "**Non-Compete Period**"), Executive shall not, directly or indirectly, either as an employee, employer, consultant, agent, investor, principal, partner, stockholder (except as the holder of less than 1% of the issued and outstanding stock of a publicly held corporation), corporate officer or director, or in any other individual or representative capacity, engage or participate in any business that is in competition in any manner whatsoever with the business of the Company, as such business of the Company is now or hereafter conducted.

1.4. **Other Activities.** Subject to the foregoing prohibition and provided such services or investments do not violate any applicable law, regulation or order, or interfere in any way with the faithful and diligent performance by Executive of the services to the Company otherwise required or contemplated by this Agreement, the Company expressly acknowledges that Executive may:

---

1.4.1 make and manage personal business investments of Executive's choice without consulting the Board;

1.4.2 serve in any capacity with any non-profit civic, educational or charitable organization; and

1.4.3 spend up to a total of twenty (20) hours per month in fulfilling his duties as employee, consultant to, officer, director and/or manager of any of the private companies with whom Executive is currently affiliated, namely Vertex Energy, LP, VTX, Inc., Cross Road Carriers, Vertex Recovery, H&H Oil, Arrow, Cedar Marine Terminal, Vertex Residual Management, B&S Cowart, FLP, Vertex Green, LP and Vertex Processing, pursuant to Exhibit A.

1.5. Covenants of Executive.

1.5.1 Best Efforts. Executive shall devote his best efforts to the business and affairs of the Company. Executive shall perform his duties, responsibilities and functions to the Company hereunder to the best of his abilities in a diligent, trustworthy, professional and efficient manner and shall comply, in all material respects, with all rules and regulations of the Company (and special instructions of the Board, if any) and all other rules, regulations, guides, handbooks, procedures and policies applicable to the Company and its business in connection with his duties hereunder, including all United States federal and state securities laws applicable to the Company.

1.5.2 Records. Executive shall use his best efforts and skills to truthfully, accurately, and promptly prepare, maintain, and preserve all records and reports that the Company may, from time to time, request or require, fully account for all money, records, equipment, materials, or other property belonging to the Company of which he may have custody, and promptly pay and deliver the same whenever he may be directed to do so by the Board.

1.5.3 Compliance. Executive shall use his best efforts to comply, and cause the Company to comply, with the then-current good corporate governance standards and practices as prescribed by the Securities and Exchange Commission, any exchange on which the Company's capital stock or other securities may be traded and any other applicable governmental entity, agency or organization.

**ARTICLE II.**

**COMPENSATION AND OTHER BENEFITS**

2.1. Base Salary. So long as this Agreement remains in effect, for all services rendered by Executive hereunder and all covenants and conditions undertaken by the Parties pursuant to this Agreement, the Company shall pay, and Executive shall accept, as compensation, an annual base salary ("**Base Salary**") of (a) \$110,000 prior to the Effective Date; (b) \$150,000 subsequent to the Effective Date and prior to January 1, 2011; and (c) \$175,000 subsequent to January 1, 2011. The Base Salary shall be payable in regular installments in accordance with the normal payroll practices of the Company, in effect from time to time, but in any event no less frequently than on a monthly basis, and shall be adjusted pro rata for any term of employment or payment period as described above or otherwise if less than a full fiscal year. For so long as Executive is employed hereunder, the Base Salary may be increased as determined by the Compensation Committee of the Board (the "**Compensation Committee**"), in its sole and absolute discretion.

---

2.2. Bonus Compensation. For each year this Agreement is in effect, Executive will be eligible to earn a bonus in the sole discretion of the Compensation Committee.

2.3. Business Expenses. So long as this Agreement is in effect, the Company shall reimburse Executive for all reasonable, out-of-pocket business expenses incurred in the performance of his duties hereunder consistent with the Company's policies and procedures, in effect from time to time, with respect to travel, entertainment and other business expenses customarily reimbursed to senior executives of the Company in connection with the performance of their duties on behalf of the Company.

2.4. Vacation. Executive will be entitled to 20 days of paid time-off (PTO) per year. PTO days shall accrue beginning on the 1st of January for each year during the term of this Agreement. Unused PTO days shall expire on December 31 of each year and shall not roll over into the next year. Other than the use of PTO days for illness or personal emergencies, PTO days must be pre-approved by the Company.

2.5. Other Benefits. Executive shall be entitled to participate in the Company's employee stock option plan, life, health, accident, disability insurance plans, pension plans and retirement plans, in effect from time to time (including, without limitation, any incentive program or discretionary bonus program of the Company which may be implemented in the future by the Board), to the extent and on such terms and conditions as the Company customarily makes such plans available to its senior executives.

2.6. Withholding. The Company may deduct from any compensation payable to Executive (including payments made pursuant to this Section 2 or in connection with the termination of employment pursuant to Article III of this Agreement) amounts sufficient to cover Executive's share of applicable federal, state and/or local income tax withholding, social security payments, state disability and other insurance premiums and payments.

2.7. Car Allowance. The Company shall provide the Executive an automobile allowance of \$750 per month during the term of Executive's employment hereunder.

2.8. Stock Options. In further consideration of the terms and conditions of this Agreement, the Executive shall be granted stock options to purchase 100,000 shares of the Company's common stock pursuant to the terms of the Company's 2009 Stock Incentive Plan, and with such other terms and conditions as are approved by the Board of Directors.

### **ARTICLE III.**

#### **TERMINATION OF EMPLOYMENT**

3.1. Termination of Employment. Executive's employment pursuant to this Agreement shall terminate on the earliest to occur of the following:

3.1.1 upon the death of Executive;

3.1.2 upon the delivery to Executive of written notice of termination by the Company if Executive shall suffer a physical or mental disability which renders Executive, in the reasonable judgment of the Compensation Committee, unable to perform his duties and obligations under this Agreement for either 90 consecutive days or 180 days in any 12-month period;

---

3.1.3 on the five-year anniversary of the date hereof;

3.1.4 upon delivery to the Company of written notice of termination by Executive for any reason other than for Good Reason;

3.1.5 upon delivery to Executive of written notice of termination by the Company for Cause;

3.1.6 upon delivery of written notice of termination from Executive to the Company for Good Reason provided, however, prior to any such termination by Executive pursuant to this Section 3.1.6, Executive shall have advised the Company in writing within fifteen (15) days of the occurrence of any circumstances that would constitute Good Reason, and the Company has not cured such circumstances within 15 days following receipt of Executive's written notice, with the exception of only five (5) days written notice in the event the Company reduces Executive's salary without Executive's Consent or fails to pay Executive any compensation due him; or

3.1.7 upon delivery to Executive of written notice of termination by the Company without Cause.

3.2. Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

3.2.1 "**Cause**" shall mean, in the context of a basis for termination by the Company of Executive's employment with the Company, that:

(i) Executive materially breaches any obligation, duty, covenant or agreement under this Agreement, which breach is not cured or corrected within thirty (30) days of written notice thereof from the Company (except for breaches of Article IV of this Agreement, which cannot be cured and for which the Company need not give any opportunity to cure); or

(ii) Executive commits any act of misappropriation of funds or embezzlement; or

(iii) Executive commits any act of fraud; or

(iv) Executive is indicted of, or pleads guilty or *nolo contendere* with respect to, theft, fraud, a crime involving moral turpitude, or a felony under federal or applicable state law.

3.2.2 "**Good Reason**" shall mean, in the context of a basis for termination by Executive of his employment with the Company (a) without Executive's consent, his position or duties are modified by the Company to such an extent that his duties are no longer consistent with the position of CFO of the Company, (b) there has been a material breach by the Company of a material term of this Agreement which continues uncured following thirty (30) days after such breach, or (c) Executive's compensation as set forth hereunder is reduced without Executive's consent, or the Company fails to pay to Executive any compensation due to him hereunder upon five (5) days written notice from Executive informing the Company of such failure.

3.3. "**Termination Date**" shall mean the date on which Executive's employment with the Company hereunder is terminated

---



3.4. Effect of Termination. In the event that Executive's employment hereunder is terminated in accordance with the provisions of this Agreement, Executive shall be entitled to the following:

3.4.1 If Executive's employment is terminated pursuant to Sections 3.1.1 (death), 3.1.2 (disability), 3.1.3 (five-year anniversary), 3.1.4 (without Cause by the Executive) or 3.1.5 (by the Company for Cause), Executive shall be entitled to salary accrued through the Termination Date and no other benefits other than as required under the terms of employee benefit plans in which Executive was participating as of Termination Date.

3.4.2 If Executive's employment is terminated by Executive pursuant to Section 3.1.6 (Good Reason), or pursuant to Section 3.1.7 (without Cause by the Company), Executive shall be entitled to continue to receive the salary at the rate in effect upon the Termination Date of employment for three months following the Termination Date, payable in accordance with the Company's normal payroll practices and policies, as if Executive's employment had not terminated. Executive shall be entitled to no other post-employment benefits except for benefits payable under applicable benefit plans in which Executive is entitled to participate pursuant to Section 2.5 hereof through the Termination Date, subject to and in accordance with the terms of such plans.

3.4.3 As a condition to Executive's right to receive any benefits pursuant to Section 3.4 of this Agreement, (A) Executive must execute and deliver to the Company a written release in form and substance satisfactory to the Company, of any and all claims against the Company and all directors and officers of the Company with respect to all matters arising out of Executive's employment hereunder, or the termination thereof (other than claims for entitlements under the terms of this Agreement or plans or programs of the Company in which Executive has accrued a benefit); and (B) Executive must not breach any of his covenants and agreements under Section 1.3 and Article IV of this Agreement, which continue following the Termination Date.

3.4.4 In the event of termination of Executive's employment pursuant to Section 3.1.5 (by the Company for Cause), and subject to applicable law and regulations, the Company shall be entitled to offset against any payments due Executive the loss and damage, if any, which shall have been suffered by the Company as a result of the acts or omissions of Executive giving rise to termination. The foregoing shall not be construed to limit any cause of action, claim or other rights, which the Company may have against Executive in connection with such acts or omissions.

3.4.5 Upon termination of Executive's employment hereunder, or on demand by the Company during the term of this Agreement, Executive will immediately deliver to the Company, and will not keep in his possession, recreate or deliver to anyone else, any and all Company property, as well as all devices and equipment belonging to the Company (including computers, handheld electronic devices, telephone equipment, and other electronic devices), Company credit cards, records, data, notes, notebooks, reports, files, proposals, lists, correspondence, specifications, drawings blueprints, sketches, materials, photographs, charts, all documents and property, and reproductions of any of the aforementioned items that were developed by Executive pursuant to his employment with the Company, obtained by Executive in connection with his employment with the Company, or otherwise belonging to the Company, its successors or assigns, including, without limitation, those records maintained pursuant to this Agreement.

3.4.6 Executive also agrees to keep the Company advised of his home and business address for a period of three (3) years after termination of Executive's employment hereunder, so that the Company can contact Executive regarding his continuing obligations provided by this Agreement. In the event that Executive's employment hereunder is terminated, Executive agrees to grant consent to notification by the Company to Executive's new employer about his obligations under this Agreement.

---

3.5. Consulting. During the period that Executive is receiving payments pursuant to subsection 3.4.2 above, Executive shall be available, subject to his other reasonable commitments or obligations made or incurred in mitigation of the termination of his employment, by telephone, email or fax, as a consultant to the Company, without further compensation, to consult with its officers and directors regarding projects and/or tasks as defined by the Board.

#### ARTICLE IV.

##### INVENTIONS; CONFIDENTIAL/TRADE SECRET INFORMATION AND RESTRICTIVE COVENANTS

4.1. Inventions. All processes, technologies and inventions relating to the business of the Company (collectively, Inventions"), including new contributions, improvements, ideas, discoveries, trademarks and trade names, conceived, developed, invented, made or found by Executive, alone or with others, during his employment by the Company, whether or not patentable and whether or not conceived, developed, invented, made or found on the Company's time or with the use of the Company's facilities or materials, shall be the property of the Company and shall be promptly and fully disclosed by Executive to the Company. Executive shall perform all necessary acts (including, without limitation, executing and delivering any confirmatory assignments, documents or instruments requested by the Company) to assign or otherwise to vest title to any such Inventions in the Company and to enable the Company, at its sole expense, to secure and maintain domestic and/or foreign patents or any other rights for such Inventions.

##### 4.2. Confidential/Trade Secret Information/Non-Disclosure.

4.2.1 Confidential/Trade Secret Information Defined. During the course of Executive's employment, Executive will have access to various Confidential/Trade Secret Information of the Company and information developed for the Company. For purposes of this Agreement, the term "Confidential/Trade Secret Information" is information that is not generally known to the public and, as a result, is of economic benefit to the Company in the conduct of its business, and the business of the Company's subsidiaries. Executive and the Company agree that the term "Confidential/Trade Secret Information" includes but is not limited to all information developed or obtained by the Company, including its affiliates, and predecessors, and comprising the following items, whether or not such items have been reduced to tangible form (e.g., physical writing, computer hard drive, disk, tape, etc.): all methods, techniques, processes, ideas, research and development, product designs, engineering designs, plans, models, production plans, business plans, add-on features, trade names, service marks, slogans, forms, pricing structures, menus, business forms, marketing programs and plans, layouts and designs, financial structures, operational methods and tactics, cost information, the identity of and/or contractual arrangements with suppliers and/or vendors, accounting procedures, and any document, record or other information of the Company relating to the above. Confidential/Trade Secret Information includes not only information directly belonging to the Company which existed before the date of this Agreement, but also information developed by Executive for the Company, including its subsidiaries, affiliates and predecessors, during the term of Executive's employment with the Company. Confidential/Trade Secret Information does not include any information which (a) was in the lawful and unrestricted possession of Executive prior to its disclosure to Executive by the Company, its subsidiaries, affiliates or predecessors, (b) is or becomes generally available to the public by lawful acts other than those of Executive after receiving it, or (c) has been received lawfully and in good faith by Executive from a third party who is not and has never been an executive of the Company, its subsidiaries, affiliates or predecessors, and who did not derive it from the Company, its subsidiaries, affiliates or predecessors.

4.2.2 Restriction on Use of Confidential/Trade Secret Information. Executive agrees that his/her use of Confidential/Trade Secret Information is subject to the following restrictions for an indefinite period of time so long as the Confidential/Trade Secret Information has not become generally known to the public:

---

(i) Non-Disclosure. Executive agrees that he will not publish or disclose, or allow to be published or disclosed, Confidential/Trade Secret Information to any person without the prior written authorization of the Company unless pursuant to or in connection with Executive's job duties to the Company under this Agreement; and

(ii) Non-Removal/Surrender. Executive agrees that he will not remove any Confidential/Trade Secret Information from the offices of the Company or the premises of any facility in which the Company is performing services, except pursuant to his duties under this Agreement. Executive further agrees that he shall surrender to the Company all documents and materials in his possession or control which contain Confidential/Trade Secret Information and which are the property of the Company upon the termination of his employment with the Company, and that he shall not thereafter retain any copies of any such materials.

4.2.3 Prohibition Against Unfair Competition/ Non-Solicitation of Customers. Executive agrees that at no time after his employment with the Company will he engage in competition with the Company while making any use of the Confidential/Trade Secret Information, or otherwise exploit or make use of the Confidential/Trade Secret Information. Executive agrees that during the six-month period following the Termination Date, he will not directly or indirectly accept or solicit, in any capacity, the business of any customer of the Company with whom Executive worked or otherwise had access to the Confidential/Trade Secret Information pertaining to the Company's business with such customer during the last year of Executive's employment with the Company, or solicit, directly or indirectly, or encourage any of the Company's customers or suppliers to terminate their business relationship with the Company, or otherwise interfere with such business relationships.

4.3. Non-Solicitation of Employees. Employee agrees that during the six-month period following the Termination Date, he shall not, directly or indirectly, solicit or otherwise encourage any employees of the Company to leave the employ of the Company, or solicit, directly or indirectly, any of the Company's employees for employment.

4.4. Non-Solicitation During Employment. During his employment with the Company, Executive shall not: (a) interfere with the Company's business relationship with its customers or suppliers, (b) solicit, directly or indirectly, or otherwise encourage any of the Company's customers or suppliers to terminate their business relationship with the Company, or (c) solicit, directly or indirectly, or otherwise encourage any employees of the Company to leave the employ of the Company, or solicit any of the Company's employees for employment.

4.5. Conflict of Interest. During Executive's employment with the Company, Executive must not engage in any work, paid or unpaid, that creates an actual conflict of interest with the Company.

4.6. Breach of Provisions. If Executive materially breaches any of the provisions of this Article IV, or in the event that any such breach is threatened by Executive, in addition to and without limiting or waiving any other remedies available to the Company at law or in equity, the Company shall be entitled to immediate injunctive relief in any court, domestic or foreign, having the capacity to grant such relief, to restrain any such breach or threatened breach and to enforce the provisions of this Article IV.

---

4.7. Reasonable Restrictions. The Parties acknowledge that the foregoing restrictions, as well as the duration and the territorial scope thereof as set forth in this Article IV, are under all of the circumstances reasonable and necessary for the protection of the Company and its business.

4.8. Specific Performance. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Sections 1.3, 4.2, 4.3 or 4.4 hereof would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

## ARTICLE V.

### ARBITRATION

5.1. Scope. To the fullest extent permitted by law, Executive and the Company agree to the binding arbitration of any and all controversies, claims or disputes between them arising out of or in any way related to this Agreement, the employment relationship between the Company and Executive and any disputes upon termination of employment, including but not limited to breach of contract, tort, discrimination, harassment, wrongful termination, demotion, discipline, failure to accommodate, family and medical leave, compensation or benefits claims, constitutional claims; and any claims for violation of any local, state or federal law, statute, regulation or ordinance or common law. For the purpose of this agreement to arbitrate, references to "Company" include all subsidiaries or related entities and their respective executives, supervisors, officers, directors, agents, pension or benefit plans, pension or benefit plan sponsors, fiduciaries, administrators, affiliates and all successors and assigns of any of them, and this agreement to arbitrate shall apply to them to the extent Executive's claims arise out of or relate to their actions on behalf of the Company.

5.2. Arbitration Procedure. To commence any such arbitration proceeding, the party commencing the arbitration must provide the other party with written notice of any and all claims forming the basis of such right in sufficient detail to inform the other party of the substance of such claims. In no event shall this notice for arbitration be made after the date when institution of legal or equitable proceedings based on such claims would be barred by the applicable statute of limitations. The arbitration will be conducted in Houston, Texas, by a single neutral arbitrator and in accordance with the then-current rules for resolution of employment disputes of the American Arbitration Association ("AAA"). The Arbitrator is to be selected by the mutual agreement of the Parties. If the Parties cannot agree, the Superior Court will select the arbitrator. The parties are entitled to representation by an attorney or other representative of their choosing. The arbitrator shall have the power to enter any award that could be entered by a judge of the trial court of the State of Texas, and only such power, and shall follow the law. The award shall be binding and the Parties agree to abide by and perform any award rendered by the arbitrator. The arbitrator shall issue the award in writing and therein state the essential findings and conclusions on which the award is based. Judgment on the award may be entered in any court having jurisdiction thereof. The losing Party in the arbitration hearing shall bear the costs of the arbitration filing and hearing fees and the cost of the arbitrator.

## ARTICLE VI.

### MISCELLANEOUS

6.1. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective legal representatives, heirs, successors and assigns. Executive may not assign any of his rights or obligations under this Agreement. The Company may assign its rights and obligations under this Agreement to any successor entity.

---

6.2. Notices. Any notice provided for herein shall be in writing and shall be deemed to have been given or made (a) when personally delivered or (b) when sent by telecopier and confirmed within 48 hours by letter mailed or delivered to the party to be notified at its or his address set forth herein; or three (3) days after being sent by registered or certified mail, return receipt requested (or by equivalent carrier with delivery documentation such as FEDEX or UPS) to the address of the other party set forth or to such other address as may be specified by notice given in accordance with this section 6.2:

If to the Company: Vertex Energy, Inc.  
**1331 Gemini , Suite 250**  
Houston, Texas 77058  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
Attention: \_\_\_\_\_

If to the Executive: Chris Carlson  
\_\_\_\_\_  
\_\_\_\_\_  
  
Telephone: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
Attention: \_\_\_\_\_

6.3. Severability. If any provision of this Agreement, or portion thereof, shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall attach only to such provision or portion thereof, and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement or portion thereof, and this Agreement shall be carried out as if any such invalid or unenforceable provision or portion thereof were not contained herein. In addition, any such invalid or unenforceable provision or portion thereof shall be deemed, without further action on the part of the parties hereto, modified, amended or limited to the extent necessary to render the same valid and enforceable.

6.4. Waiver. No waiver by a Party of a breach or default hereunder by the other party shall be considered valid, unless expressed in a writing signed by such first party, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or any other nature.

6.5. Entire Agreement. This Agreement sets forth the entire agreement between the Parties with respect to the subject matter hereof, and supersedes any and all prior agreements between the Company and Executive, whether written or oral, relating to any or all matters covered by and contained or otherwise dealt with in this Agreement, including but not limited to the Prior Agreement. This Agreement does not constitute a commitment of the Company with regard to Executive's employment, express or implied, other than to the extent expressly provided for herein.

---

6.6. Amendment. No modification, change or amendment of this Agreement or any of its provisions shall be valid, unless in a writing signed by the Parties and approved by the Compensation Committee.

6.7. Authority. The Parties each represent and warrant that it/he has the power, authority and right to enter into this Agreement and to carry out and perform the terms, covenants and conditions hereof.

6.8. Attorneys' Fees. If either party hereto commences an arbitration or other action against the other party to enforce any of the terms hereof or because of the breach by such other party of any of the terms hereof, the prevailing party shall be entitled, in addition to any other relief granted, to all actual out-of-pocket costs and expenses incurred by such prevailing party in connection with such action, including, without limitation, all reasonable attorneys' fees, and a right to such costs and expenses shall be deemed to have accrued upon the commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

6.9. Captions. The captions, headings and titles of the sections of this Agreement are inserted merely for convenience and ease of reference and shall not affect or modify the meaning of any of the terms, covenants or conditions of this Agreement.

6.10. Governing Law. This Agreement, and all of the rights and obligations of the Parties in connection with the employment relationship established hereby, shall be governed by and construed in accordance with the substantive laws of the State of Texas without giving effect to principles relating to conflicts of law.

6.11. Survival. The termination of Executive's employment with the Company pursuant to the provisions of this Agreement shall not affect Executive's obligations to the Company hereunder which by the nature thereof are intended to survive any such termination, including, without limitation, Executive's obligations under Article IV of this Agreement.

*[Signature page follows]*

---

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written to be effective as of the Effective Date.

**"COMPANY"**

VERTEX ENERGY, INC.,  
a Nevada corporation

By: /s/ Benjamin P. Cowart  
Name: Benjamin P. Cowart  
Title: CEO

**"EXECUTIVE"**

/s/ Chris Carlson  
Chris Carlson

---

## EXHIBIT A

It is acknowledged and agreed that the following actions, business transactions, agreements and undertakings may be undertaken by Executive:

- Executive can serve as an employee, consultant to, officer, director or manager of any of the private companies with whom he is currently affiliated, including Vertex Holdings, L.P., formerly Vertex Energy, L.P., VTX, Inc., Cross Road Carriers, Vertex Recovery, H&H Oil, Arrow, Cedar Marine Terminal, Vertex Residual Management, B&S Cowart, FLP, Vertex Green, LP or Vertex Processing (collectively, the "**Affiliated Companies**");
  - Executive may own an interest in or shares or membership units in any of the Affiliated Companies. Executive may earn a fee for providing services to the Affiliated Companies;
  - The Affiliated Companies can operate in the collection generator business; buy, collect and transport and process used oil, crude oil, refined products, chemicals and oily water; and collect, recycle and process petroleum waste materials, such as, but not limited to, oily water, sludges, tank bottoms, and mixed hydrocarbon materials;
  - Vertex Recovery or its subsidiaries may sell feedstock to the Company on a fair market basis and receive a commission or fee based on such sales, as determined by a yet to be drafted agreement between Vertex Recovery and the Company;
  - The Affiliated Companies may market and source feedstock to the best markets;
  - Cedar Marine Terminal may license (pursuant to a royalty free, perpetual, and non-exclusive license) the rights to Demetalization Technology on terms agreeable to the Company and Cedar Marine Terminal. Cedar Marine Terminal may also charge the Company for terminalling and storage costs for the Company's products. Finally, Cedar Marine Terminal will enter into an agreement with the Company whereby the Company leases the land which its operations take place on, on terms to be mutually agreed to between the parties;
  - Cross Road Carriers may transport the Company's products from time to time, on substantially similar terms as Cross Road Carriers charges its other clients;
  - Any Affiliated Party may sell products, equipment or materials to the Company on terms mutually agreeable between the Company and such Affiliated Party;
  - Vertex Residual Management may contract with the Company or with Vertex LP on behalf of the Company to provide the Company environmental compliance, regulation and oversight services on terms mutually agreeable between the parties;
  - Vertex Green may focus on the development of renewable energy such as Biodiesel, which entity shall be outside of the Company; and
  - Any other actions, business transactions, agreements and undertakings which the Executive has received approval of a majority of the independent members of the Board of Directors to enter into and/or undertake.
-





FIRST ADDENDUM TO  
EXECUTIVE EMPLOYMENT AGREEMENT

This First Addendum to Executive Employment Agreement (this "**Agreement**") dated March \_\_, 2011, to be effective as of December 15, 2010 (the "**Effective Date**"), is by and between **Vertex Energy, Inc.**, a Nevada corporation ("**Vertex**") and **Benjamin P. Cowart**, an individual ("**Executive**"), each referred to herein as a "**Party**" and collectively the "**Parties**".

**WITNESSETH:**

**WHEREAS**, the Parties previously entered into an Executive Employment Agreement (the "**Executive Employment Agreement**") on or around February 20, 2009, a copy of which is attached hereto as Exhibit A;

**WHEREAS**, capitalized terms used herein shall have the meaning ascribed to such terms in the Executive Employment Agreement, unless otherwise stated herein or the context requires otherwise; and

**WHEREAS**, the Parties desire to enter into this Agreement to modify certain provisions, terms and conditions to the Executive Employment Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants, agreements, and considerations herein contained, and other consideration, which consideration the Parties hereby acknowledge and confirm the sufficiency thereof, the Parties hereto agree as follows:

1. **Amendment to Executive Employment Agreement**

Section 2.1 of the Executive Employment Agreement is hereby amended and restated in its entirety to read as follows:

"2.1. **Base Salary.** So long as this Agreement remains in effect, for all services rendered by Executive hereunder and all covenants and conditions undertaken by the Parties pursuant to this Agreement, the Company shall pay, and Executive shall accept, as compensation, an annual base salary ("**Base Salary**") of \$215,000. The Base Salary shall be payable in regular installments in accordance with the normal payroll practices of the Company, in effect from time to time, but in any event no less frequently than on a monthly basis. For so long as Executive is employed hereunder, beginning on the first anniversary of the Effective Date, and on each anniversary thereafter, the Base Salary shall be increased as determined by the Compensation Committee of the Board (the "**Compensation Committee**"), in its sole and absolute discretion."

2. **Reconfirmation of Executive Employment Agreement.** The Parties hereby reaffirm all terms, conditions, covenants, representations and warranties made in the Executive Employment Agreement, to the extent the same are not amended hereby.

3. **Effect of Agreement.** Upon the effectiveness of this Agreement, each reference in the Executive Employment Agreement to "**Agreement**," "**hereunder**," "**hereof**," "**herein**" or words of like import shall mean and be a reference to such Executive Employment Agreement as modified or waived hereby.

4. **Executive Employment Agreement to Continue in Full Force and Effect** Except as specifically modified herein, the Executive Employment Agreement and the terms and conditions thereof shall remain in full force and effect.

5. **Effect of Facsimile and Photocopied Signatures.** This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts. A copy of this Agreement signed by one Party and faxed to another Party shall be deemed to have been executed and delivered by the signing Party as though an original. A photocopy of this Agreement shall be effective as an original for all purposes.

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement to be effective as of the Effective Date.

**"VERTEX"**  
VERTEX ENERGY, INC.

*/s/ Chris Carlson*  
CHRIS CARLSON  
Chief Financial Officer

Date: 3/25/11

**"EXECUTIVE"**

*/s/ Benjamin P. Cowart*  
BENJAMIN P. COWART

Date: 3/25/11

---



FIRST ADDENDUM TO  
EXECUTIVE EMPLOYMENT AGREEMENT

This First Addendum to Executive Employment Agreement (this "**Agreement**") dated February 1, 2011, to be effective as of March 28, 2011 (the "**Effective Date**"), by and between **Vertex Energy, Inc.**, a Nevada corporation ("**Vertex**") and **Matthew Lieb**, an individual ("**Executive**"), each referred to herein as a "**Party**" and collectively the "**Parties**".

**WITNESSETH:**

**WHEREAS**, the Parties previously entered into an Executive Employment Agreement (the "**Executive Employment Agreement**") on or around January 28, 2009, a copy of which is attached hereto as Exhibit A;

**WHEREAS**, capitalized terms used herein shall have the meaning ascribed to such terms in the Executive Employment Agreement, unless otherwise stated herein or the context requires otherwise; and

**WHEREAS**, the Parties desire to enter into this Agreement to modify certain provisions, terms and conditions to the Executive Employment Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants, agreements, and considerations herein contained, and other consideration, which consideration the Parties hereby acknowledge and confirm the sufficiency thereof, the Parties hereto agree as follows:

1. Amendment to Executive Employment Agreement.

Section 2.1 of the Executive Employment Agreement is hereby amended and restated in its entirety to read as follows:

"2.1. Base Salary. So long as this Agreement remains in effect, for all services rendered by Executive hereunder and all covenants and conditions undertaken by the Parties pursuant to this Agreement, the Company shall pay, and Executive shall accept, as compensation, an annual base salary ("Base Salary") of \$75,000. The Base Salary shall be payable in regular installments in accordance with the normal payroll practices of the Company, in effect from time to time, but in any event no less frequently than on a monthly basis. For so long as Executive is employed hereunder, beginning on the first anniversary of the Effective Date, and on each anniversary thereafter, the Base Salary shall be increased as determined by the Compensation Committee of the Board (the "Compensation Committee"), in its sole and absolute discretion."

2. Reconfirmation of Executive Employment Agreement. The Parties hereby reaffirm all terms, conditions, covenants, representations and warranties made in the Executive Employment Agreement, to the extent the same are not amended hereby.

3. Effect of Agreement. Upon the effectiveness of this Agreement, each reference in the Executive Employment Agreement to "**Agreement**," "**hereunder**," "**hereof**," "**herein**" or words of like import shall mean and be a reference to such Executive Employment Agreement as modified or waived hereby.

4. Executive Employment Agreement to Continue in Full Force and Effect. Except as specifically modified herein, the Executive Employment Agreement and the terms and conditions thereof shall remain in full force and effect.

5. Effect of Facsimile and Photocopied Signatures. This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts. A copy of this Agreement signed by one Party and faxed to another Party shall be deemed to have been executed and delivered by the signing Party as though an original. A photocopy of this Agreement shall be effective as an original for all purposes.

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement to be effective as of the Effective Date.

**"VERTEX"**  
**VERTEX ENERGY, INC.**

/s/ Benjamin P. Cowart  
Benjamin P. Cowart  
Chief Executive Officer

Date: 1/19/11

**"EXECUTIVE"**

/s/ Matthew Lieb  
Matthew Lieb

Date: 3/16/11

---



**Subsidiaries**

Vertex Merger Sub, LLC, a California Limited Liability Company

---



**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Benjamin P. Cowart, certify that:

1. I have reviewed this Annual Report on Form 10-K of Vertex Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Quarterly Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2011

By: /s/ Benjamin P. Cowart  
Benjamin P. Cowart  
Chief Executive Officer  
(Principal Executive Officer)

---





**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chris Carlson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Vertex Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Quarterly Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2011

By: /s/ Chris Carlson  
Chris Carlson  
Chief Financial Officer  
(Principal Accounting Officer)

---



**CERTIFICATION PURSUANT TO 18 U.S.C. SS. 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Vertex Energy, Inc. (the "Company") on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission (the "Report"), I, Benjamin P. Cowart, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2011

/s/ Benjamin P. Cowart  
Benjamin P. Cowart  
Chief Executive Officer  
(Principal Executive Officer)

---



**CERTIFICATION PURSUANT TO 18 U.S.C. SS. 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Vertex Energy, Inc. (the "Company") on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission (the "Report"), I, Chris Carlson, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2011

/s/ Chris Carlson  
Chris Carlson  
Chief Financial Officer  
(Principal Accounting Officer)

---

