

# CLEANTECH TRANSIT, INC.

## Renewable Energy Pioneer

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### CLEANTECH TRANSIT, INC. (OTC:QB - CLNO - \$0.086)

Industry: Renewable Energy

Rating: Speculative Buy

#### COMPANY SNAPSHOT

Cleantech Transit, Inc. is an emerging player in the alternative, clean energy sector. With the growth in green energy initiatives, the Company has focused its investments directly in power projects that will result in meaningful market share, including the conversion of wood waste into electricity. A biomass division was launched by Cleantech partner Phoenix Energy to focus exclusively on this space. The first of these ventures is a jointly-owned power plant project in California, which is one of the first biomass projects of its kind in the state. Additional plants are slated to come on line in the next few years.

#### KEY STATISTICS

Price as of 6/8/12	\$0.086
52 Wk High – Low	\$0.29 – 0.03
Est. Shares Outstanding	109.91M
Market Capitalization	\$9.45M
3 Mo Avg Vol	653,883
Exchange	OTC:BB

#### COMPANY INFORMATION

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#### INVESTMENT HIGHLIGHTS

**The renewable energy industry is expected to reach more than \$250 billion by 2017, driven by worldwide initiatives and government mandates.** Power generated from biomass, the most renewable energy source in the world, is expected to grow from roughly 1% 3 years ago to nearly 6% in 2035.

**Cleantech Transit, Inc. is poised to emerge as a leader in the U.S. biomass power generation market.** The market value of electricity generated from biomass in the U.S. is steadily increasing to \$53 billion by 2020, up from roughly \$45 billion in 2010.

**Cleantech's business model is diverse.** CLNO is applying its expertise and capital to the construction and operation of power stations that produce green energy supply as well as green byproducts for sale.

**The Company's first biomass power plant project, in which it is a 40% owner, is set to launch soon and is the first of many large-scale deals.** This 500KW project, situated on a landfill in Merced County, CA, is one of the first of its kind in the state and Power will be sold to the grid as part of a 15-year power purchase agreement.

**CLNO received a Letter of Interest from a U.N. Sponsored Intergovernmental Agency representing 28 member states to implement and operate biomass power plants.** This agency would facilitate the creation of a public private partnership with CLNO to implement and operate up to 47, 1MW biomass power plants, which is huge for CLNO.

**We expect CLNO to generate millions in recurring, power generation revenue and high margins through a number of biomass-fueled power stations.** We rate CLNO Speculative Buy.

## BIOMASS: THE PLACE TO BE

The global renewable energy industry is expected to reach more than \$250 billion by 2017. Worldwide initiatives and government mandates including the 2009 American Recovery and Reinvestment Act are driving the implementation and utilization of renewable sources of energy and fuel. In addition, Europe's use of biomass as a source of energy, which is led by France, is expected to rise tenfold in ten years. Global power generated from biomass, the most renewable energy source in the world, is expected to grow from roughly 1% 3 years ago to nearly 6% in 2035. The market value of electricity generated from biomass in the U.S. is steadily increasing to \$53 billion by 2020, up from roughly \$45 billion in 2010.

Coal remains the primary source of electricity production worldwide, representing anywhere from 30-80% of all production in the developed world. With the desire to lower carbon emissions, the use of biomass on a large scale would enable countries, regions, municipalities, and major corporations to reduce dependence on fossil fuels while meeting all of their power needs.

Biomass is an energy resource that is derived from organic matter, such as wood, agricultural waste, and other living-cell material that can be burned to produce heat energy. It may also include algae, sewage, and other organic substances used to make energy through chemical processes, such as gasification. Biomass currently supplies about 3% of total U.S. energy consumption in the form of electricity, process heat, and transportation fuels—all of which help to diversify the nation's energy supply and support rural economies. In today's environment, energy companies are driven to increase the amount of electricity and fuels produced from renewable energy resources in response to consumer demand and policy incentives.

Bioenergy is considered renewable and sustainable since its source, biomass, is a replenishable resource as vegetative matter will grow when planted. Additionally, biomass energy recycles carbon dioxide during the plant photosynthesis process and uses it to make its own food. In comparison to fossil fuels such as natural gas and coal, which take millions of years to be produced, biomass is easy to grow, collect, utilize and replace quickly without depleting natural resources.

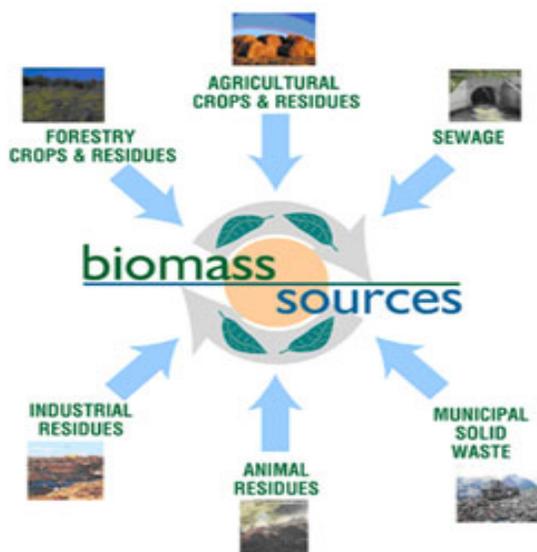


Image I. Biomass Sources

Source: WIH Resource Group

**Company Report**

Using biomass power replaces the need to burn use coal to generate electricity. Additionally, the use of biomass power also reduces the need for oil to mine and deliver coal to distant power stations, thereby significantly reducing greenhouse gas emissions.

**COMPANY OVERVIEW**

Cleantech Transit, Inc. is well-positioned to serve as an emerging player in the alternative, clean energy sector. The Company has focused its investments and expertise directly into power projects that will result in meaningful market share and economic value for its shareholders. The near term focus of the management is in the construction, operation, and in some cases, acquisition of alternative energy power generation plants, primarily in the biomass arena.

The initial project, slated to be launched soon, is a 500KW biomass plant in Merced County, California, in which the Company is a 40% partner with Phoenix Energy, which is providing equipment and some operational expertise as well. It should be noted that this project, in green energy-leading California is one of the first biomass projects of its kind in the state. The Merced County plant literally sits adjacent to a landfill making access to biomass feedstock high and costs of goods extremely low. Management has recently stated that it plans to add plants in the 1MW and 2MW size to its portfolio via acquisition along with the construction of other facilities.

The Company's model is diverse yet straightforward. As the power stations produce green energy the Company will sell the power to the grid via a standard 15-year power purchasing agreement, such as the one it has in place for the CA-based biomass plant. As a result, as energy is generated, so is a consistent revenue stream. In addition, management may elect to sell the char, or the remains of solid biomass that has been incompletely combusted, to agricultural or other buyers, bringing EBITDA margins to the mid-teens, in our estimation.

The Company just announced that it has received a Letter of Interest from a United Nations Sponsored Intergovernmental Agency representing 28 member states to implement and operate biomass power plants. This agency would facilitate the creation of a public private partnership with CLNO to implement and operate up to 47, 1MW biomass power plants. This could be a huge opportunity for CLNO that places Cleantech Transit as a major player in the global, renewable energy and power generation provider, in one fell swoop.

We should note that biomass power generation consumes more than 100 million tons of fuel annually, virtually all of which is waste or residue material that requires some form of treatment and disposal. Most surprisingly, using wood waste as fuel is actually more beneficial to the environment than allowing it to decompose naturally, due to the elimination of methane during combustion. According to the EPA, 250 pounds of methane are released per thousand tons of wood while making biomass power versus 430,000 pounds per thousand tons as wood rots in a landfill. Thus, having the landfill essentially on-site is a great strategic move and an environmentally sound one.

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## Conversion from Biomass to Power

According to the U.S., Department of Energy, there are four primary methods of converting biomass to energy. The one that CLNO is using, known as gasification, is one of the most widely deployed in the industry.

Gasification is a chemical or heat-based process by which a carbon-based, high-caloric material such as municipal solid waste goes through a thermal transformation process in an oxygen-deprived environment in which it is converted into a variety of products: an inert ash, various chemicals, and synthesis gas. The images below provide a glimpse into both a typical facility and the roadmap CLNO will use to generate revenue, along with its partner Phoenix Energy.



Image II. Biomass Gasification Facility

Source: U.S. Dept of Energy, NREL Div

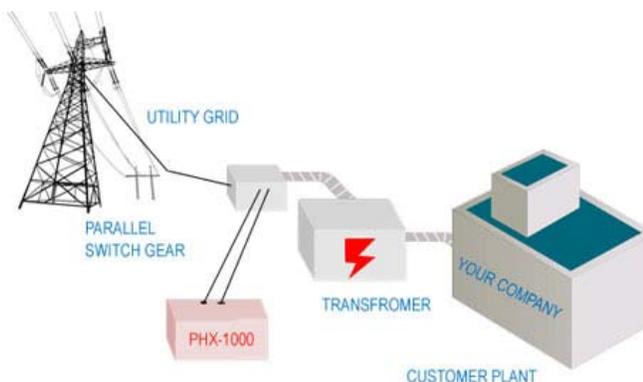


Image III. The Roadmap to Revenue

Source: Cleantech Transit, Inc.

## EXECUTIVE MANAGEMENT

### **Kenneth Bosket – President & CEO**

Mr. Bosket was with Sprint for 30 years and retired from Sprint in 2004. Mr. Bosket is co-founder of JaHMa, a music company in Las Vegas, Nevada and a former board member and president of Bridge Counseling Associates, a mental health and substance abuse service company. His experience includes implementing appropriate procedures for positioning his organization's goals with successful teaming relationships, marketing and over 30 years of extensive customer service, as well as managing various departments, and being a western division facilitator working directly for a President of Sprint. Mr. Bosket has received numerous awards, such as the Pinnacle Award, for his exceptional service with his former employer combined with his community service involvements. Mr. Bosket earned a Master's of Business Administration from the University of Phoenix and a Bachelor's of Business Administration from National University. Mr. Bosket brings to the Company extensive experience in managing employees as well as extensive marketing experience which will assist the Company in moving forward with its operations.

## Company Report

**K. Lowell Holden – CFO & Director**

Since 1983, Mr. Holden has owned and operating his own consulting firm, LS Enterprises, Inc., which provides business consulting, accounting and other services to businesses. Mr. Holden has a broad range of business experience including managing, securing financing, structuring of transactions, and is experienced and knowledgeable in managing relationships with customers, financing institutions and stockholders. Mr. Holden also has a background in assisting companies in fulfilling their financial auditing and SEC reporting requirements. Mr. Holden also currently serves as CFO and Chief Accounting Officer of Crown Equity Holdings Inc. (OTC BB: CRWE).

**RISK FACTORS**

In our view, Cleantech's biggest risk is the timing of signing deals or acquisitions of other facilities. A secondary concern would be the typical delays associated with long-term project financing and potential construction delays. Execution risks could push meaningful revenue generation out to a later date, or in a smaller initial ramp, thus impacting the Company's revenue ramp or time to profitability. Competition from larger firms or even from newer entrants is a typical concern and is also consistent with firms of Cleantech's size and standing.

**CONCLUSION**

Given its relatively low risk, recurring revenue strategy and clever tactical execution, we believe that Cleantech is a great way to play the renewable energy space. With an enviable signature and soon to be operational biomass power station in environmentally tough California, we expect a number of additions to be added to the CLNO power portfolio. As a result, we project that the Company will generate millions in revenue and a healthy profit on a recurring basis, which will only increase over time as more facilities are brought on line. Thus, growth will come both organically and through acquisition, giving CLNO meaningful market share in the space very quickly.

CLNO has significant, inherent advantages in the space, starting with its strategy and model, and the tremendous opportunity abroad, which is a credit to management's vision. The stock is likely to be news-driven in the near-term, but a number of milestones, including new deals, should drive the stock higher as the Street begins to learn the story. We rate these shares Speculative Buy.

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## Recent Trading History For CLNO

(Source: Stockta.com)



## Company Report

**Analyst: Robert Goldman**

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

**Analyst Certification**

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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