

DYNASTY WEALTH

INVESTING

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Dynasty Wealth, Inc., Member Company Research Update 04/04/15

By **Michael Markowski**, analyst,

N-Viro International's (NVIC) announcement on March 30, 2015, "[N-Viro International Announces Facility Development Agreement in China](#)" is the most significant in the history of the company. The company announced that N-Viro Energy Ltd. (NVEL), its Hong Kong domiciled sister company had entered into a Letter of Intent with Guangzhou XinMingRun Purification Company Ltd (GXPC). GXPC is principally in the business of treating urban wastewater and is the owner of the Xintang Sewage plant in Zengcheng, Guangdong Province, PRC.

N-Viro's share price and volume after the press release did not reflect the significance of the announcement. The likely reason why is because the company announced that under the terms of the deal its sister company, N-Viro Energy Ltd. (NVEL), would be required to make a \$28 million investment.

The significance of the announcement that has been overlooked by investors was that NVEL is in the process of entering into a contract with GXPC to provide it with 300 metric tons of sewage sludge per day for 30 years. The following explains the significance of its entering into a 30 year contract:

1. **30 year revenue stream.** GXPC will be paying NVEL for 30 years to remove the 300 metric tons per day of sewage sludge from their wastewater and sewage treatment plants. My assumption is that NVEL will be able to negotiate a rate of \$40 per metric ton with GXPC. Based on my simple math NVEL could potentially generate \$4,380,000 per year or \$131,400,000 over the life of the 30 year contract.

2. **NVEL in position to monopolize.** With the signing of the 30 year contract NVEL will become a defacto monopoly. Its because NVEL will utilize NVIC's patented technology to convert GXPC's tons of sewage sludge into electricity and/or fuel that it will sell to utility companies, etc. The 30 year contract will prevent any competitors from getting access to the sewage sludge that they would need to compete against NVEL. Sewage sludge is the feedstock that is utilized by NVIC and NVEL to produce fuel.

Based on the two items above, I predict that NVEL shareholders including NVIC will not be significantly diluted. The revenue that NVEL will generate from converting the \$131.4 million of sewage sludge which it hauls away into fuel that it will sell to utilities that will burn it to produce electricity has the potential to be a multiple of the \$131.4 million. Financing the \$28 million should not be difficult. This is especially since the total revenue generated from the sewage sludge has the potential to be \$300 million or more over the life of the contract. Finally, NVEL's primary Chinese customers are municipalities and utility companies that have high credit ratings.

The more good news from the press release left open the possibility that there could be additional projects coming. The release stated "Further development through a comprehensive resource utilization plan will provide for additional facility expansion to service other wastewater treatment plants". Should NVEL enter into even two or three similar deals during 2015 it could potentially have announced an aggregate of \$1 billion of 30 year backlogs by the end of 2015.

The strategy of NVIC's management team to have its sister company NVEL to build and operate the first facility in the world in China that will convert sewage sludge into fuel was brilliant for the following reasons:

- NVEL's facility will become its and NVIC's showcase facility in the world's most populous country which has a severe sewage problem. The entire world has China's environmental problems under its microscope.
- Setting up a sister company in Hong Kong and opening the first facility in China instead of the USA was a strategic move. If NVIC had instead opened its first showcase facility in the USA it would have likely been copied by Chinese entrepreneurs. This would have precluded NVIC from competing in China due to its only having a US patent.
- Having NVEL be a Hong Kong domiciled company improves the probability that NVIC's sister company can become a monopoly in mainland China. Since those likely to invest in NVEL will be Chinese

citizens and corporations they will have a vested interest in NVEL becoming very successful.

- NVEL being a sister company that will raise its own capital enables NVIC shareholders to benefit from the capital appreciation of NVEL. NVEL also alleviates the need for NVIC shareholders to suffer dilution from the raising of equity capital at what I believe is at an overwhelmingly undervalued valuation.
- The terms and conditions that NVEL will be able to get from its potential Chinese utility company customers that can be used to finance the first facility utilizing NVIC technology will be much better than the terms and conditions that NVIC would receive from US utility companies. Having a showcase facility in China will enable NVIC to negotiate from a position of strength with utility companies in the US and the other countries of the world that all have sewage sludge problems.
- NVIC will generate revenue from selling its equipment to NVEL and also by entering into 30 year personnel services contracts. Since it owns more than 19.9% of NVEL's shares outstanding, the sister company's Income Statement, Balance sheet and Cash Flow Statement metrics will be incorporated or flow into NVIC's Financial Statements.

N-Viro International's management team deserves applause for being patient and keeping dilution to a minimum until its share price and market capitalization rises sufficiently. When that happens, the company will be able to raise the minimally dilutive capital required to build its first showcase facility in the USA.

About Michael Markowski:

Michael Markowski has been involved in capital markets since he joined Merrill Lynch in 1977. He held positions as a broker, portfolio manager, and as an analyst and investment banker prior to his leaving the financial services industry. Subsequent to his leaving Wall Street he founded a financial information and research company. Mr. Markowski's decision to conduct a "post mortem autopsy" on Enron led to his discovery of the cause of the energy company's sudden and unexpected bankruptcy, and his founding of StockDiagnostics.com, a Web-site for the purpose of displaying the results of Mr. Markowski's diagnostics when monitoring the health of all public companies.

During the 6-year period in which Mr. Markowski wrote a column for Equities Magazine he made many buy and sell recommendations. His most famous prediction was that of issuing warnings to his readers in October of 2007 and January of 2008 to sell all of their holdings in Lehman, Bear Stearns, Merrill Lynch, Morgan Stanley and Goldman Sachs. Mr. Markowski is currently a contributor to Equities.com and Seeking Alpha, and was named by Fortune Magazine as one its 50 Great Investors. Additional information about Michael Markowski is available at www.michaelmarkowski.net.

Dynasty Wealth, Inc.

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Dynasty Wealth believes that the decade ending 2020 will be recognized historically as the best ever for investors who generated dynasty wealth from a diversified portfolio, primarily because three major demographic segments are emerging — **crowdfunding infrastructure providers, cannabis infrastructure providers** and **smart phone application providers**.

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All information relied upon for the above Summary is publically available via various research resources, including third-party sources we consider reliable. But we do not guarantee that any of such information is accurate or complete. In its evaluation of N-Viro International Corporation (NASDAQ: NVIC), Dynasty Wealth has also relied upon Securities and Exchange Commission Disclosure and Representations Documentation required to be filed by NVIC. The SEC documentation is available through The Company’s Web-site at www.nviro.com/invest.html.

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Dynasty Wealth receives compensation from the subject companies both in the form of membership fees and, on occasion, through the issuance of shares or issuance of options to purchase the subject company's stock. NVIC pays Dynasty Wealth ongoing membership fees of \$10,000 per month. NVIC has the right to pay that fee in stock at the current monthly market price. NVIC also issued to Dynasty Wealth 350,000 options to purchase NVIC shares at \$1.50 per share. The option expires on September 15, 2019.

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