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RESEARCH UPDATE

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September 22, 2009

Updated Report	
Previous Average Target Value (6/26/08)	$2.15
12-Month Average Target Value Low	$1.10
12-Month Average Target Value High	$3.68
12-Month Target Value Average	**$2.21**
See page 27 for details	

ecosphere TECHNOLOGIES INC.

Market Data:	
Symbol	**ESPH**
Sector	Clean Technology
Industry	Environmental Services
Sub-Industry	Water Remediation
Risk Level	Speculative
Closing Price	$0.44 (9/21/09)
Initial Coverage Price	$0.24 (11/16/07)
52 Week High	$0.78
52 Week Low	$0.13
10 Day Average Volume	298,608
Market Capitalization	$48.61M
Enterprise Value	$55.32M
Shares Outstanding	
-Primary (8/10/09)	110.49M
-Float (approximate)	72.5M

Source: BigCharts.com

Fiscal Year-end December	*Actual 2008*	*Estimated 2009*	*Estimated 2010*	*Estimated 2011*
Revenue	$0.247M	$7.27M	$28.9M	$38.8M
Net Income	($11.8M)	($14.4M)	$3.73M	$9.38M
EPS – *basic*	($0.04)	($0.15)	$0.04	$0.10
EPS – *diluted*	($0.04)	($0.11)	$0.02	$0.05

Based on $1.10 average target value pro forma.

Investment Highlights:

- On September 17, 2009 Ecosphere projected record revenues for 2010 in excess of $20 million citing that a significant portion of the projected revenue was based on signed and guaranteed contracts with major energy companies. .
- On September 14, 2009 Ecosphere Energy Services, a majority owned subsidiary of Ecosphere Technologies, Inc. announced that it has engaged Simmons & Company International ("Simmons"), a Houston based investment bank specializing in the global energy sector, as its strategic advisor.
- On July 20, 2009, Ecosphere and Newfield Exploration received a permit from the Corporation Commission of Oklahoma to build and operate a water recycling facility.
- On July 10, 2009, Ecosphere signed a long-term services agreement with Southwestern Energy Company (NYSE:SWN) to deliver 24 EcosFrac EF600 units.
- On June 25, 2009, Ecosphere signed a Master Services Agreement with Houston based BP America Production Company (NYSE:BP) to recycle water used in hydraulic fracturing.
- On June 9, 2009, Ecosphere signed an agreement with Ely & Assoc. and Vanguard Stimulation Services to improve hydraulic fracturing methods in shale plays.
- On May 11, 2009, Ecosphere signed a joint marketing agreement with Science Applications International Corporation (NYSE:SAI), a Fortune 500 scientific, engineering and technology applications company, to market Ecosphere's technologies to SAIC's clients in the oil and gas sector.

Investment Conclusion:

Ecosphere provides aggressive investors with an opportunity to invest in a clean water and clean energy play with explosive growth potential. Given the aforementioned agreements and industry validation, it is our opinion that risk is declining and reward is increasing which should lead to a higher valuation in the short-, intermediate- and long-term. Based only on the expected financial results or transaction valuation for its EES subsidiary, we calculate a 12-month target value range between $1.10 and $3.68. This valuation doesn't include any value for additional applications of the Company's Ozonix technology outside of the energy industry or any other existing technologies in its portfolio. See pages 9-10 and 24-27 for additional details.

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Important Note: This report contains forward-looking statements, particularly as related to pro forma financial statements, earnings estimates and business expectations, within the meaning of Section 27A of the Securities Act of 1933 and Sections 21E of the Securities Exchange Act of 1934, and are subject to the safe harbor created by these sections. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. These forward-looking statements are only made as of the date of their release and Wall Street Resources and the featured Company in this report do not undertake any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

I. OVERVIEW

Company

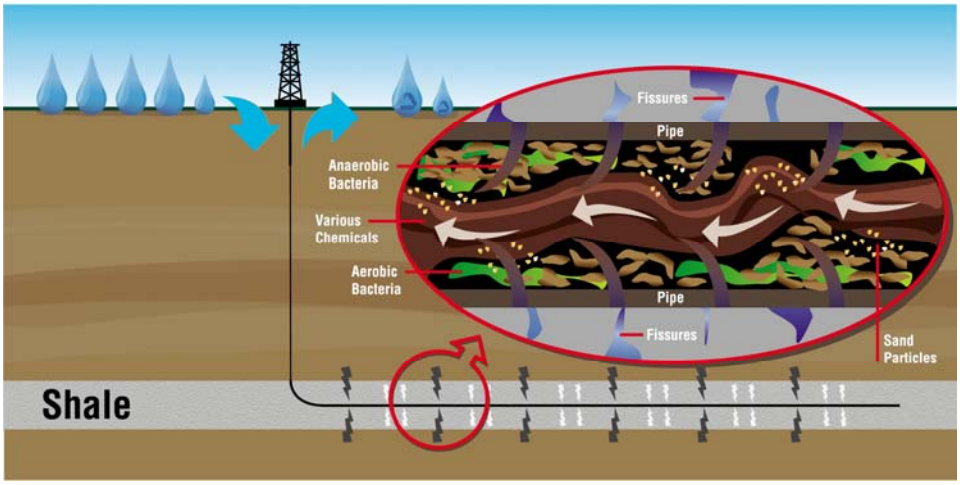
Ecosphere Technologies, Inc. ("Ecosphere" or "the Company") is a diversified water engineering and environmental services company dedicated to solving critical water recovery, treatment and recycling challenges through its proprietary and innovative solutions. Since inception, the Company's strategy has been and continues to be: (1) Invent a technology that addresses a major industrial and environmental problem, (2) Develop the technology from concept design to patenting and prototype, (3) Begin the commercialization of the technology through manufacturing, sales, and services, (4) Identify a partner who will be able to take it to the next level, (5) Create shareholder value through joint venturing, licensing or selling off the technology to market leaders.

At present, Ecosphere is focused on monetizing its proprietary Ozonix technology for use in the energy sector by partnering with major natural gas exploration and service companies in the U.S. to create a revolutionary front-end and back-end integrated total water resource management solution. The Company also has numerous other applications for its Ozonix technology in other industries as well as a portfolio of additional clean technologies that are in various stages of development. The Company is based in Stuart, Florida and its shares trade on the OTC Bulletin Board under the ticker symbol ESPH.

Background

To drill for natural gas in unconventional shale plays, a well must be fractured (a.k.a. "fraced"), which means that water must be pumped down a hole to fracture the shale and create a channel for the natural gas to flow out of the ground. Once the plugs are removed, the water starts flowing back to the surface.

On the front end (down hole), the conventional method of creating frac fluid is to treat pond (source) water with a number of chemicals and additives, including biocides and scale inhibitors. The biocides and scale inhibitors are added to eliminate aerobic and anaerobic bacteria from the pond water. The constituents commonly found in pond water and produced fluid from formation minerals cause scaling. These constituents compound the complexity involved in achieving the desired effect with the chemicals that are normally added during the fracs, like the biocides, friction reducers, guars, scale inhibitors, etc.



On the back-end (frac flowback or produced water), the conventional methods of handling frac flowback water were to dispose of the water either with deep hole injection or above ground storage pits. These methods require extensive trucking of the water, are expensive and wasteful.

Opportunity

To address this situation, Ecosphere created an advanced oxidation process to treat industrial wastewater called the "Ecosphere Ozonix™" process. The initial application was designed to help energy companies recycle frac flowback water into clean water. After much testing in house and in the field, the technology proved to be an effective method of recycling dirty frac flowback water into clean water. During this testing period it was also recognized that oil and gas producers would benefit from a new method to pre-treat the water going down hole during the fracturing process. Furthermore, Ecosphere's customers were very interested in a complete front-end and back-end water management solution.

Ecosphere responded to this challenge on the front-end by creating another groundbreaking technology (the EF600™) that yields a bacteria free frac (a.k.a. completions) fluid without the use of caustic or hazardous chemicals. On the back-end, Ecosphere would take the frac flowback water and instead of recycling the waste water into clean water, its EB600™ would turn the waste water (frac flowback) into EcosBrine, a valuable product that would be used to create the fracture fluid solution going down hole. Together, Ecosphere's EF600 and EB600 processes serve to create a total frac water management solution for natural gas exploration and development companies. This solution (1) reduces the cost associated with well completions, (2) it is an eco-friendly way of reducing the amount of chemicals going down well, (3) it turns frac flowback water into a valuable product, and (4) it increases reserves by improving well productivity. The EF600 tank has been successfully tested in the Woodford and Fayetteville shales.

Recent Events

Ecosphere Engages Simmons & Company to Evaluate Strategic Alternatives for EES Division

On September 14, 2009 Ecosphere Energy Services, a majority owned subsidiary of Ecosphere Technologies, Inc., announced that it has engaged Simmons & Company International ("Simmons"), a Houston based investment bank specializing in the global energy sector, as a strategic advisor. Simmons' mandate is to assist Ecosphere in evaluating strategic alternatives to enhance shareholder value. These strategic alternatives may include partnerships, joint ventures, divestitures, sale, or other initiatives with the Ecosphere Energy Services subsidiary.

Simmons & Company Managing Director Matthew Pilon stated, "The emergence of natural gas shale plays in the U.S. and around the world require an energy company to have an in depth knowledge of water management and the right water recycling technology in order to reduce completion costs and protect vital water resources. What Ecosphere has created with its Ozonix mobile water treatment technology is a unique cost effective well site solution to water sourcing and disposal challenges. Ecosphere's mobile water treatment technology significantly reduces the chemical, water hauling, and disposal costs associated with natural gas well fracturing and production. We look forward to working with Ecosphere to be their strategic advisors."

John Ely, President of Ely & Associates and Vanguard Stimulation Services, stated, "The water treatment technology Ecosphere has proven in the field over the past year working with major energy companies is a major step change in our industry. Simmons understands the energy industry economics and has the proven ability to demonstrate to energy companies and oil field services companies the financial and environmental benefits of Ecosphere's technology."

Ecosphere Technologies, Inc. CEO Dennis McGuire stated, "We have recently signed very significant service contracts with major energy companies. Since signing those contracts, we have been approached

by several large oil & gas services companies that are interested in a relationship with our company. Ecosphere and our Bledsoe Capital partners sought out the most respected and experienced energy industry professionals to manage the process of dealing with these major companies interested in our technology. We are very pleased to have engaged Simmons & Company to manage the process of finding the right strategic alternative for us that will maximize our shareholder value."

Approval from Corporation Commission of Oklahoma

On July 20, 2009, Ecosphere announced that the Corporation Commission of Oklahoma approved a permit application by Newfield Exploration Mid-Continent, Inc. to build and operate a water recycling plant utilizing the Ecosphere Ozonix Water Treatment System for two years. The permit will allow Newfield to process frac flowback water into freshwater and brine utilizing Ecosphere's Ozonix System through its subsidiary, Ecosphere Energy Services.

Dennis McGuire said, "We appreciate the Commission's granting of the permit to utilize our Ozonix technology in Oklahoma. Their representatives visited our site twice during the pilot program to witness the Ozonix System working and took samples for independent testing. It was a lengthy and deliberate procedure to gain Commission approval and their efforts will help to preserve Oklahoma's precious water resources. The Ecosphere Ozonix System will also result in fewer trucks on the road hauling water which will reduce both carbon emissions and a waste stream from drilling operations. The frac flowback waste stream will be recycled for fracturing new wells or returned to the environment through land application. We also want to thank Newfield for having the vision to work with Ecosphere's cutting edge technology to develop cost effective ways to recycle water for fracturing natural gas wells."

Deal with Southwestern Energy Company (NYSE:SWN)

On July 10, 2009, Ecosphere Technologies, Inc. announced its oil and gas environmental services subsidiary, Ecosphere Energy Services (EES), has signed a Master Service Agreement with SEECO, Inc. and Southwestern Energy Production Company, wholly-owned subsidiaries of Southwestern Energy Company, to deliver 24 of its EcosFrac EF600 units within the next 150 days. The contract calls for EES to provide its environmental services for a minimum of two years with a maximum of five years.

Dennis McGuire said, "During our recent pilot program in the Fayetteville Shale, we demonstrated that our EcosFrac technology is effective killing bacteria at the volumes and rates required during hydraulic fracturing without the use of chemical biocides. We are pleased to be working with Southwestern Energy to assist them in their ongoing operations to reduce completion costs and to protect the environment in which they work."

Deal with Ely & Associates

On June 9, 2009, Ecosphere Technologies, Inc. announced that it has officially joined forces with Ely & Associates and Vanguard Stimulation Services to market the Ecosphere Ozonix, EcosFrac, and EcosBrine water treatment services to their energy customers. Ely and Associates is a petroleum engineering company involved in the design and implementation of hydraulic fracturing treatments. Vanguard Stimulations Services provides hydraulic fracturing services to major energy companies.

John Ely's involvement with Ecosphere will be in the consulting area of total fluid treatment for hydraulic fracturing from the fluids used on the frac, recycling of flow back, and finally disposal of the fluid back

into the environment. Mr. Ely is also the CEO of Vanguard Stimulation Services that will offer the Ecosphere Ozonix, EcosFrac, and EcosBrine services to its customers.

John Ely, CEO of Ely & Assoc., stated: "Recent field tests completed during the three months ending March 31, 2009 conducted by a major energy company in the Woodford Shale resulted in significantly improved well production on 17 wells that the Ecosphere Ozonix and EcosBrine process were used on compared to a similar group of wells completed during the three months ending December, 31 2008 that the Ecosphere process wasn't used on. The improved well production we have experienced with the Ecosphere process in the Woodford Shale is a function of Ecosphere's Ozonix process neutralizing potentially damaging cations from the water and dissolving scaling material from the formation. It also involves some unique advanced oxidation properties which control any potential development of anerobic bacteria in the formation.

Ely & Associates supervised more than 4,000 frac treatments in 2008. John Ely, President and CEO, designs hundreds of frac treatments yearly and has been deeply involved in virtually every shale play in the U.S. and has a specialized design process for water fracs.

The combined advantages of removing virtually all chemicals from water fracs including biocide, scale inhibitor, and corrosion inhibitor as well as requiring much less friction reducer, has made the EcosFrac and EcosBrine processes truly a step change in our industry. I am very excited about working closely with Ecosphere and recommending this breakthrough process to our customers. When you can reduce chemicals, increase production, and recycle vital water resources you have a very compelling reason for an energy company to use Ecosphere's technology on every frac job."

Deal with British Petroleum (NYSE:BP)

On June 25, 2009, Ecosphere Technologies, Inc. announced that it has signed a Master Service Agreement with Houston based BP America Production Company to provide environmental water recycling services. The Master Services Agreement calls for Ecosphere Energy Services to provide its Ecosphere Ozonix, EcosFrac, and EcosBrine equipment and personnel to BP for its North America Gas operations.

Recycling flowback water at the well site with Ecosphere's Ozonix technology reduces well completion costs by preserving vital water resources as well as decreasing traffic and associated CO2 emissions from trucks hauling water to and from the drilling locations.

Deal with SAIC (NYSE:SAI)

On May 11, 2009, Ecosphere announced a joint marketing agreement with Scientific Applications International Corporation (SAIC) to jointly market Ecosphere's technology to the oil & gas industry. Ecosphere will work closely with SAIC to supply its technology and services to SAIC's customers operating in the energy business to treat and recycle their wastewater, reduce completion costs, reduce CO2 and methane emissions, and preserve vital water resources.

Deal with Bledsoe Capital

On July 22, 2009, Ecosphere Technologies, Inc. announced that its oil and gas environmental services subsidiary, Ecosphere Energy Services (EES), finalized its agreements with Bledsoe Capital Group. Bledsoe Capital becomes a 33% owner of EES, which owns the license for the Ecosphere Ozonix technology in the energy business.

Drew Bledsoe, former NFL quarterback and principal of Bledsoe Capital, stated: "Our goal was to find a 'green' technology to invest in that would make a major difference for present and future generations. EES has recently signed master service agreements with some of the most respected energy producers in the world. This is a testament to just how much of a game changing technology we have here. The Ecosphere opportunity allows us to participate in conserving two of the most important natural resources we have in the world, 'Water and Natural Gas.' The Ecosphere investment opportunity has exceeded all of our expectations."

Dennis McGuire said, "It is very rewarding to have seen how our Ozonix technology has matured from our first water recycling pilot program in Texas to signing contracts with the major energy producing companies in the oil and gas business. Bledsoe Capital continued to believe in us and stayed the course during some very rough times in the capital markets. We are pleased to have them now as our partners in Ecosphere Energy Services as we move forward with our Ozonix technology not only in the U.S. energy markets, but global energy markets as well."

Ecosphere Technologies, Inc. Chief Financial Officer Adrian Goldfarb stated: "Closing the $10 million Bledsoe Capital investment into Ecosphere Energy Services is a major financial milestone for Ecosphere Technologies. It further confirms our business model of partnering and licensing environmental technologies to third parties. Ecosphere received an initial $2.5 million licensing payment this week. Most importantly, we now have a clear path forward with our Bledsoe Capital partners and can focus our efforts on building business and continuing to sign service contracts."

On April 16, 2009, Ecosphere announced that Bledsoe Capital Group LLC had increased its investment in Ecosphere Technologies to $3.25 million at the close of business April 15, 2009. The agreements signed between Bledsoe Capital Group and Ecosphere provide Bledsoe Capital with the option to license the Ecosphere technology in North America for $5 million commencing no later than October 2009 and a further $5 million for international and offshore applications commencing no later than October 2010. Upon exercise, Bledsoe will commit up to $12.5 million in funding for working capital and R&D to be invested in the new entity with Bledsoe and Ecosphere as owners.

Bledsoe Capital had provided funding for the past year to Ecosphere to further its development of the Ecosphere Ozonix and EcosFrac technologies to recycle industrial waste water in the natural gas exploration business. Bledsoe Capital and its partners have made numerous trips to Texas and Oklahoma to witness Ecosphere's equipment working under actual field conditions and met with the major energy customers paying for Ecosphere's water recycling services.

II. CORPORATE STRATEGY

Overview

The Company's strategy is to: (1) Invent a technology that addresses a major industrial and environmental problem, (2) Develop the technology from designing the concept to patenting and building a prototype, (3) Begin the commercialization of the technology through manufacture, sales, and services, (4) Identify a partner who will be able to take it to the next level, (5) Create shareholder value through joint venturing, licensing or selling the technology to market leaders.

There are three primary reasons why management believes that joint venturing, licensing or selling the technology is the best and fastest way to fully commercialize the product. First, politically, in each industry and sector, there are established relationships that have been developed over the course of decades. Second, if Ecosphere licenses the technology to a partner who is already an established player in this world, it can gain acceptance more quickly and be widely adopted as opposed to a new market entrant stepping in and trying to establish their market share. Geographical experience is also important in some industries and having an expert in that area is critical to the successful adoption of a new technology. Third, by working with an established operator, the Company is not required to make the capital intensive investment in equipment and labor. Instead, in the case of a licensing deal, it earns an income stream (percentage of gross revenue), manufactures and sells the equipment to the licensee at a profit, and enjoys the upside as the operation grows. The Company has validated its ability to execute on this model when it sold its robotic ship stripping technology in October 2007 for approximately $8 million.

Ecosphere's current activities and strategies are focused on leveraging its proprietary high volume water remediation technology "Ozonix" for the oil & gas industry including:

- The Company's EF600 system to provide energy companies with a bacteria-free frac fluid without the use of caustic chemicals.

- The Company's EB600 system to recycle frac flow back and produced water into EcosBrine™ for energy companies to use as a completions fluid in non-conventional drilling activities.

- The Company's AO/RO 200 system provides energy companies with the ability to process frac flow back or produced into water clean enough to discharge as surface water.

Ecosphere intends to pursue other opportunities for its Ecosphere Ozonix™ technology in the following markets:

- Offshore exploration;
- Marine ballast or waste water industry;
- Purification of industrial process plant effluents;
- Mining industry;
- Pulp and paper industry;
- Coal energy industry; and
- Any other commercial industry with large streams of industrial waste.

Impact on Shareholder Value

After completing steps one, two and three of their aforementioned strategy, Ecosphere's management team set its sites on monetizing the initial application for the Company's proprietary high volume water remediation technologies in the oil and gas industry. To that end, Ecosphere established a wholly owned subsidiary Ecosphere Energy Services (EES) which has a clearly justified valuation of $30 million based on the equity infusion of $10 million for 33% of the subsidiary by Bledsoe Capital in July of 2009. While a $30 million valuation is impressive given the early stage of commercialization of the technology, we believe the value for EES will increase significantly over the next 12-months illustrated in the following pro forma model.

EES Earnings Model	**2009 (E)**	**2010 (E)**	**2011 (E)**	**2012 (E)**
Revenues				
Total Revenues	$2,268,309	$26,523,999	$37,104,349	$46,910,247
Cost of Revenues				
Cost of Revenues	$690,935	$10,758,868	$12,865,184	$15,667,247
Gross Profit	$1,577,374	$15,765,131	$24,239,165	$31,243,000
Operating Expenses				
SG&A	$1,130,358	$2,315,372	$2,682,706	$3,108,319
Depreciation	$454,540	$1,789,207	$2,792,989	$3,474,270
Other				
Total Operating Expenses	$1,584,899	$4,104,579	$5,475,695	$6,582,589
Income/(Loss) from Operations	($7,525)	$11,660,552	$18,763,470	$24,660,411
Other Income				
Interest Expense	$263,159	$525,000	$525,000	$525,000
Other income				
Total other income (expense)	$263,159	$525,000	$525,000	$525,000
Net Income/(Loss) before Income taxes	($270,684)	$11,135,552	$18,238,470	$24,135,411
Income Tax Expense for EES Assuming Sale (35% Tax Rate)		$3,802,704	$6,383,465	$8,447,394
Net Income/(Loss)	($270,684)	$7,332,848	$11,855,006	$15,688,017

EES has two primary business models. One is the operating model, whereby EES owns and operates the equipment for the energy exploration company, and earns a per barrel fee based on the volume of water treated. In the case of the EF600 and the EB600, each set is capable of treating up to 600 barrels per hour and the AO/RO 200 is capable of processing 200 barrels per hour. The second model is a sales and royalty model, whereby EES sells the equipment to the energy company and makes a profit on the equipment sale and collects a recurring royalty fee on a per barrel basis. These royalty fees vary depending on the type of equipment (EF600 vs. EB600 vs. AO/RO 200) used.

The numbers in this EES pro forma model above are based on a number of estimates regarding EES's technologies, including its EF600, EB600, and AO/RO 200 units. These estimates relate to the pricing (and manufacturing cost) of the individual products, business model metrics (i.e. whether the units will be owned and operated by EES or sold), and most importantly the timing of the individual product

deployment into the field. Our pricing and operating vs. selling estimates are based largely on Company guidance. Our estimates regarding asset deployment are based on signed contracts, pending contracts, and contracts that may close over the next 36 months. To be conservative, we assigned a probability percentage to reflect the relative certainly of each individual projection. For example, for contracts that have been signed and closed, we assign a probability percentage ranging from 90%-100%. For projects that are projected to close during 2011-2012, we assign a much lower probability, ranging from 10%-25% depending on the project and the individual circumstances. For example, if we project that the Company will sell 10 EB-600 units in 2012, our "net" projections may only include the financial impact from one (1) unit, or 10% of the total expected units.

EES Valuation Based on Pro Forma

Year	Earnings Estimate	Price to Earnings Multiple (X)	Future Value	Discount Rate	12-Month Target Value
2010	$7,332,848	25	$183,321,201	35%	$170,070,603
2011	$11,855,006	25	$296,375,142	35%	$203,668,828
2012	$15,688,017	25	$392,200,429	35%	$199,644,378
Average					**$191,127,937**

Based on our EES pro forma earnings model, we calculate a 12-month target value of $191.1 million for the EES subsidiary. We are using a 25x P/E multiple (2010-2012 two-year CAGR 31% and 2009-2012 three-year CAGR 171%) and a 35% discount rate. We caution investors that our pro forma estimates are based on a number of assumptions and scenarios which may vary materially from actual results. Therefore, our estimates may prove to be materially different from reality. We have attempted to mitigate the risk that our numbers prove to be too aggressive by using very conservative assumptions with respect to product pricing and roll-out (timing). Specifically, the aforementioned valuations are primarily based on signed contracts equating to an estimated 0.44%, 0.84% and 1.12% market penetration in years 2010, 2011 and 2012 respectively in the domestic natural gas water fracing market assuming 30,000 water fracs per year. **Assuming a more aggressive market penetration of 0.65%, 1.76% and 3.73% in years 2010, 2011 and 2012 respectively the valuation leaps to $606.2 million for EES.** See pages 25-27 for additional information.

How Could This Impact Ecosphere's (ESPH) Shares?

Taking the more conservative $191.1 million valuation for EES or the more aggressive $606.2 million valuation for EES illustrated above and multiplying it times ESPH 67% ownership of the EES subsidiary that equates to a $128.1 million or $406.2 million valuations respectively for ESPH's shareholders. Based on the current shares outstanding of 110,486,948 as of August 10, 2009 that equates to the following values per share (See pages 25-27 for additional information):

Valuation Based Solely on EES Valuation and Sale: (0.44% to 1.12% market penetration): **$1.16**
Valuation Based on Modified EES Valuation and Sale: (0.65% to 3.73% market penetration) **$3.68**

Other Material Valuation Considerations

While prior valuations are compelling, they do not include any consideration for additional applications of the Company's Ozonix technology outside of the United States or in any of the other industries such as: offshore exploration, marine ballast or waster water, purification of industrial process plant effluents, mining, pulp and paper or coal energy.

III. PRIMARY PRODUCTS AND SERVICES

Overview

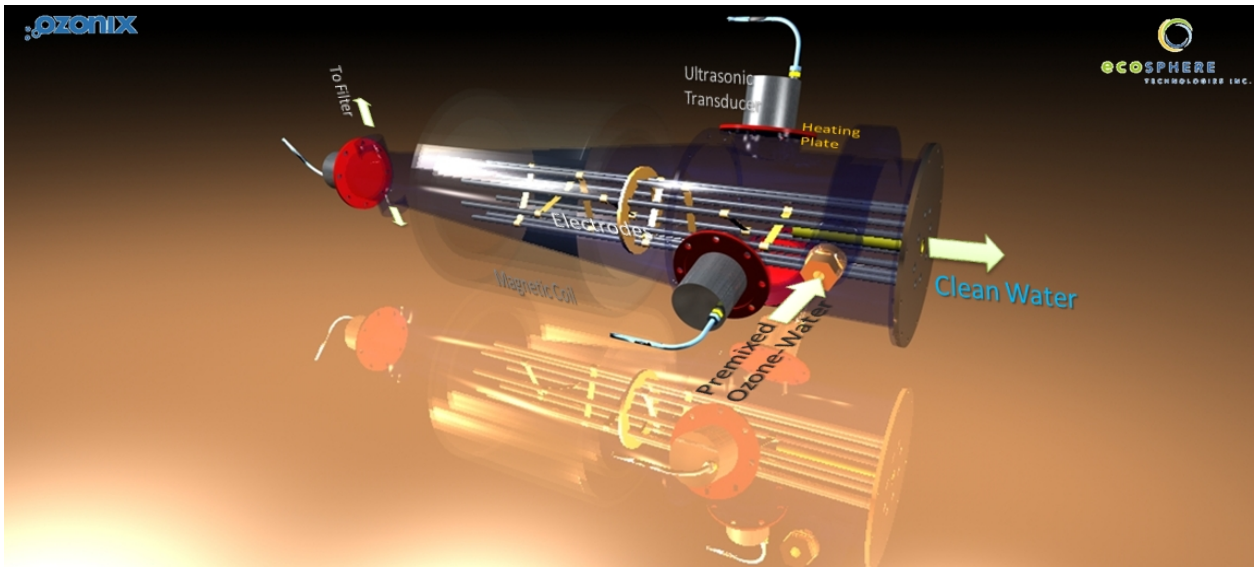
As of this date, the Company is primarily focused on commercializing its proprietary Ozonix technology to create a total water management solution for oil and gas producers using its recently developed EF600™, EB600™ and AO/RO 200 units.

Ecosphere's "Ozonix™" Process

At the heart of the EF600, EB600 and AO/RO 200 units is Ecosphere's proprietary Ozonix™ technology. Using an ozone-based process is a very effective way to kill bacteria and purify water because ozone is ten times stronger than chlorine and kills bacteria 3,000 times faster. The process is also cost effective and safe for workers because there are no harmful chemicals (i.e. chlorine) involved in the filtration process. The problem is that ozone by itself is not an effective method of mass transfer of the gas into the water.

Ecosphere's proprietary Ozonix™ process mixes wastewater with highly concentrated ozone water using acoustic and hydrodynamic cavitation creating millions of nano bubbles that break the bonding between suspended solids and water. Once ozone mixes with the incoming water, it starts destroying volatile organics and oxidizes heavy metals. To further assist the process of breaking bonds, the process applies ultrasonic frequency waves to the water. The ultrasonic sensors are located strategically in the tank to distribute ultrasonic energy evenly. The Ozonix™ dual stage cavitation process creates pressure variations in the liquid causing acoustic and hydrodynamic cavitations, resulting in highly efficient separation of suspended particles from the water. This technology is scalable to all sizes and across numerous industries.

The Ecosphere Ozonix™ System:



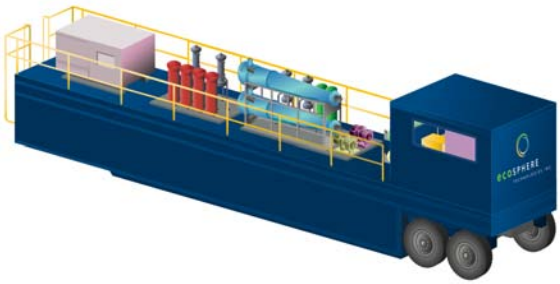
Ecosphere EF600™

The conventional method of creating frac fluid is to treat pond water with biocides and scale inhibitor. The biocides and scale inhibitors are added to destroy aerobic and anaerobic bacteria from the pond water. The constituents commonly found in pond water and produced fluid from formation minerals cause scaling. These constituents compound the complexity involved in achieving the desired effect with the chemicals that are normally added during the fracs, like the biocides, friction reducers, guars, scale inhibitors, etc.

Ecosphere's EF600 is a clean, eco friendly alternative to the conventional way of creating completions fluid. It is an advanced oxidation process that removes organic compounds from the liquid. Once the EF600 destroys the bacteria in the dirty pond water, it is blended at the frac site to create nearly chemical free completions fluid.

Each tank in the EF600 has the ability to recycle water at the rate of 10 barrels per minute, or 600 barrels per hour. With ten tanks in a set, the EF600 can filter 6,000 barrels per hour, matching the volume output required to fracture a well.

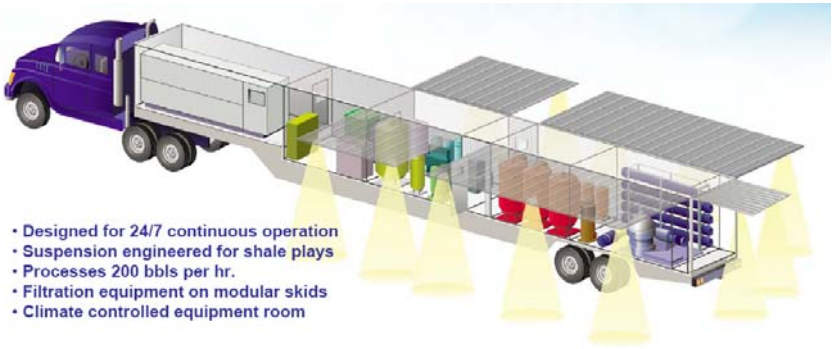
Ecosphere EB600™



Ecosphere created the EB600, a process which can recycle frac flowback and produced water into EcosBrine™. The EcosBrine product is added to the Company's fracture fluid creating a very effective fracturing solution. Each tank in the EB600 has the ability to recycle water at the rate of 10 barrels per minute, or 600 barrels per hour.

Ecosphere AO/RO 200

Ecosphere created the AO/RO 200 to provide energy companies to process water from water fracing waste steams into water clean enough to discharge as surface water.

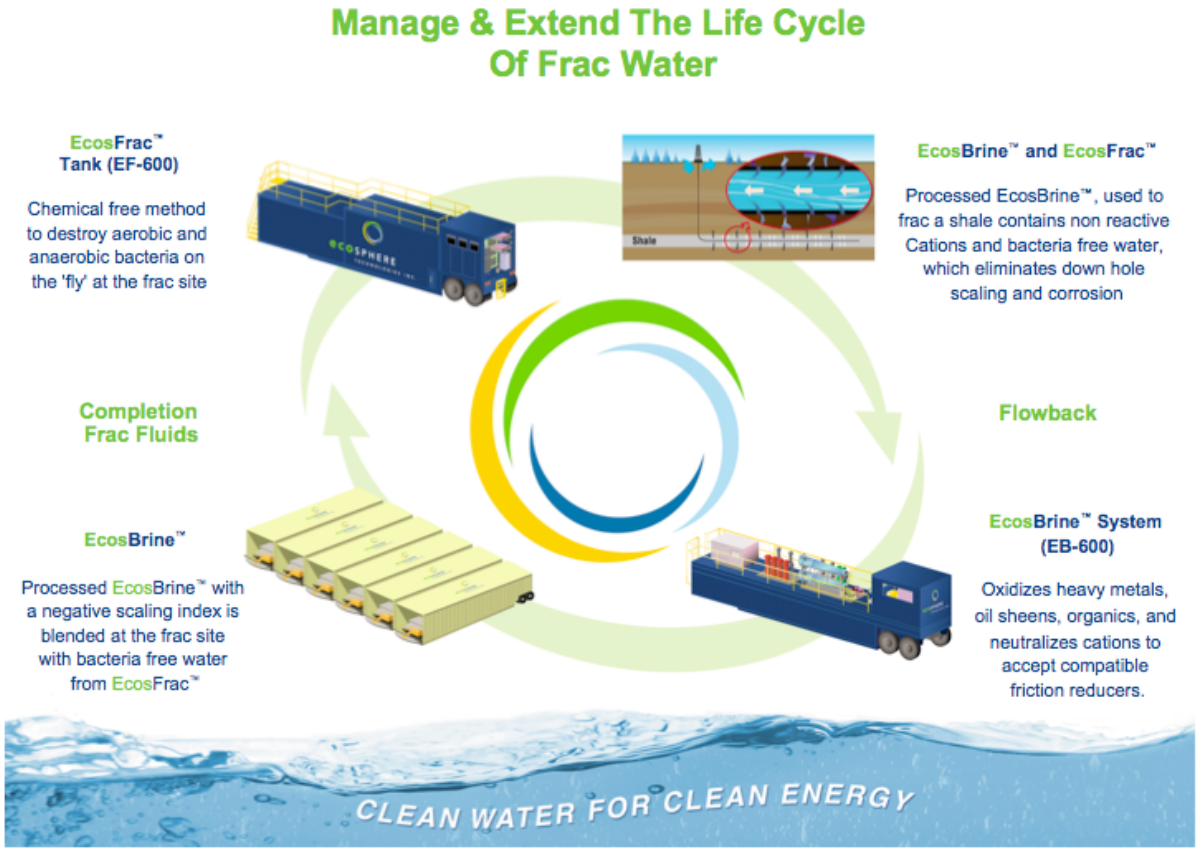


How it all Works in the Field

1. Pond water is put through a series of EF600 tanks whereby aerobic and anaerobic bacteria are destroyed “on the fly”. In other words, in a high volume single path in real-time.

2. The pond water treated with the EF600 is mixed with EcosBrine (a negative scaling formation brine produced by the EB600). Blending the EcosBrine™ with the bacteria-free water from the EF600, at the frac site, minimizes hauling expenses and eliminates the need to purchase expensive biocides and scale inhibitors to mix with completions fluid.

3. The blended completions fluid is then pumped down hole to fracture the well.

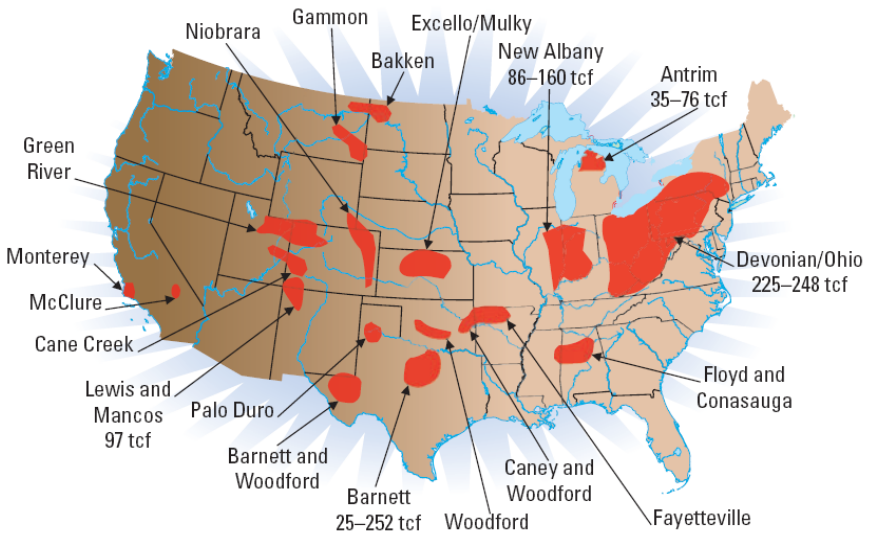


IV. INDUSTRY ANALYSIS

Shale Plays

Unconventional development of energy resource plays, including coal beds, tight sands and shale has been a growing source of natural gas development in the U.S. Since 1998, unconventional natural gas production has increased nearly 65%. This increase has resulted in unconventional production becoming an increasingly larger portion of total natural gas production, increasing from 28% in 1998 to 46% in 2007.

One type of unconventional development that has gained attention and contributed to this increase is natural gas from shale formations. Shale gas resources extend across the continental U.S., offering abundant and available access to clean burning natural gas. Estimates of total natural gas resource potential for gas shales range from 500 to 1,000 trillion cubic feet or Tcf (one Tcf of natural gas equates to 180 million barrels of oil equivalent). Development of shale gas resources includes the shales in a variety of basins, including the Devonian shales in the Appalachian Basin; the Mowry shale in the Powder River Basin; the Mancos shale in the Uinta Basin; the Woodford Shale in the Ardmore Basin; the Floyd/Neal shale play in the Black Warrior Basin; the Barnett shale in the Permian Basin; the New Albany shale in the Illinois Basin; the Pearsall shale in the Maverick Basin; the Chattanooga shale in the Arkansas and Tennessee; the Hovenweep shale in the Paradox Basin; the Bend shale in the Palo Duro Basin; and the Barnett/Woodford Shale plays in the Delaware and Marfa Basins.



Major shale gas basins in the United States with total resource potential of 500 to 1,000 tcf.

The Barnett Shale has set the standard for gas shale development with production ramping up since the mid 90's, when horizontal drilling and hydraulic fracturing technologies enabled the play to become economically viable. The Barnett Shale play has experienced more than a 3,000% growth rate between 1998 and 2007, and it has been estimated that the Fayetteville, Haynesville, Woodford, and Marcellus are expected to show similar growth as these plays move forward.

Ecosphere's market encapsulates all major shale plays in the U.S. According to multiple industry experts, we estimate the number of wells being drilled and subsequently being fraced using a water based fracturing process range from 30,000 to 40,000 per year.

Hydraulic Fracturing

Shale gas plays are unconventional reservoirs because these formations contain oil or gas-bearing rocks which have poor or limited natural permeability relative to the transmission of fluids to a wellbore. In fact, low reservoir permeability represents a key difference between shale and other gas reservoirs. For gas shales to become economically produced, the restrictions of low permeability must be overcome.

Hydraulic fracturing is the formation stimulation practice used to create additional permeability in a producing formation to allow gas to flow more easily toward the wellbore for purposes of production. The current practice for hydraulic fracture treatments of shale gas reservoirs are commonly sequenced events which can require thousands of barrels of water-based fracturing fluids mixed with proppant materials to be pumped in a controlled and monitored manner into the target shale formation.

The fracturing fluids used for fracturing gas shale include a variety of additive components, each with an engineered purpose to facilitate the production of gas. In the Marcellus Shale, the fluids used for fracture treatments are water based or slickwater fracture fluids. Slickwater fracture fluids are water-based fluids mixed with friction reducing additives, primarily potassium chloride (KCl). Water is the principal component of slickwater based fracturing fluids; however, other additives are included to perform specific actions, such as the addition of friction reducers which allow a fracturing fluid and proppant to be pumped to the target zone at a higher rate and reduced pressure than water alone. In addition to friction reducers, other additives include biocides to prevent micro-organism growth and reduce bio-fouling of fractures. Oxygen scavengers and other stabilizers which prevent corrosion of metal pipes, and acids which are used to remove drilling mud damage within the area near wellbore are also common either in fracturing fluids or as part of the fracture treatment. The table to the right provides a summary of the additives, their main compounds and some of the other common uses for the main compounds of the additives in day-to-day life.

Fracturing Fluid Additives, Main Compounds and Common Uses

Additive Type	Main Compound	Common Uses of Main Compound
Acid	Hydrochloric acid or muriatic acid	Swimming pool chemical and cleaner
Biocide	Glutaraldehyde	Cold sterilant in health care industry
Breaker	Sodium Chloride	Food perservative
Corrosion inhibitor	N,n-dimethyl formamide	Used as a crystallization medium in pharmaceutical industry
Friction reducer	Petroleum distillate	Cosmetics including hair, make-up, nail and skin products
Gel	Guar gum or hydroxyethyl cellulose	Thickener used in cosmetics, sauces and salad dressings
Iron Control	2-hydroxy-1,2,3-propanetricaboxylic acid	Citric acid it is used to remove lime deposits
Oxygen scavenger	Ammonium bisulfite	Used in cosmetics
Proppant	Silica, quartz sand	Play sand
Scale inhibitor	Ethylene glycol	Automotive antifreeze and de-icing agents

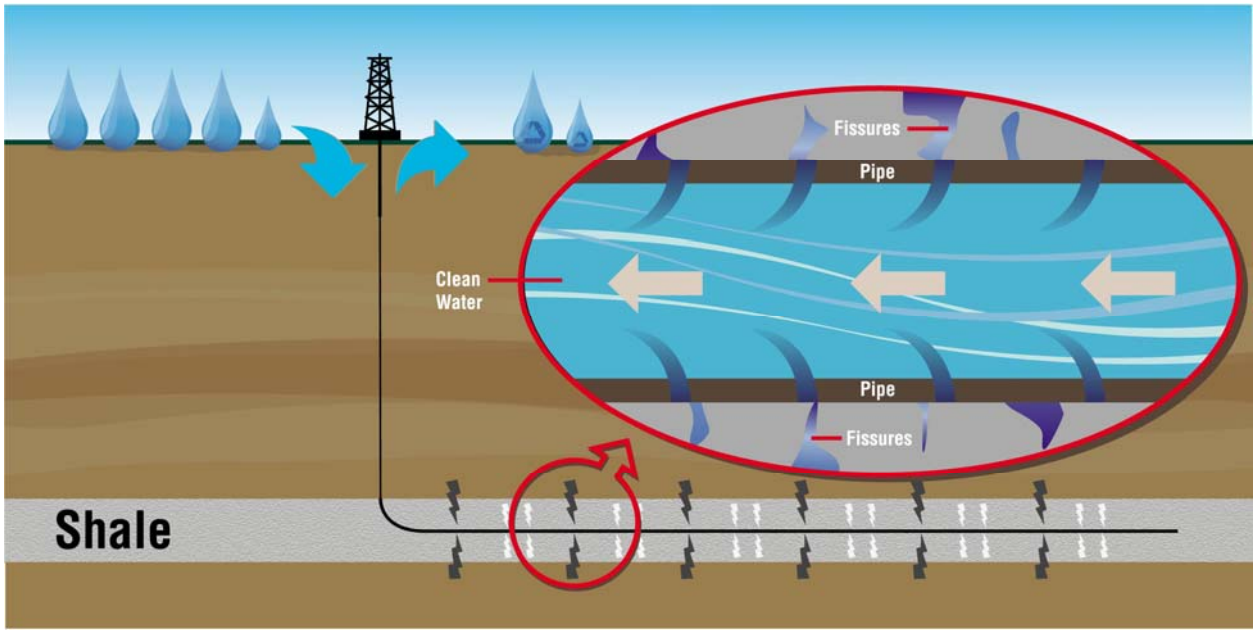
Source: Hydraulic Fracturing Considerations for Natural Gas wells in the Marcellus Shale by J. Daniel Arthur

In aggregate, these chemical additives range in cost from $0.50 per barrel to $3.00 per barrel. Given that one water based hydraulic fracture requires between 100,000 and 120,000 barrels of water, these additive costs become expensive.

Once the fracture liquid and other produced water resurface, operators are forced to deal with the wastewater. Operators are using a variety of containment tanks and storage trucks to reduce the potential for exposure of fluids to the environment during the transport of chemicals to disposal locations away from the well pad. As the volume of water flowing back to the surface continues to grow, operators are researching various options for dealing with the growing problem, including the use of disposal (injection) wells and municipal and industrial treatment facilities.

Ecosphere Way

As explained in the previous section, the conventional way of water fracing a well is pumping thousands of barrels (approximately 100,000 barrels) of water-based fracturing fluids mixed with proppant materials down hole. The fracture solution consists of expensive chemicals added to pond water. The chemicals are added for a variety of reasons, but they also create a number of problems (e.g. scaling) down hole. One of the primary reasons for including biocides in the solution is to eliminate aerobic and anaerobic bacteria from the water. Ecosphere invented the only process in the world (we were able to identify) that is capable of killing bacteria in the water without the use of harmful and expensive chemicals at a rate of 600 barrels per hour (per tank). As a result, the Ecosphere process can take dirty water from a pond, run it through its EF600™, add friction reducer and its EcosBrine™ product, and produce a nearly chemical free fracture solution that saves exploration and development companies hundreds of thousands of dollars on chemicals per hydraulic fracture. In addition to the cost savings, tests reveal that using this fracture solution significantly enhances well productivity.



On the back end, while others are contemplating disposal options, Ecosphere is taking the frac flowback wastewater and transforming it into EcosBrine™, a high chloride water (HCW). The EcosBrine is subsequently reused on the front end of the frac site (mixed with the chemical free frac liquid and friction reducers) to create completions fluid going down hole. Ecosphere has turned a waste product into a valuable asset, it has drastically cut the disposal trucking costs, and it has cut the carbon emissions from all of the eliminated transportation. Furthermore, if the operator desires, Ecosphere can clean the water to an acceptable level to be reapplied to the ground as surface water using its AO/RO 200 unit.

Competition

The energy companies use a myriad of different approaches to dealing with frac flowback waters. The primary method of dealing with these waters throughout the U.S. is hauling them to a permitted underground injection site. In some cases vapor distillation technology is being used to treat frac flowback and produced waters at a disposal facility. Ecosphere's business model is to treat the frac flowback and produced waters at the well site.

In addition, we have been unable to identify any other company in the world that can provide exploration and development companies with clean, bacteria-free frac fluid without the use of chemicals. Being able to recycle frac flowback water on the back-end with the EB600 process and provide the completions team with chemical-free frac fluid on the front-end with the EF600, EES's Total Frac Water Management solution is the only one of its kind in the world. Furthermore, we were unable to identify any other company that has received a permit to discharge treated frac flow back or produced water onto the ground, which the Company was granted by Corporation Commission of Oklahoma on July 20, 2009.

Intellectual Property

Ecosphere Technologies' intellectual property portfolio includes registered and pending patents, trade secrets, trademarks, and copyrights relating to the Company's clean energy, air and water technologies. This extensive IP estate addresses pressing global environmental and humanitarian issues. The Company's extensive portfolio of clean air and water technologies includes patents and patents pending in 36 countries. All of the Company's material intellectual property was invented or co-invented by the Company's founder and Chief Executive Officer, Mr. Dennis McGuire, and has been assigned to the Company.

The following is a partial list of the Company's existing intellectual property estate:

- U.S. Non-Provisional Patent Application entitled "Enhanced Water Treatment for Reclamation of Waste Fluids and Increased Efficiency Treatment of Potable Waters"; filed 03/06/2009, claims priority date of 08/02/2007; U.S. Serial No. 12/399,481 and is a Continuation of U.S. Serial No. 12/184,716.

- U.S. Provisional Patent Application entitled "Real Time Processing of Water for Hydraulic Fracture Treatments using a Transportable Frac Tank"; filed 03/06/2009; U.S. Serial No. 61/158,098.

- U.S. Non-Provisional Patent Application entitled "Enhanced Water Treatment for Reclamation of Waste Fluids and Increased Efficiency Treatment of Potable Waters"; filed 8/1/2008, claims priority date of 08/02/2007; U.S. Serial No. 12/184,716; Related PCT No. PCT/US2008/071950 – WO2009/032455.

- U .S. Patent 7,100,844 – High Impact Waterjet Nozzle is constructed to infuse fluid into a high velocity stream of liquid passing through a nozzle to create a bubble rich waterjet that causes the bubbles to implode when the waterjet strikes the surface amplifying the impact of the water – dated September 5, 2006.

- U.S. Patent 6,745,108 - Expansion of 3D robotic auto paint stripping patent to include any object – dated June 1, 2004.

- U.S. Patent 6,287,389 - Method of robotic automobile paint stripping – dated September 11, 2001.

- U.S. Patent Pending - Mobile Emergency Water Filtration System for Homeland Security and other applications.

- U.S. Patent Pending - Business Model to provide response and training to public and private suppliers of water resources in the event of an act of terrorism or a natural disaster that contaminates a water supply.

V. ADDITIONAL TECHNOLOGIES AVAILABLE TO MONITIZE

Overview

As previously mentioned, Ecosphere has developed a wide range of environmentally friendly industrial solutions that have been successfully sold and licensed, including a robotic ship stripping business sold in October 2007 for approximately $8 million. Ecosphere's other technologies including mobile water filtration, automotive and aircraft coating removal and 3-D scanning, and micro utilities that are being positioned for monetization via direct sale, licensing, or strategic alliance.

Other Technologies to be Sold, Licensed or Commercialized

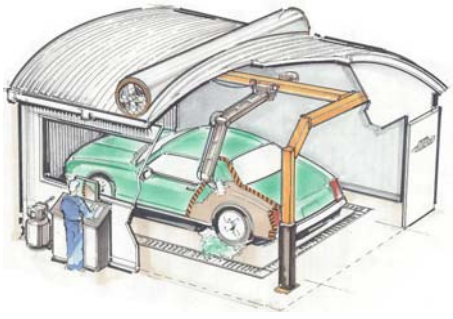
The Company has the following ancillary products and services:

- Mobile Water Filtration technology
- Automotive and Aircraft Coating Removal and 3-D Scanning
- Micro Utilities

Mobile Water Filtration

The water filtration system, originally designed to filter the water used by the Company's robotic water-jetting system, is a portable, self-contained automated water filtration system that removes contaminants and impurities from water, including chemical and biological agents, to produce clean drinking water from any natural source and is capable of producing up to 72,000 gallons of drinking water per unit per day. The system weighs approximately 20,000 pounds and is enclosed in a 20-foot certified steel container as a standalone unit or integrated into a military style truck for transport and deployment to disaster or war zone sites.

Automated 3-D Coating Removal and Scanning



Management believes that its robotic water-jetting technology has applications with large commercial and military aircraft and automobiles. While other coating removal systems exist for aircraft, they use a plastic medium that places the persons operating the systems in a hazardous environment breathing particles of paint and plastic. In addition, these other systems require an environmentally safe disposal process. The Company's patents cover the use of robotic ultra-high pressure water jetting to remove the paint. Of the various U.S. patents that the Company has been awarded, it has three patents, which have specific application to paint removal from automobiles and aircraft including two that provide for a three-dimensional laser scanning technology process.

Micro Utility

The Ecos PowerCube is a new generation of portable, self-contained "micro utilities" that could provide life-sustaining services (i.e. clean water, electricity and wireless Internet connectivity) to millions of people in remote areas of the world or to victims of natural disasters or terrorist attacks. Powered by renewable solar and wind energy, Ecos PowerCube can be adapted for a variety of cost-effective environmental applications, deployed into any locale in the world, and put to use by any community. Ecos PowerCube is believed to be the most powerful portable solar generator available.

For additional information on these technologies visit the company's website at: **www.ecospheretech.com**.

VI. FINANCIALS

Index

Income Statement

ECOSPHERE TECHNOLOGIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS	For The Three Months Ended June 30, 2009
	(Unaudited)
Revenues	$ 154,041
Cost of revenues	121,272
Gross profit	32,769
Operating expenses	
Selling, general and administrative	2,602,351
Restructuring charge	548,090
Total operating expenses	3,150,441
Loss from operations	(3,117,672)
Other income (expense):	
Other income	1,378
Other expense	(1,605)
Loss on conversion	(688,796)
Interest expense	(2,465,474)
Change in fair value of derivative instruments	(12,202,160)
Total other income (expense)	(15,356,657)
Net income (loss)	(18,474,329)
Preferred stock dividends	(30,000)
Net income (loss) applicable to common stock	$ (18,504,329)
Net income (loss) per common share applicable to common stock	
Basic and diluted	$ (0.20)
Weighted average number of common shares outstanding	
Basic and diluted	93,684,476

Balance Sheet

ECOSPHERE TECHNOLOGIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS		June 30, 2009
		(Unaudited)
Current Assets		
Cash and equivalents		$ 106,684
Accounts receivable		43,405
Inventories		—
Prepaid expenses and other current assets		13,444
Total current assets		163,533
Property and equipment, net		1,769,139
Construction in progress		415,168
Patents, net		39,527
Debt issue costs, net		35,000
Deposits		14,650
Total assets		$ 2,437,017
Liabilities, Redeemable Convertible Cumulative Preferred Stock and Stockholders' Deficit		
Current Liabilities		
Accounts payable		$ 1,329,035
Accounts payable - related parties		20,500
Accrued liabilities		1,799,342
Insurance premium finance contract		—
Capital lease obligations		33,375
Due to affiliate		2,000
Loan advances		862,500
Notes payable – related parties (net of discount) – current portion		627,739
Notes payable – third parties (net of discount) – current portion		5,148,326
Fair value of liability for warrant derivative instruments		9,158,836
Fair value of liability for embedded conversion option derivative instruments		2,617,339
Total current liabilities		21,598,992
Capital lease obligations – less current portion		—
Deferred rent		—
Restructuring reserve		230,344
Notes payable - related parties – less current portion		115,818
Notes payable to third parties – less current portion		21,359
Total Liabilities		21,966,513
Redeemable convertible cumulative preferred stock series A		
11 shares authorized; 7 and 7 shares issued and outstanding, respectively, $25,000 per share redemption amount plus dividends in arrears ($1,124,431 at June 30, 2009)		1,124,431
Redeemable convertible cumulative preferred stock series B		
484 shares authorized; 375 and 424 shares issued and outstanding, respectively, $2,500 per share redemption amount plus dividends in arrears ($2,746,614 at June 30, 2009)		2,746,614
Commitments and Contingencies (Note 13)		
Stockholders' Deficit		
Common stock, $0.01 par value; 300,000,000 shares authorized; 107,669,461 and 83,791,919 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively		1,076,690
Common stock issuable, $0.01 par value, 750,000 and 286,000 issuable at June 30, 2009 and December 31, 2008, respectively		7,500
Additional paid-in capital		60,473,122
Accumulated deficit		(84,957,853)
Total stockholders' deficit		(23,400,541)
Total liabilities, redeemable convertible cumulative preferred stock, and stockholders' deficit		$ 2,437,017

Statement of Cash Flows

ECOSPHERE TECHNOLOGIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	For the Six Months Ended June 30, 2009
	(Unaudited)
OPERATING ACTIVITIES:	
Net (loss)	$ (15,371,491)
Adjustments to reconcile net income (loss) to net cash used in operating activities	
Depreciation and amortization	252,459
Amortization of debt issue costs	243,792
Amortization of prepaid expenses	43,345
Accretion of discount on notes payable	1,738,481
Loss on conversion of accrued interest to stock	689,248
Non-cash compensation expense	2,185,949
Interest expense for warrant derivative liability related to new warrants	638,048
Interest expense for embedded conversion option derivative liability of new convertible debt	932,924
Warrants issued for services	—
Option/warrant exchange program expense	—
Changes in operating assets and liabilities	—
Decrease in accounts receivable	80,323
Decrease (increase) in prepaid expenses and other current assets	15,900
(Increase) in debt issue costs and other non-current assets	(2,737)
Increase (decrease) in accounts payable	319,568
Increase (decrease) accounts payable - related parties	15,015
Increase in restructuring reserve	264,472
Increase in deferred rent	3,094
Increase in accrued expenses	771,013
Increase in fair value of warrant derivative liability	3,291,151
Increase in fair value of embedded conversion option derivative liability	2,448,008
Net cash used in operating activities	(1,441,438)
INVESTING ACTIVITIES:	
Proceeds from sale of investment	—
Construction in process purchases	(201,632)
Purchase of property and equipment	(5,792)
Net cash (used in) investing activities	(207,424)
FINANCING ACTIVITIES:	
Proceeds from issuance of notes payable and warrants	325,000
Proceeds from loan advances	862,500
Proceeds from issuance of notes payable	45,500
Proceeds from issuance of notes payable to related parties	80,000
Proceeds from warrant exercises	75,938
Repayments of notes payable and insurance financing	(46,311)
Repayments of notes payable to related parties	(30,000)
Principal payments on capital leases	(18,595)
Net cash provided by financing activities	1,294,032
Net (decrease) increase in cash	(354,830)
Cash, beginning of period	461,514
Cash, end of period	$ 106,684

Pro forma Income Statement

Ecosphere Technologies Inc. Earnings Model	2007 (A)	2008 (A)	2009 (E)	2010 (E)	2011 (E)	2012 (E)
Revenues						
EES Revenues			$1,920,000	$26,523,999	$37,104,349	$46,910,247
Revenues from other operations	$750,007	$247,202				
*Revenues from sale of IP, net	$5,259,370		$5,000,000	$2,500,000	$2,500,000	$2,500,000
Total Revenues	$6,009,377	$247,202	$7,268,309	$29,023,999	$39,604,349	$49,410,247
Cost of Revenues						
COGS EES			$451,500	$10,758,868	$12,865,184	$15,667,247
Cost of Revenues	$888,302	$163,169	$706,249	$10,758,868	$12,865,184	$15,667,247
Gross Profit	$5,121,075	$84,033	$6,562,060	$18,265,131	$26,739,165	$33,743,000
Operating Expenses						
SG&A	$5,849,673	$6,082,656	$8,969,810	$9,101,094	$9,215,428	$9,401,124
Impairment of assets	$15,000	$6,601				
Restructuring charge						
Impairment of investment	$5,000	$0				
Non-cash compensation		$0				
Total Operating Expenses	$5,869,673	$6,089,257	$9,517,900	$9,101,094	$9,215,428	$9,401,124
Income/(Loss) from Operations	($748,598)	($6,005,224)	($2,955,840)	$9,164,036 31.6%	$17,523,737 44.2%	$24,341,876 49.3%
Other Income						
Other income	$11,664	($12,599)				
Other expense						
Loss on conversion	($74,189)	($256,271)				
Loss on extinguishment of debt	($2,757,534)	$0				
Interest expense	($2,992,663)	($5,419,562)	($4,868,989)	($1,499,008)	($1,499,008)	($1,499,008)
Change in fair value of derivative instruments						
Total other income (expense)	($5,812,722)	($5,688,432)	($11,296,246)	($1,499,008)	($1,499,008)	($1,499,008)
Net Income/(Loss) before income taxes	($6,561,320)	($11,693,656)	($14,252,086)	$7,665,028	$16,024,729	$22,842,868
less: Minority Interest (33%) BCG			$12,051	($3,674,732)	($6,018,695)	($7,964,686)
Estimated Accumulated NOL Benefit			*($45,636,000)*	*($37,970,972)*	*($21,946,243)*	*$896,625*
Income Tax Expense				$0	$0	($2,082,302)
Preferred Stock Dividends	($141,802)	($138,250)	($120,000)	($120,000)	($120,000)	($120,000)
Net Income (Loss) applicable to common stock	($6,703,122)	($11,831,906)	($14,360,035)	$3,870,296	$9,886,034	$12,675,881
Net Income/(Loss) per share basic		($0.16)	($0.15)	$0.03	$0.06	$0.07
Net Income/(Loss) per share est diluted			($0.11)	$0.02	$0.06	$0.06
Basic common stock outstanding	60,596,054	73,158,831	116,011,295	131,256,086	159,542,593	171,401,520
Diluted based on expected share price			131,297,357	150,666,737	172,893,546	198,399,321

The above Ecosphere Technologies (ESPH) pro forma model includes our projections from EES in the "EES Revenues" line item at the top. Because ESPH owns 67% of EES, we treat it under the consolidation method of accounting. The "Revenues from sales of IP, net" includes our expectation of future royalty payments from Bledsoe Capital Group as agreed to in the licensing contract. The interest expense line item is significantly lower in future years as long term and short term debt is paid down with cash from operations. In the minority interest item, we strip out the Bledsoe Capital Group ownership percentage of EES (33%). We note that as of 12/31/08, ESPH has a net operating loss carry forward of $45.636 million. As a result of this NOL carry forward, we don't expect ESPH to incur any income tax liability through 2012. In sum, we expect EPS of $0.02, $0.06, and $0.07 for years 2010, 2011, and 2012 respectively.

***Note:** The 2007 revenues from the sale of IP were reported below the gross profit line in the Company's 10K; however, for normalization we reported it as revenue. Also, the sale of IP in years 2009 through 2012 will be excluded from Ecosphere's GAAP financial results as it will be considered an intercompany transaction.

Valuation Metrics

The following section provides data and multiple valuations based on different valuation methodologies and assumptions.

Comparison Table:

Company	Ticker	Price	Forward P/E Ratio	Price to Revenue Ratio	Price to Book Ratio	Price to EBITDA Ratio	Gross Margin %	Number of Shares O/S	Market Cap ($M)
Oil Services									
Basic Energy Services	BAS	$8.42	N/A	0.41	0.82	2.16	34.8%	40,690,000	$343
Boots and Coots	WEL	$1.53	8.50	0.57	1.15	3.80	35.5%	79,760,000	$122
Halliburton	HAL	$26.94	22.05	1.37	2.85	5.87	20.6%	901,710,000	$24,292
Newpark Resources	NR	$3.35	55.83	0.43	0.83	7.59	4.3%	88,930,000	$298
Schlumberger Ltd.	SLB	$59.83	22.49	2.79	3.85	8.94	27.6%	1,200,000,000	$71,796
Weatherford Intl.	WFT	$22.07	19.71	1.69	1.82	6.86	33.0%	727,700,000	$16,060
Water and Waste Removal									
Key Energy Services	KEG	$8.98	179.6	0.7	1.32	3.54	34.0%	124,050,000	$1,114
Republic Services Inc.	RSG	$26.72	26.75	1.63	1.35	5.79	38.8%	379,200,000	$10,132
Waste Mangement	WMI	$30.10	13.94	1.22	2.49	4.37	37.4%	492,690,000	$14,830
Average			**43.6**	**1.2**	**1.8**	**5.4**	**30%**	**448,303,333**	**$15,443.0**

Source: Yahoo Finance as of September 15, 2009

Ecosphere Discounted Cash Flow (DCF) Valuation:

The following valuation assumes EES is held as a wholly owned subsidiary and its financial results flow through on a consolidated basis.

Year	Earnings Estimate	Price to Earnings Multiple (X)	Future Value	Discount Rate	12-Month Target Value
2010	$0.02	35	$0.84	35%	$0.78
2011	$0.06	35	$1.99	35%	$1.37
2012	$0.06	35	$2.26	35%	$1.15
Average:					**$1.10**

Based on the pro forma income statement on the preceeding page, we calculate a 12-month target average value of $1.10 per share for ESPH shares. We are using a 35x P/E multiple due to the above average revenue growth rate (2009-2012 three-year CAGR of 87.4% and 2008-2012 four-year CAGR of 273%) and a 35% discount rate. We caution investors that our pro forma estimates are based on a number of assumptions and scenarios from the EES pro forma earnings model, which may vary materially from actual results. However, this valuation is primarily based on signed contracts equating to an estimated 0.44%, 0.84% and 1.12% market penetration in years 2010, 2011 and 2012 respectively in the domestic natural gas water fracing market assuming 30,000 water fracs per year. Furthermore, there is also an alternative and increasingly likely scenario whereby ESPH sells or licenses the rights to EES's technologies to a third party for a large lump sum payment which would positively impact this ESPH model and valuation calculation.

Ecosphere Valuation Based Solely on EES Valuation and Sale:

The following valuation assumes ESPH sells or licenses the rights to EES's technologies to a third party for a large lump sum payment.

Year	Earnings Estimate	Price to Earnings Multiple (X)	Future Value	Discount Rate	12-Month Target Value
2010	$7,332,848	25	$183,321,201	35%	$170,070,603
2011	$11,855,006	25	$296,375,142	35%	$203,668,828
2012	$15,688,017	25	$392,200,429	35%	$199,644,378
Average					**$191,127,937**

Taking the $191.1 million valuation for EES illustrated above and multiplying it times ESPH 67% ownership of the EES subsidiary that equates to a $128.1 million valuation for ESPH's shareholders. **Based on the current shares outstanding of 110,486,948 as of August 10, 2009 that equates to a value of $1.16 in value per share.** However, (as stated previously) this valuation is primarily based on signed contracts equating to an estimated 0.44%, 0.84% and 1.12% market penetration in years 2010, 2011 and 2012 respectively in the domestic natural gas water fracing market assuming 30,000 water fracs per year.

Ecosphere Modified Discounted Cash Flow (DCF) Valuation:

The following valuation assumes EES is held as a wholly owned subsidiary and its financial results flow through on a consolidated basis. It further assumes a EES achieves additional market penetration equating to an estimated 0.65%, 1.76% and 3.73% in years 2010, 2011 and 2012 respectively in the domestic natural gas water fracing market assuming 30,000 water fracs per year.

Year	Earnings Estimate	Price to Earnings Multiple (X)	Future Value	Discount Rate	12-Month Target Value
2010	$0.07	35	$2.55	35%	$2.36
2011	$0.13	35	$4.53	35%	$3.11
2012	$0.18	35	$6.22	35%	$3.16
Average:					**$2.88**

Based on the earnings estimates above for ESPH, we calculate a 12-month target average value of $2.88 per share. We are using a 35x P/E multiple due to the above average revenue growth rate (2009-2012 three-year CAGR of 87.4% and 2008-2012 four-year CAGR of 273%) and a 35% discount rate. We caution investors that our pro forma estimates are based on a number of assumptions and scenarios from the EES pro forma earnings model, which may vary materially from actual results.

Ecosphere Valuation Based on Modified EES Valuation and Sale:

The following valuation assumes ESPH sells or licenses the rights to EES's technologies to a third party for a large lump sum payment. It further assumes EES achieves additional market penetration equating to an estimated 0.65%, 1.76% and 3.73% in years 2010, 2011 and 2012 respectively in the domestic natural gas water fracing market assuming 30,000 water fracs per year.

Year	Earnings Estimate	Price to Earnings Multiple (X)	Future Value	Discount Rate	12-Month Target Value
2010	$13,707,891	25	$342,697,277	35%	$317,926,853
2011	$32,665,800	25	$816,645,010	35%	$561,197,984
2012	$73,823,626	25	$1,845,590,645	35%	$939,473,212
Average					**$606,199,350**

Taking the $606.2 million average valuation for EES illustrated above and multiplying it times ESPH 67% ownership of the EES subsidiary that equates to a $406.2 million valuation for ESPH's shareholders. **Based on the current shares outstanding of 110,486,948 as of August 10, 2009 that equates to a value of $3.68 in value per share.**

Valuation Summary for Ecosphere Technologies, Inc. (ESPH)

Obviously the preceding valuations models result in wide valuation range. This is a very common scenario when trying to determine the fair market value of an entity in which its present value is highly predicated to its future earning power. As time goes on, many of the aforementioned assumptions become finite data points in which to base a more precise valuation model. In the interim, investors should consider the following 12-month average valuation scenarios for ESPH shares:

Discounted Cash Flow (DCF) Valuation (0.44% to 1.12% market penetration):	$1.10
Valuation Based Solely on EES Valuation and Sale: (0.44% to 1.12% market penetration):	$1.16
Modified Discounted Cash Flow (DCF) Valuation: (0.65% to 3.73% market penetration)	$2.88
Valuation Based on Modified EES Valuation and Sale: (0.65% to 3.73% market penetration)	$3.68
Average:	**$2.21**

Other Valuation Considerations

While prior valuations are compelling, they do not include any consideration for additional applications of the Company's Ozonix technology internationally or in the other industries such as: offshore drilling, produced water, biological waste, purification of industrial process plant effluents, mining, pulp and paper industry or coal energy. They also do not include any value for the Company's other technology including its mobile water filtration technology, 3-D coating removal and scanning technology or micro utilities.

VII. RISKS

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Competition Risk

Based on information we were able to obtain, Ecosphere Technologies' patent pending "Ozonix" technology and its systems incorporating this technology are the first economically viable process that creates a fracturing fluid, from treated "frac flowback water" and "produced water" without the use of chemicals. As such, it faces no direct competition. However, it does face indirect competition from other companies and performing substitute services such as injection disposal and the use of chemicals as a pre-treatment.

Execution Risk

As with any growing company implementing an accelerated growth plan, Ecosphere Technologies' ultimate success or failure will depend on management's ability to execute their business plan in an efficient and timely manner. The experience and solid reputation of the Company's management team, Board of Directors, and Board of Advisors helps mitigate this risk; however, the future value of the company is heavily weighted on the successful launch of the Company's new water treatment technologies that have not yet been significantly commercialized.

Financial Risk

Ecosphere Technologies is dependent on continued financing from outside investors due to recurring operating losses. Ecosphere recently signed a funding agreement with Bledsoe Capital Group to provide operating capital. However, there can be no assurance that this funding will be adequate to bring to the Company to positive cash flows from operations. As a result, the Company may need to seek additional capital and investors must be financially capable of losing their entire investment.

Key Management Risk

Management's skill and experience are key determinant of success. Ecosphere Technologies, like most small companies, is heavily dependent on key management, the loss of any of which could seriously, adversely affect the Company.

Micro-capital Investment Risk

Micro-capital investing involves inherent risk and investors should carefully research any company considered for investment. Micro-capital companies are usually early in their market cycle and vulnerable to significant price volatility.

Non-Specific Market Risks (Liquidity, trading rules & BD restrictions)

Ecosphere Technologies' common stock is quoted on the Over-the-Counter Bulletin Board ("OTCBB") as such; there is only a limited trading market for its common stock. Furthermore, the Company's common stock is subject to the penny stock rules by the Securities and Exchange Commission that requires brokers to provide extensive disclosure to its customers prior to executing trades in penny stocks, and as such there may be a reduction in the trading activity of its common stock. Collectively, investors may find it difficult to sell their shares of the Company's common stock.

Risk Categories

WSR's investment universe revolves around undiscovered emerging growth companies that possess higher risk profiles than established "blue chip" companies. Presently WSR maintains three risk categories including growth, aggressive growth and speculative with the later assigned to higher risk companies.

Growth – Lower risk investment relative to small capital company investments with a defined revenue pattern, reasonable earnings predictability and sound balance sheet.

Aggressive Growth – Average to higher risk investment relative to small capital company investments in a high growth stage or industry. May have limited history of generating revenue or be operating in a highly competitive or rapidly changing environment. Investor must have the financial capacity to lose a significant portion of his or her investment.

Speculation - High risk investment with short or unprofitable operating history and limited revenue or earnings predictability. Companies are typically early stage in the process of commercializing a new and often potentially disruptive technology into a large market. Investor must have the financial capacity to lose his or her entire investment.

VIII. MANAGEMENT

Officers, Directors and Key Management

Name	Age	Position
Patrick O'Neill Haskell	37	Chairman of the Board
Dennis McGuire	58	President and CEO
Adrian G. Goldfarb	51	Chief Financial Officer
Michael R. Donn, Sr.	61	Chief Operating Officer and Director
Sanjeev Jakhete	40	Sr. VP of Engineering
Jacqueline K. McGuire	46	Sr. VP of Administration
George R. Sterner	68	Lead Director
Joe M. Allbaugh	56	Director
Charles Vinick	62	Director – Chairman of Comp. Committee
D. Stephen Keating	53	Director – Chairman of Audit Committee
Thomas D. Wolfe	61	Director
Gene H. Davis	55	Director

Patrick O'Neill Haskell, Chairman of the Board

Patrick Haskell was appointed to the Board of Advisors in December 2007, and joined the firm full time as Chairman in June 2008. Mr. Haskell is a former Managing Director with HSBC and was the Head of North American Rates, Sales and Trading from March 2005 until December 2006. Mr. Haskell was a member of the firm's Markets Management Committee for the America's. Mr. Haskell's career includes serving as a Managing Director of Credit Suisse First Boston (CSFB). While at CSFB he also served as Co-Head of Dollar Interest Rate Trading, served as a member of the Fixed Income Division's Operating Committee, and chaired the firm's Managing Director Evaluation Committee. Mr. Haskell is Series 3, 7, 24, and 63 licensed.

Mr. Haskell graduated from Union College in 1994 with a B.A. in Economics. His senior college thesis was titled," The Impact of Derivative Products on The Municipal Debt Market". Mr. Haskell grew up in the St. Louis area, where he attended St. Louis University High School. He remains an avid Cardinal fan to this day. Mr. Haskell has been a philanthropic supporter and Board Member of Boy's Hope/ Girls' Hope from 1998 until today. He was the Vision of Hope Award Winner in 2006. Mr. Haskell is an active participant in "Save-a-Limb Foundation". In 2000, Patrick married Colleen Linehan. They have two children, Riley and P.J., and they currently reside in NYC.

Dennis McGuire, President and CEO

Dennis McGuire is an inventor and the founder of Ecosphere Technologies. Mr. McGuire serves as the Company's President and Chief Executive Officer. He guides development of innovative clean water processes and technologies, drawing on his two decades of research and development with the cavitating energy properties of water and using energy in water for environmental coating removal and water treatment applications. Mr. McGuire has earned global recognition for his accomplishments that are now represented by numerous patents and patent pending rights in the major markets the Company's technologies serve globally. Mr. McGuire received a top-ten finalist award from Discover magazine and the Innovation of the Year award from Ship Repair Magazine for his patented environmental coating removal technologies. He also received London's Seatrade Magazine Award for countering marine and atmospheric pollution. Mr. McGuire has been instrumental in forming eco-alliances with Carnival Cruise Lines, the Shaw Group, Pierce Manufacturing, and BAE Systems.

Adrian G. Goldfarb, Chief Financial Officer

Mr. Goldfarb joined the Company as CFO in February 2008. Mr. Goldfarb has more than 25 years experience in a number of different technology companies including IBM and a Fujitsu subsidiary. In addition to extensive international experience in a variety of management roles, he served as General Manager for the European affiliate of The Weather Channel and was responsible for turning around its European operations after multiple years of losses under previous management. He has most recently been involved in the private equity space, both as a management consultant and investor and recently concluded the sale of one of those companies to a large European investment group. Mr. Goldfarb specializes in the turnaround and growth of emerging companies with a focus on strategic planning and prudent financial management.

Michael R. Donn, Sr., Chief Operating Officer and Director

Mickey Donn was elected to serve on the Board of Directors in March 2005 and was named Executive Vice President and Chief Operating Officer of Ecosphere Systems in August 2006. Mr. Donn previously served as a consultant, Director of Communications, Managing Director, Senior Vice President of Operations, and Treasurer for Ecosphere Technologies since 2000. Mr. Donn was Project Manager for the Company's Environmental Protection Agency Verification testing. From 1994 to 2000, Mr. Donn served as the President of the 1700-member Miami-Dade County Fire Fighters Association, for which he previously served as Vice President and Treasurer since 1982. Mr. Donn coordinated relief efforts for the Miami-Dade fire fighters following Hurricane Andrew. Additionally, he set up and coordinated the Ecosphere relief effort in Waveland, MS following Hurricane Katrina. From 1978 to 1980, Mr. Donn conducted day-to-day operations of Dade Oil Company as General Manager.

Sanjeev Jakhete, Senior Vice-President of Engineering

Mr. Jakhete joined the Company in July 2004 and currently serves as Senior Vice President of Engineering. He previously served on the Ecosphere Board of Advisors from October 2007 until June 2008. Mr. Jakhete served as a project Team Leader for the Mobile Emergency Filtration System (MEFS) project with responsibility for project planning, execution and supervision for verification by the U.S. Environmental Protection Agency through its Environmental Technology Verification Program to test and evaluate the MEFS. Mr. Jakhete led Ecosphere's deployment of the MEFS following Hurricane Katrina to make clean water available to residents of Waveland, MS. He co-invented the Ecosphere Ozonix™ process with company founder Dennis McGuire and has been instrumental in design of custom containerized water treatment systems using the Ecosphere Ozonix process for several applications including the oil and gas exploration industry and to clean up ballast water in the maritime industry. Mr. Jakhete was previously with Wallem Ship Management, an international shipping management company, from January 1992 until March 2003 as a Senior Marine Engineer with responsibility for operation and maintenance of shipboard machinery. Mr. Jakhete is a member of the Institute of Engineers, India, and holds a Bachelor of Mechanical Engineering degree from the University of Poona, India with First Class Engineer's Certificate of Competency. Mr. Jakhete completed Robotic Training for remotely operated robotic vehicles at the National Robotic Engineering Consortium, Pittsburgh, PA.

Jacqueline K. McGuire, Senior Vice President of Administration

Jacqueline K. McGuire has been the Senior Vice President of Administration since January 2001 and Secretary since the Company's founding in 1998. She and her husband Dennis, Ecosphere's Chief Executive Officer, were two of Ecosphere Technologies' founders.

Vice Admiral George R. Sterner, United States Navy (Retired), Director

George Sterner has served on the Company's Board of Directors since March of 2002 and served as Chairman of the Board from March 2005 to February of 2008. Admiral Sterner joined Raytheon in 1999 as the company's Naval Mission Area Executive. He retired in 2005 after three years as Vice President for Strategic Pursuits at Raytheon. From 1998 to 1999, he served as Vice President – System Integration for Walt Disney Imagineering and directed the technical aspects and delivery preparations for the MS Disney Wonder cruise ship. Admiral Sterner spent 36 distinguished years with the U.S. Navy including four years as Commander, Naval Sea Systems Command (1994 – 1998), until his retirement in 1998. Admiral Sterner is currently co-owner and managing director of Sea Systems Solutions, Inc., a consulting firm in Vienna, Virginia.

Joe M. Allbaugh, Director

Joe Allbaugh was elected to the Board of Directors in October 2005. Mr. Allbaugh was named President of Ecosphere Systems in August 2006 and served until April 2007. Mr. Allbaugh served as the FEMA Director under President George W. Bush until March 2003. Prior to moving to Washington, D.C., he was Chief of Staff to then-Governor Bush of Texas and was the National Campaign Manager for the Bush-Cheney 2000 presidential campaign. Mr. Allbaugh is currently the President and CEO of the Allbaugh Company, LLC, which formulates corporate strategies designed to create new opportunities and expand competitive advantage for private sector clients. He also serves as a Director on the boards of Emergent Biosolutions Inc. and the National Rifle Association.

Charles Vinick, Director

Charles Vinick was elected to serve on the Board of Directors in August 2006. Mr. Vinick currently serves as President of the Alliance to Protect Nantucket Sound and is a consultant to Clipper Windpower and Aquantis ocean energy development. His more than two decades with Cousteau international environmental organizations included several leadership positions: Executive Vice President, Ocean Futures Society; Vice President, Jean-Michel Cousteau Institute; and Vice President of the Cousteau Society. His responsibilities included operations and management, fundraising, financial and business development. His prior experience also includes Chief Executive Officer of the Foundation for Santa Barbara City College and Assistant Dean of the University of Southern California's College of Continuing Education. Mr. Vinick's previous consulting roles include interim positions as President of the Immaculate Heart College Center and Director General of Parc Oceanique Cousteau in Paris, France. He has consulted to King International Group of Los Angeles, the Reid Family Foundation, the Catalina Island Conservancy, and SMR Energy Inc. of New York. Mr. Vinick currently serves on the boards of Ocean Futures Europe and Heal the Ocean.

D. Stephen Keating, Director

D. Stephen Keating was appointed a director in August 2008. Mr. Keating served as the Vice President of the Worldwide Taxes division for CA, Inc. from 1998 through June 2008. Mr. Keating was the senior officer responsible for the worldwide tax planning and strategy, tax accounting and day-to-day supervision for the U.S. and international tax departments. At CA, Inc., Mr. Keating was involved with approximately 100 mergers, acquisitions and divestitures. His responsibilities included negotiating with the IRS and various countries tax authorities on audit issues and APA reports.

Thomas D. Wolfe, Director

Thomas D. Wolfe was appointed a director in August 2008. Mr. Wolfe was the Chief Technology Officer and Senior Vice President of R&D of Open Energy Corporation from December 2006 through July 14, 2008. In 1998, Mr. Wolfe founded WaterEye Corporation where he served as its President and Chief Executive Officer and until WaterEye was acquired by Open Energy in December 2006. Mr. Wolfe has over 25 years' experience in the chemical process industries, with particular experience in power, water and wastewater treatment technologies. Mr. Wolfe is one of the pioneers in the reverse osmosis field and has made many contributions to the development and advancement of reverse osmosis membrane technology and wastewater evaporation technology dating back to the early 1970's. Mr. Wolfe has participated at all levels in some of the largest membrane and evaporator installations in the world and has hands on experience with a wide variety of evaporator configurations including vapor recompression, steam driven single and multiple effect systems, as well as direct contact and submerged combustion processes. Mr. Wolfe developed much of the software currently in use today for reverse osmosis membrane performance prediction and computational chemistry for recovery determination and scale control. Mr. Wolfe has authored more than 20 technical articles and papers in his various fields of involvement and is a member of the American Chemical Society and the American Water Works Association.

Gene H. Davis, Director

Gene H. Davis was appointed a director in August 2008. Mr. Davis was the Geological and Geophysical Manager for the Western Business Unit of Forest Oil Corp. from December 2004 to March 2008 where he evaluated and implemented drilling programs. From July 2004 until December 2004, Mr. Davis was a Project Geologist for EOG Resources Inc. From September 2000 to July 2004, Mr. Davis was an Exploration Geologist for Chi Energy, Inc. Mr. Davis has over 28 years of executive geoscience and asset management, successful exploratory and development geology and geophysics experience.

Key Consultant

John Ely

Mr. Ely started his career with Halliburton Co., in 1965, working as a technician for the Analytical group while completing his college work. He graduated from Oklahoma State University in 1968 with a B.S. in chemistry. On returning to Halliburton, Mr. Ely served as chemist and senior chemist in fracturing research before transferring to International Operations in 1973. While in fracturing research, he was instrumental in the development of several fracturing fluids, including high-temperature systems and nonaqueous energized systems. Ely's first assignment overseas was in south Iran as a district engineer. In 1975, he was promoted to technical adviser, Eastern Hemisphere, and transferred to Baharain. He traveled and worked in eleven Mideast countries in this position. In 1976, John transferred to Dubai, U.A.E. The following year, he was promoted to technical adviser, International Operations, and was based in Duncan, Oklahoma where his primary duty was to coordinate all phases of research with international field operations. Ely joined Nowsco Services in 1980 as Engineering Manager. His responsibilities included overseeing chemical and mechanical research and coordinating training for field engineers.

In 1985, John joined S.A. Holditch and Associates as Vice-President of Stimulation Technology. In addition to designing and supervising hundreds of stimulation treatments, he was involved in research on fracturing fluids under the auspices of the Gas Research Institute. Additionally, he served as an expert witness in areas involving completion and stimulation of oil and gas wells.

In May 1991, John with three partners founded Ely & Associates, Inc. This company is dedicated to providing a blend of practical and technical expertise on well completion, stimulation fluids and equipment, and reservoir analysis. John holds several patents and has numerous publications, including a book titled "Stimulation Treatment Handbook/ An Engineer's Guide to Quality Control". He is also a contributing author to the S.P.E. monograph on hydraulic fracturing, writing the chapter on hydraulic fracturing fluids and fracture fluid selection. He is a member of the American Chemical Society, The Society of Petroleum Engineers, and is a fellow of the American Institute of Chemistry.

IX. CORPORATE OFFICES & ADVISORS

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I, Paul Silver, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers.

About the Analyst:
Mr. Silver joined Wall Street Resources in 2006 as the Director of Research. He has been in the financial services industry since 1995 and began his professional career in auditing with a Big Four accounting firm in New York City. Mr. Silver made the move to Wall Street as a sell-side research analyst for two global investment banks in New York City including Salomon Smith Barney and UBS Paine Webber. At Salomon Smith Barney he was a member of the firm's research team covering REITs that was consistently ranked #1 by Institution Investor magazine. Most recently, Mr. Silver worked for a private equity firm as its Chief Investment Strategist. Mr. Silver is a graduate of the College of William and Mary in Virginia with a BA in liberal arts and New York University's Stern Business School with an MBA in International Finance and Accounting.