

GreenHunter Biofuels, Inc.

Business Description

GreenHunter Biofuels, Inc. ("GreenHunter Biofuels" or the "Company"), a subsidiary of GreenHunter Energy, Inc. ("GreenHunter Energy"), owns a renewable fuels campus situated on a 20-acre site located in Houston, Texas. The campus is configured to operate as four major business units consisting of a 105-million gallon per year capacity biodiesel production plant, a value-added glycerin refining plant, a methanol distillation plant and a large terminal facility each of which can function independently or in concert. The Company's biodiesel facility is designed to serve as the premier low-cost provider of high quality methyl ester (biodiesel) and purified glycerin by leveraging its significant economies-of-scale and unique technological and logistical attributes. These attributes provide sustainable competitive advantages over traditional facilities to weather market downturns and exploit the favorable long-term prospects for the industry. At nameplate capacity and prevailing prices, the facility is designed to generate over \$320 million in revenue and \$23 million in operating profit from the sale of biodiesel and technical grade glycerin.

Key Investment Highlights

- **State-of-the-Art Facility**
 - The facility leads the industry in quality and efficiency with which it produces biodiesel as one of the only producers located on the Gulf Coast which has already met all new biodiesel fuel standards
 - The unique process also provides for the purification of the glycerin stream. The state-of-the-art process results in a high quality glycerin which will be 96% pure and meet technical grade specification. The glycerin purification refinery is sized to produce 26 million gallons of tech grade glycerin co-product, resulting in an additional stand-alone business opportunity
- **Strategic Location with Maritime Shipping Logistics**
 - The facility lies at the heart of the Houston Ship Channel, a major cross-road of the United States energy market. Within the United States, the port is ranked first in foreign waterborne commerce and second in total tonnage. The port location provides low-cost and convenient access to global supplies, along with lower distribution costs to most major petroleum distributors and refiners who also maintain maritime facilities in the port
 - The facility is also less than 5 miles from interstate 10 and enjoys rail logistics from the neighboring Greensport/Watco/Beauchan consortium, providing excellent access to regional markets for feedstock procurement or product distribution
- **Feedstock Flexibility**
 - The facility is capable of processing crude feedstocks that contain free fatty acid ("FFA") up to an average of 6% as compared to the 2% maximum typically preferred by the industry. Its state-of-the-art equipment allows it to process crude vegetable oils (soy, palm, cotton seed, canola, jatropha, rice), tallow / animal fats, waste greases (such as yellow grease and brown grease) and other triglycerides into ASTM grade B100 biodiesel, giving the facility the ability to pick and choose the feedstocks based upon availability and the best profit margin for the given market conditions
- **Significant Storage Capacity and Terminal Operations**
 - The facility possesses approximately 26 million gallons of storage at an onsite terminal, of which approximately 12.6 million gallons of capacity are constructed with robust capabilities to fully support the other business units at nameplate capacity. The remaining 13.4 million gallons of capacity are operational with limited terminal/storage capabilities and can be upgraded to match the other existing capabilities, providing the Company with the ability to opportunistically take advantage of price fluctuations in markets for feedstock, end products and logistics. The facility also maintains an existing barge dock which is capable of receiving or loading up to 1.7 million gallons of feedstock or finished product at any given time
 - The ability to be both a producer and terminal operator/blender provides the Company with superior capabilities for managing feedstock acquisition and finished product sales and significant physical hedging capabilities not afforded to other facilities. These capabilities provide the Company with the flexibility required to survive market downturns as well as exploit market opportunities
- **Substantial Demand Drivers**
 - Biodiesel is consumed widely around the world, and does not require any investments in new infrastructure or technologies for further adoption as the majority of diesel engines can run on pure biodiesel without modification
 - The industry has significant and growing foreign and domestic government support for critical environmental and energy independence reasons
- **Other Revenue Streams**
 - The facility possesses highly strategic assets which can be utilized to offer alternative sources of revenue, further mitigating the facility's exposure to market conditions as well as reducing its overall cost basis
 - The glycerin purification refinery is sized to produce 20 million gallons/year of tech grade glycerin utilizing sourced crude glycerin feedstock from third parties as well as from its own biodiesel process
 - The facility is capable of processing 16 million gallons per year of low-cost, contaminated methanol into a commercial grade and marketable substance. Approximately half of this methanol distillation capacity represents excess capacity beyond facility requirements for supporting operations. Consequently, up to 8 million gallons per year of capacity can be utilized for sourcing low-grade methanol from third-party sources when available, processing it, and selling it on the open market as an alternate source of revenue
 - The facility's excess capacity can also be utilized for toll distillation of third-party biodiesel. Sub-specification biodiesel from less aptly equipped producers can be processed by the facility and upgraded to meet the new biodiesel specification standards

Transaction Overview

GreenHunter Energy has engaged Imperial Capital, LLC as investment banker and exclusive financial advisor for the evaluation and exploration of strategic alternatives related to GreenHunter Biofuels. **All inquiries regarding GreenHunter Energy, GreenHunter Biofuels or its biodiesel refinery should be directed only to the individuals listed below:**

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