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Xethanol closes deal for biofuels plant

By [Tom Murphy](#)  
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Xethanol Corp. announced Tuesday that it has completed the acquisition of a former medium-density fiberboard factory located in Spring Hope from Carolina Fiberboard Corp. LLC.

The biotechnology-driven ethanol company will operate as Spring Hope Biofuels in the former International Paper plant in Spring Hope.

The facility includes 200,000 square feet of factory buildings on a 212-acre site, Spring Hope Biofuels General Manager Doug McCullagh said. The purchase price for the facility was \$4 million in cash, 1,197,000 shares of Xethanol common stock and options to purchase an additional 300,000 shares of Xethanol common stock at \$4 per share, he said.

"We are very excited by the closing of this transaction as it represents a further milestone in our planned expansion on the East Coast," New York-based Xethanol President and Chief Executive Officer David Ames said in a press release. "We are encouraged by the support we have received from both state and local governments, and we look forward to working with the Spring Hope community and the state of North Carolina.

"We are also pleased to welcome to Xethanol a talented and entrepreneurial management team capable of building out this facility as a prototype for others in the region. One of the advantages of serving on Xethanol's board of directors prior to becoming president and chief executive officer is that I was able to evaluate the company's strategy, technologies and business model in depth from the inside. I have therefore been able to hit the road running with a number of company initiatives in the pipeline."

Ames said the rationale supporting the acquisition and the company's growth strategy is compelling.

"This acquisition provides Xethanol the opportunity to save both time and money as we seek to achieve our ethanol production goals and also furthers our technology development," Ames said. "We plan to reopen the facility in 2007 as a pilot plant to demonstrate the technical feasibility and economic viability of using wood chips as a cellulosic feedstock. North Carolina has an excellent scientific community to work with, is close to our existing R&D facility at Virginia Tech and provides an abundant supply of hardwood feedstock with which to carry out development work in the cellulosic arena."

Thomas Endres, Xethanol's senior vice president of operations, said in a press release that the plant has existing production infrastructure that can be rapidly adapted.

"We are planning to start with a 5 million gallon-per-year pilot plant fed by one digester that we expect

to bring on stream in approximately six months," Endres said. "Once we have proven the technology on a pilot basis, we will be able to increase the rate of ethanol production up to a maximum of 35 million gallons per year based on available technology and equipment. We expect that we will be able to produce sizeable quantities of ethanol at this location, but it is too soon to provide specific estimates."

McCullagh said Spring Hope Biofuels will ramp up to 50 employees within six to eight months. He said his company has three more plants on the drawing board to be developed in the next two years.

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