

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE XETHANOL CORPORATION
SECURITIES LITIGATION

) CIVIL ACTION NO. 06-10234(HB)
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) CLASS ACTION
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IMPORTANT LEGAL NOTICE

**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT WITH ALL DEFENDANTS,
MOTION FOR ATTORNEYS' FEES AND SETTLEMENT FAIRNESS HEARING**

If you purchased Xethanol Corporation common stock during the period January 31, 2006 through and including August 8, 2006 and were allegedly damaged thereby, then you could get a payment from a class action settlement.

A federal court authorized this Notice. This is not a solicitation from a lawyer.

- The settlement will provide a \$2,800,000 cash Settlement Fund for the benefit of investors who bought shares of Xethanol Corporation (hereafter referred to as "Xethanol") common stock during the period January 31, 2006 through and including August 8, 2006 and who were allegedly damaged thereby.
- The settlement resolves a lawsuit over (1) whether any of the Defendants violated the securities laws or otherwise engaged in any wrongdoing; (2) whether the facts alleged by the Lead Plaintiffs were material, false, misleading or otherwise actionable under the securities laws; (3) the extent (if any) that various facts alleged by the Lead Plaintiffs influenced the trading prices of Xethanol securities during the relevant period.
- Your legal rights are affected whether you act or do not act. Read this Notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:	
SUBMIT A CLAIM FORM BY SEPTEMBER 26, 2008	The only way to get a payment.
EXCLUDE YOURSELF BY AUGUST 29, 2008	Get no payment. This is the only option that allows you to ever be a part of any other lawsuit against the Settling Defendants and the other Released Parties concerning the Settled Claims.
OBJECT BY AUGUST 29, 2008	Write to the Court about why you do not like the settlement.
GO TO A HEARING ON SEPTEMBER 15, 2008	Ask to speak in Court about the settlement.
DO NOTHING	Get no payment. Give up rights.

- These rights and options - **and the deadlines to exercise them** - are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the settlement. Payments will be made if the Court approves the settlement and after appeals are resolved. Please be patient.

SUMMARY NOTICE

Statement of Plaintiff Recovery

Pursuant to the settlement described herein, a \$2,800,000 cash Settlement Fund has been established. Plaintiffs estimate that there were approximately 64 million shares of Xethanol common stock traded during the Class Period which may have been damaged. Plaintiffs estimate that the “average recovery per damaged share” of Xethanol common stock under the settlement is 30¢ before deduction of fees and expenses. A damaged share may have been traded more than once during the Class Period, and the indicated average recovery would be the total for all purchases of the share. A Class Member’s actual recovery will be a proportion of the Net Settlement Fund determined by that claimant’s Recognized Claim as compared to the total Recognized Claims of all Class Members. See the Plan of Allocation section below for more information.

Statement of Potential Outcome of Case

The parties disagree on both liability and damages and do not agree on the average amount of damages per share that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. The Settling Defendants deny that they are liable to the Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages.

Statement of Attorneys’ Fees and Costs Sought

Plaintiffs’ Counsel are moving the Court to award attorneys’ fees in an amount not greater than one-third (33%) of the Gross Settlement Fund, and for reimbursement of expenses incurred in connection with the prosecution of this Action not to exceed \$40,000 plus interest. The requested fees and expenses would amount to an average of not more than 10.6¢ per damaged share in total for fees and expenses. In addition, the Lead Plaintiffs in the Class Action may seek compensation of up to \$2,500.00 each for their costs and expenses incurred in prosecuting the Class Action. This compensation will be paid from the Class Action Settlement Fund. Class Members are not personally liable for any such fees, expenses or compensation.

Further Information

Further information regarding the Action and this Notice may be obtained by contacting Plaintiffs’ Lead Counsel: Lewis S. Kahn, Esq., Kahn Gauthier Swick, LLC, 650 Poydras Street, Suite 2150, New Orleans, Louisiana 70130, Telephone (504) 455-1400.

Reasons for the Settlement

For the Plaintiffs, the principal reason for the settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future. Plaintiffs further considered, after conducting a substantial investigation into the facts of this case, the risks to proving liability and damages and whether a larger judgment could ultimately be collected if Plaintiffs were successful at trial.

For the Settling Defendants, who deny all allegations of wrongdoing or liability whatsoever, the principal reason for the settlement is to eliminate the expense, risks, and uncertain outcome of the litigation.

[END OF COVER PAGE]

HOW YOU GET A PAYMENT -- SUBMITTING A PROOF OF CLAIM FORM

To qualify for a payment, you must fill out and send in a signed Proof of Claim form. A Proof of Claim form is being circulated with this Notice. You may also get a Proof of Claim form on the Internet at www.CompleteClaimSolutions.com/Xethanol/. Fill out the Proof of Claim form, include all documents requested, sign, and mail it postmarked no later than September 26, 2008.

The Court will hold a hearing on September 15, 2008 to decide whether to approve the settlement. If the Court approves the settlement, there may be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. Unless you exclude yourself, you are staying in the Class, and that means that, upon the “Effective Date,” you will release all “Settled Claims” (as defined below) against the “Released Parties” (as defined below).

“Released Claims” shall collectively mean any and all claims, debts, demands, rights, liabilities and causes of action of every nature and description whatsoever (including, but not limited to, any claims for damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on federal, state, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or un-accrued, liquidated or unliquidated, at law or in equity, matured or unmatured, including, without limitation, claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, fraud, breach of fiduciary duty, whether class or individual in nature including both known claims and Unknown Claims

(as defined below), whether or not concealed or hidden (i) that have been asserted in this Action by the Lead Plaintiffs or any Class Member against any of the Parties or Related Parties, or (ii) that could have been asserted in any forum by the Lead Plaintiffs or any Class Member against any of the Parties or Related Parties which arose out of the purchase of Xethanol stock during the Class Period. “Released Persons” means each and all of the Defendants and each and all of their Related Parties. The “Effective Date” will occur when an Order entered by the Court approving the Settlement becomes final and the time to appeal has passed. “Unknown Claims” means any and all Released Claims which any Lead Plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims, the parties stipulate and agree that upon the Effective Date, the Lead Plaintiffs shall expressly waive and each Class Member shall be deemed to have waived, and by operation of the Judgment shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Cal. Civ. Code § 1542, which provides: “A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.” Lead Plaintiffs acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims was separately bargained for and was a key element of the Settlement. If you remain a member of the Class, all of the Court’s orders will apply to you and legally bind you.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a payment from this settlement, but you want to keep any right you may have to sue or continue to sue the Settling Defendants and the other Released Parties, on your own, about the Settled Claims, then you must take steps to exclude yourself. You cannot object if you exclude yourself. Settling Defendants may withdraw from and terminate the Settlement if putative Class Members who purchased in excess of a certain amount of Xethanol common stock exclude themselves from the Class. To exclude yourself from the settlement Class, you must send a signed letter by mail stating that you “request exclusion from the Class in *In re Xethanol Corporation Securities Litigation*, Case No. 06-cv-10234 (HB).” Your letter should state the date(s), price(s), and number(s) of shares of all your purchases and sales of Xethanol common stock during the Class Period. In addition, be sure to include your name, address, telephone number, and your signature. You must mail your exclusion request postmarked no later than August 29, 2008 to: Xethanol Corporation Securities Litigation Settlement, c/o Complete Claim Solutions, LLC, P.O. Box 24790, West Palm Beach, FL 33416.

THE LAWYERS REPRESENTING YOU

The Court ordered that the law firm of Kahn Gauthier Swick, LLC, will represent all Class Members as Lead Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Plaintiffs’ Lead Counsel’s fees and expenses, which will be paid from the Gross Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense. Plaintiffs’ Lead Counsel will move the Court to award all Plaintiffs’ Counsel attorneys’ fees from the Gross Settlement Fund in a total amount not greater than one-third (33%) of the Gross Settlement Fund and for reimbursement of their expenses in an amount no greater than \$40,000, plus interest on such expenses at the same rate as earned by the Settlement Fund. Plaintiffs’ Lead Counsel, without further notice to the Class, will apply to the Court for payment of the Claims Administrator’s fees and expenses incurred in connection with giving notice, administering the settlement and distributing the settlement proceeds to the Class.

OBJECTING TO THE SETTLEMENT

Class Members may object to the Settlement or any of its terms, the proposed Plan of Allocation and/or the application by Plaintiffs’ Lead Counsel for an award of fees and expenses. You may write to the Court setting out your objection and give reasons why you think the Court should not approve any or all of the Settlement terms. The Court will consider your views if you file a proper objection within the deadline, and according to the following procedures. To object, you must send a signed letter stating that you object to the proposed settlement in *In re Xethanol Corporation Securities Litigation*, Case No. 06-cv-10234 (HB). Include your name, address, telephone number, and your signature, identify the date(s), price(s), and number(s) of shares of all purchases and sales of Xethanol common stock you made during the Class Period, and state the reasons you object. Your objection must be filed with the Court and served on Kahn Gauthier Swick, LLC, at 650 Poydras Street, Suite 2150, New Orleans, Louisiana 70130, and Paduano & Weintraub, LLP on behalf of the Settling Defendants, at 1251 Avenue of the Americas, Ninth Floor, New York, New York 10020, on or before August 29, 2008. You do not need to go to the Settlement Fairness Hearing to have your written objection considered by the Court. If you object to the Settlement, you may ask the Court for permission to speak at the Settlement Fairness Hearing. To do so, you must include with your objection a statement stating that it is your “Notice of Intention to Appear in *In re Xethanol Corporation Securities Litigation*, Case No. 06-cv-10234 (HB).”

THE COURT'S SETTLEMENT FAIRNESS HEARING

The Court will hold a Settlement Fairness Hearing at 9:30 a.m. on September 15, 2008, at the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York 10007. The Court will consider whether the settlement is fair, reasonable, and adequate. The Court will consider the proposed Plan of Allocation for the proceeds of the Settlement and the application of Plaintiffs' Lead Counsel for attorneys' fees and expenses. The Court will take into consideration any written objections filed in accordance with the instructions herein. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the hearing; but decisions regarding the conduct of the hearing will be made by the Court. After the hearing, the Court will decide whether to approve the settlement. The Court may change the date and time of the Settlement Fairness Hearing. Thus, if you want to come to the hearing, you should check with Plaintiffs' Lead Counsel to be sure that the date and/or time has not changed.

IF YOU DO NOTHING

If you do nothing, you will get no money from this settlement and you will be precluded from starting a lawsuit, continuing with a lawsuit, or being part of any other lawsuit against the Settling Defendants and the other Released Parties about the Settled Claims in this case, ever again. To share in the Net Settlement Fund you must submit a Proof of Claim form.

GETTING MORE INFORMATION

You can get a copy of the Stipulation of Settlement or other papers filed in the action by writing to Plaintiffs' Lead Counsel. You also can call the Claims Administrator at 877-625-9442 toll-free; or visit the website at: www.CompleteClaimSolutions.com/Xethanol/.

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

This Plan of Allocation has been prepared by Lead Plaintiffs and Lead Counsel. Defendants do not agree with the characterization that any damages were suffered by any members of the Class.

The \$2,800,000 Cash Settlement Fund and the interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to members of the Class who submit acceptable Proofs of Claim ("Authorized Claimants").

The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim." The Recognized Claim formula is not intended to be an estimate of the amount of what a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants. The following proposed Plan of Allocation reflects the Complaint's allegations that Defendants made false and misleading statements and omissions during the period between January 31, 2006 and August 8, 2006 and that these misrepresentations resulted in the artificial inflation of the prices of the Company's publicly-traded common stock during the Class Period. Defendants deny that they did anything wrong and also deny that any of their actions damaged Xethanol stock. Each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's recognized loss bears to the total of the recognized loss of all Authorized Claimants.

Class Period January 31, 2006 to August 8, 2006, inclusive. The Allocation below is based on: August 7, 2006 Closing Price - \$6.91; August 8, 2006 Closing Price - \$5.95.

For those who purchased shares of Xethanol between January 31, 2006 and August 7, 2006, inclusive, and sold the shares on August 8, 2006, recognized loss per share is the lesser of: (1) the price paid less the price received; OR (2) \$0.96.

For those who purchased shares of Xethanol between January 31, 2006 and August 7, 2006 and held such shares on August 9, 2006, and sold between August 9, 2006 and August 15, 2006, inclusive, recognized loss per share is the lesser of: (1) \$1.66; (2) the amount paid less the amount received; OR (3) the amount paid less \$5.25.

For those who purchased shares of Xethanol between January 31, 2006 and August 7, 2006 and held these shares after August 15, 2006, recognized loss per share is the lesser of: (1) \$1.66; OR (2) the amount paid less \$5.25.

For those who purchased shares on August 8, 2006 and sold these shares on August 8, 2006, recognized loss per share is the price paid less the price received.

For those who purchased shares of Xethanol on August 8, 2006 and sold those shares between August 9, 2006 and August 15, 2006, inclusive, recognized loss per share is the lesser of: (1) \$0.70; (2) the amount paid less \$5.25; OR (3) the amount paid less the amount received.

For those who purchased shares on August 8, 2006 and held those shares on August 16, 2006, recognized loss per share is the lesser of: (1) \$0.70; OR (2) the amount paid less \$5.25.

In the event a Class Member has more than one purchase or sale of Company common stock, all purchases and sales shall be matched on a First In First Out ("FIFO") basis. Class Period sales will be matched first against any Company shares held at the beginning of the Class Period and then against purchases in chronological order. A purchase or sale of Company common stock shall be deemed to have occurred on the "contract" or "trade" date. The receipt or grant by gift, devise or operation of law of Company common stock during the Class Period shall not be deemed a purchase or sale for the calculation of an Authorized Claimant's Recognized Claim nor shall it be deemed an assignment of any claim unless specifically provided in the instrument of gift or assignment. To the extent that a Claimant suffered an overall loss overall transactions in Company common stock during the Class Period, but that loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of actual loss. For purposes of determining whether a Claimant had a gain from overall transactions in Company common stock during the Class Period or suffered a loss, the Claims Administrator shall: (i) total the amount paid for all Company common stock purchased during the Class Period by the claimant (the "Total Purchase Amount"); (ii) match any sales of Company common stock during the Class Period first against the Claimant's opening position in the stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining shares of Company common stock sold during the Class Period ("Sales Proceeds"); and (iv) ascribe a \$3.82 per-share holding value for the number of shares of Company common stock purchased during the Class Period and still held at the end of the Class Period ("Holding Value"). The difference between (x) the Total Purchase Amount ((i) above) and (y) the sum of the Sales Proceeds ((iii) above) and the Holding Value ((iv) above) will be deemed a Claimant's gain or loss on overall transactions in Company common stock during the Class Period. Each Authorized Claimant shall be allocated a pro rata share of the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the settlement. If any funds remain in the Net Settlement Fund by reason of uncashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one year after the initial distribution shall be re-distributed to Class Members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. Plaintiffs, Defendants, their counsel, and all other Released Parties shall have no responsibility for or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plan of Allocation or the determination, administration, calculation, or payment of any Proof of Claim or non-performance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund or any losses incurred in connection therewith.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased common stock of Xethanol Corporation (CUSIP #98420A 10 3; Trading Symbol Amex: XNL) during the period January 31, 2006 through and including August 8, 2006 for the beneficial interest of a person or organization other than yourself, the Court has directed that, **WITHIN TEN (10) DAYS OF YOUR RECEIPT OF THIS NOTICE**, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased Xethanol common stock during such time period or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within ten (10) days mail the Notice and Proof of Claim form directly to the beneficial owners of that Xethanol common stock. If you choose to follow (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses incurred, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator: Xethanol Corporation Securities Litigation Settlement, c/o Complete Claim Solutions, LLC, P.O. Box 24790, West Palm Beach, FL 33416, toll-free 1-877-625-9442.

Dated: New York, New York
May 29, 2008

By Order of the Court
CLERK OF THE COURT

Xethanol Corporation Securities Litigation Settlement
c/o Complete Claim Solutions, LLC
PO Box 24790
West Palm Beach, FL 33416

IMPORTANT COURT DOCUMENTS