

## GSPI LETTER TO SHAREHOLDERS 2009

Let me first thank all of you for being shareholders in our Company and for supporting the Company's vision and mission over the years. As most of you know, our vision and mission has been based on two main objectives: One is to improve our environment and to create a sustainable society. Second is to create a profitable Company for our stockholders. Until recently, these two objectives were very difficult to achieve simultaneously.

For those shareholders and many other informed people, who have been reading my editorials and press releases these past few years, all will note that most of the predictions that our Company has made in the 1990s have now come to fruition. In the past ten years your Company has positioned itself to become a major player in the alternative fuels and energy business.

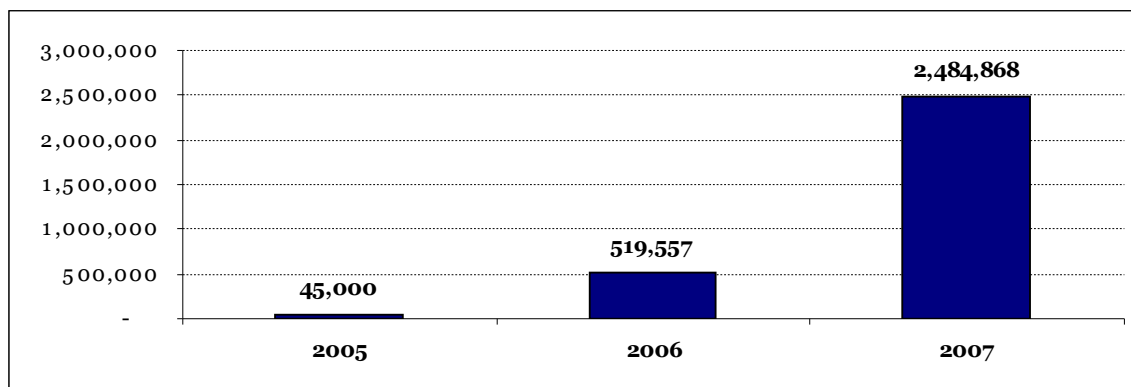
This year, I am going to cover Green Star's operational and financial statistics by referencing an analysis report published on October 22, 2008. The report in summary states the following: "Green Star Products Inc. (Pink Sheets: GSPI) has received an updated rating with a \$0.18 Target Price by Beacon Analyst, Victor Sula, PhD. The full report is available at <http://www.beaconequity.com/adpages/GSAE>."

In the report, the analyst writes, "The Company was one of the early pioneers to begin researching alternative energy resources in the 1990s. Following an extensive Research & Development program, GSPI has advanced a number of proprietary technologies which are now in the revenue-producing stage. The Company is 100% vertically integrated designing and manufacturing its own biofuel processing equipment in-house."

The analyst also stated, "The Company focuses on project-level joint venture relationships where it supplies the engineering, manufacturing, construction and operations technology and expertise. Through these intellectual property licensing agreements, GSPI shares in the ownership and profit distribution from each project. The joint venture partners supply project funding and, in some cases, local infrastructure and support. This joint-venture strategy allows GSPI to expand its business rapidly without requiring large in-house capital expenditures or need to raise funding from stock offerings."

And finally, the analyst concludes, "The Company has also advanced the development of its biodiesel technology by unveiling a new reactor with improved design and capabilities. One of GSPI's current production strategies is focused on integrating its biodiesel plant technology with oilseed crusher plants and farm cooperative support, such as the biodiesel facility in Odessa, Washington. ... GSPI's 2007 revenues were 60% higher at \$2.5 million than our \$1.5 million estimate." The company generated its first commercialization profit of \$455,000 in 2007.

### Revenue



Source: Company's press releases

The Company generates revenues from fabricating and installing the biorefinery complex, engineering services, participating interests in joint ventures and exclusive licensing arrangements. Revenue is also generated from manufacturing and sales of biofuels, high-tech lubricants and other green products, and fees from royalties and engineering services.

### **Construction of Biorefineries, GSPI's Products & Services**

GSPI in conjunction with its consortium partners designs and constructs biorefineries that produce ethanol from low cost agricultural waste products (i.e. wood chips, switch-grass, rice stalks, municipal waste, etc.). The Company has proprietary process patents for the production of biodiesel and integrates its proprietary continuous flow waterless biodiesel process with low cost feedstock provided by local farmers.

GSPI's current plans include commercial scale biofuel production through a joint venture with United Biorefineries Corp. The Company also has commitments to build several plants. GSPI and its consortium partners are in the process of applying for government grants and loan guarantee programs covering alternative energy programs. GSPI's consortium programs include cellulosic ethanol, algae-to-biofuel, advanced biodiesel processes engineering, and other waste-to-energy and greenhouse gas reduction technologies.

GSPI generated 2007 revenues of \$2,485,000, a 60% increase over earlier estimates, and earnings of \$455,000, the Company's first ever net profit. As of year-end 2007, GSPI also had a tax loss carry forward of approximately \$11 million, which, depending on the timing of expiration dates and use, represents an unbooked benefit of \$3,520,000 against future taxable earnings.

#### ***Income Statement***

<b>\$</b>	<b>2006</b>	<b>2007</b>	<b>% Chg</b>
Revenue	519,577	2,484,868	378%
Cost of revenue	292,099	1,084,721	271%
Gross profit	227,478	1,400,147	516%
Operating expenses	2,178,574	898,865	-59%
Operating profit	-1,951,096	501,282	n/m
Net profit	-1,951,096	455,282	n/m

Source: <http://www.greenstarusa.com/investors/comparison.html>

Please read the full Beacon Report at <http://www.beaconequity.com/adpages/GSAE>, which gives our shareholders a third party opinion on our company (see complete financial statements for 2005, 2006, 2007 and recent press releases concerning Company developments at <http://www.GreenStarUSA.com>).

In summary, I am compelled to answer the single most frequently ask question by GSPI shareholders which is: If the company is doing great, why is the company stock not increasing?

The answer to the question will surprise our shareholders, however, it is an industry wide problem called "naked short selling."

Although many companies have complained to the SEC, their blight has been, for the most part, pushed under the radar until recently.

During the credit meltdown, the SEC halted short selling and naked short selling in Freddie Mac and Fannie Mae stocks for a period of time. This catapulted this generally unknown practice into every home.

So, what is “naked short selling”? When you put your stock into a brokerage account, the stock goes into what is called a “street name” (not your name). You receive a statement each month that your stock (theoretically) is being held by your brokerage firm. This is what you are led to believe. Brokerage firms have the right and will rent out your stock to other firms or market makers who have sold stock in your company to their clients and are not required to actually buy the stock to put into their account. They collect the money from the sale and then rent your stock to cover the transaction at a minimal rental cost. Your brokerage firm makes extra free rental money on the thousands of company stocks they have in their customers accounts and the other brokerage that rented the stock never really has to buy stock. This in effect creates two shares of stock with only one real existing share. If all the brokers and market makers play the same game and cover each other (which they do) all make billions. Does this start to sound like the real estate game that is now destroying our economy?

Furthermore, in recent years market makers have decided that they don't need to even rent any stock, just sell stock and never cover the buy side, they just create the paperwork unless some incident forces them to buy the stocks. Some market makers and brokerages are shorting as many as 6,000 stocks. If a few stocks get away from them they have plenty of profit from the rest to cover a few losses.

The most recent incident occurred on October 27 & 28, 2008, Volkswagen caught their market makers short and forced them to cover their positions in the stock, i.e. buy the stock at any price. This launched a huge increase in Volkswagen stock prices and made Volkswagen the most valuable company in the world, passing Exxon-Mobil, VW market worth in just two days, gained over \$200 billion dollars and attained a \$350 billion dollar market value.

This violent market reaction in just one stock, in a few hours was greater than the gross national product of 80% of the nations of the world. This is market manipulations caused by short selling.

However, this is only a phenomenon that has emerged in recent times, which was not possible prior to May 2007. The real question is, why not? For over a half a century there was an SEC rule in place called the “Uptick Rule,” which, in essence, stated that a brokerage firm or market maker cannot short a stock unless the last trade in that stock was higher than the previous trade. The original rule was implemented by Joseph P. Kennedy, Sr., the first SEC commissioner. The SEC eliminated the Uptick Rule on July 6, 2007.

On August 27, 2007, the New York Times published an article on Muriel Siebert, former state banking superintendent of New York, "Wall Street veteran and financial sage", and, in 1967, the first woman to become a member of the New York Stock Exchange. In this article she expressed severe concerns about market volatility: “We’ve never seen volatility like this. We’re watching history being made.” Siebert pointed to the Uptick Rule, saying, “The S.E.C. took away the short-sale rule and when the markets were falling, institutional investors just pounded stocks because they didn’t need an Uptick.” On July 3, 2008 Wachtell, Lipton, Rosen & Katz, an adviser on mergers and acquisitions, said short-selling was at record levels and asked the SEC to take urgent action and reinstate the 70-year-old Uptick Rule. On November 20, 2008, they renewed their call stating "Decisive action cannot await ... a new S.E.C. Chairman. ... There is no tomorrow. The failure to reinstate the Uptick Rule is not acceptable." On October 17, 2008, the New York Stock Exchange reported a survey with 85% of its members being in favor of reinstating the Uptick Rule with the dominant reason to "help instill market confidence".

Hedge funds, banks and many other institutions after July 2007 started or expanded its divisions to take advantage of this easy money and began to blatantly short over 6,000 stocks. This is the single most important cause of present day turbulent market fluctuations. Present market instability has brought this practice into the legislature spotlight and (hopefully) will be corrected. The new administration will replace SEC chairman, Christopher Cox, on January 15, 2009, with Mary

Schapiro, who understands financial markets and will hopefully restore market stability and reinstate the "Uptick Rule."

The naked short selling practice is rampant on all exchanges, except it is worse on lower exchanges.

This practice is crippling the U.S. companies and their shareholders because in effect its adding billions of shares (that do not exist) to the market and significantly lowering the real value of shareholder stock holdings. This is illegal, immoral and greed personified, and is destroying the R&D efforts of thousands of small companies which have always been the backbone of America's ingenuity.

The stocks that are most singled out for naked short selling are the actively traded stocks like Green Star Products. Professional stock traders have estimated that Green Star Products has a huge naked short between 25,000,000 to as much as 200,000,000 shares.

### The Plan

As president of Green Star, I would like to make it perfectly clear that I am not accusing every brokerage house or market maker of participating in a scheme. And those who are acquainted with the industry are well aware of the institutions that are heavily involved in this practice. Furthermore, it is very difficult to track the amount of shares that have been or are being shorted. There are many ways that this can be covered over. I can only suggest that if you intend to be a long time stockholder in Green Star, and do not intend to sell Green Star stock for immediate liquidity, then it is probably a good idea to request your shares from your brokerage house to be delivered to you under your name. If you decide to do this, please put your certificates in a safe place because it is very difficult to replace a lost stock certificate and it requires a bond to be re-issued.

More matters on this subject will be discussed at the Shareholders Meeting.

In conclusion, Green Star like everyone else in the United States is being affected by the general upheaval of the financial industry however to a lesser extent. Our revenue projections which were made as recently as October 2008 will probably be delayed by as much as 6 months or more. As stated before, Green Star receives its funding on a project level basis and does not rely on selling equity in the Company. At the project level, we anticipate that some of the funding will be acquired through the existing US Department of Energy loan guaranty program and the US Department of Agriculture energy loan program. The federal government has already approved one of the largest loan guaranty programs for the Department of Energy for fiscal year 2009. The request for proposals from the federal government went out on July of 2008 and initially were planned for a submitting date of December 31, 2008. This was changed in the Fall of 2008 to a RFP submitting date (extended) to February 24, 2009. GSPI in conjunction with its consortium partners fully expect to present one or more proposals for these programs. For the first time, this huge program valued at \$10.8 billion dollars covers technologies for alternative energy and fuels that Green Star and its consortium partners have pursued for many years, which now include cellulosic ethanol (ethanol made from waste materials, not food products) and algae based biofuels. Clearly this is an arena which we have planned to participate in for a long time.

Again, I would like to state that your Company has made a dramatic turn around in the past two years and certainly has a promising future. It is my opinion the the present stock price does not reflect the true worth of the Company.

I hope to have gained your confidence over the past years and I now ask you to reelect myself as President and Michael Hu as Secretary & Treasurer of GSPI. I ask all of you to come and meet the other members of the GSPI Team, including our hard working Field Engineers, Construction Engineers and Research & Development personnel who have worked so hard at building and creating our future. They will all be in attendance at the Shareholder's Meeting.

Thank you again for your support of our vision and mission for the future, and we hope to see you at the 2009 Shareholder's Meeting. Please see attached instructions for voting and mailing forms.

Sincerely,

Joseph P. LaStella, President  
Green Star Products, Inc.

December 29, 2008

*This Letter to Shareholders and other written or oral statements made from time to time by Green Star Products, Inc., may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like "expects," "assumes," "projects," "anticipates," "estimates," "we believe," "could be" and other words of similar meaning, are forward-looking statements. These statements are based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include: Green Star's success in obtaining, retaining and selling additional services to clients; the pricing of products and services; changes in laws regulating payroll taxes, professional employer organizations and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; auto sales and related industry changes; employment and wage levels; changes in technology; availability of skilled technical associates and the impact of new acquisitions and divestitures. Green Star disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties, along with the risk factors discussed under the annual Financial Statements Report should be considered in evaluating any forward-looking statements contained herein.*



## **Green Star Products, Inc.**

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(619) 864-4010 Off. (619) 789-4743 Fax [info@GreenStarUSA.com](mailto:info@GreenStarUSA.com)

### **NOTICE OF 2009 SPECIAL MEETING OF STOCKHOLDERS**

I would like to announce that our 2009 Special Shareholder's Meeting will be held on January 31<sup>st</sup>, 2009, at Salt Lake City's Little America Hotel at 10:00 AM (500 South Main Street, Salt Lake City, UT 84101, <http://www.littleamerica.com>, (800) 453-9450). In order to accommodate proper seating arrangements at the Shareholder's Meeting, we request that all those shareholders that plan to attend notify us by email at [info@GreenStarUSA.com](mailto:info@GreenStarUSA.com).

The 2009 Special Meeting of Stockholders of Green Star Products, Inc., will be held for the following purposes:

1. to elect a board of directors;
2. to transact any other business that may properly come prior to the meeting or any adjournment(s) thereof.

We welcome all of GSPI's shareholders to attend and vote at the 2009 Special Shareholder's Meeting. The Letter to Shareholders will be posted on our website and we will have a press release asking our shareholders to please review this letter. Only those shareholders as of record on January 7<sup>th</sup>, 2009, will be eligible to vote at the 2009 Special Shareholder's Meeting.

The Company is not soliciting any proxy votes. If you wish to vote and cannot attend the shareholders meeting please send GSPI your request via email at [info@GreenStarUSA.com](mailto:info@GreenStarUSA.com), fax (619) 789-4743 or call (619) 864-4010 and provide us your email or fax number or mailing address at Green Star Products, 455 East 500 South, Suite 203, Salt Lake City, UT 84111 and we will send you a voting form and instructions. We can also accommodate you if you wish to receive future news releases or reports from the Company.

Stockholders of record at the close of business on January 7, 2009, are entitled to vote at the meeting. Each stockholder is entitled to one vote for each share of common stock held at that time.

The presence in person and/or the representation by proxy of the holders of record of a majority of the issued and outstanding shares of stock entitled to vote at the meeting. If you do not expect to be present at the meeting, you may vote your shares of stock by fax, email or US mail by executing and promptly returning the accompanying proxy.

By order of the Board of Directors

Joseph P. LaStella  
President

December 29, 2008

# PROXY CARD

FOR VOTING BY HOLDERS OF COMMON STOCK OF GREEN STAR PRODUCTS, INC. FOR  
THE 2009 SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON JANUARY 31, 2009

This proxy is not solicited on behalf of the Board of Directors. The undersign hereby appoints Joseph P. LaStella, as the true and lawful agent and proxies of the undersigned, with full power of substitution, to represent and to vote all shares of Common Stock of Green Star Products, Inc., held of record by the undersigned at the Special Meeting of Stockholders to be held in Salt Lake City's Little America Hotel (500 South Main Street, Salt Lake City, UT 84101, <http://www.littleamerica.com>, (800) 453-9450) on January 31, 2009, at 10 AM and at any postponement and adjournments thereof. Any and all proxies heretofore given are hereby revoked.

If shareholder plans on attending this meeting please notify by Fax (619) 789-4743, Phone (619) 864-4010 or Email [info@GreenStarUSA.com](mailto:info@GreenStarUSA.com).

WHEN PROPERLY EXECUTED, THIS PROXY WILL BE VOTED AS DESIGNATED BY THE UNDERSIGNED. IF NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED FOR THE NOMINEE'S LISTED IN NUMBER (1), BY DEFAULT. TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH, OR OTHERWISE STRIKE, THAT NOMINEE'S NAME IN THE LIST BELOW.

(1) ELECTION OF BOARD OF DIRECTORS

FOR all nominees listed below  
except as marked to the contrary

WITHHOLD authority for all nominees

Joseph LaStella, President Nominee

Michael Hu, Secretary & Treasurer Nominee

(2) AT THEIR DISCRETION, THE HOLDER OF THESE PROXIES IS AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT(S) THEREOF.

Please sign exactly as name appears below. When joint tenants hold shares, both should sign. When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Number of Shares of Common Stock Owned \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature (if held jointly)

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Typed or Printed Name)

\_\_\_\_\_  
(Typed or Printed Name)

\_\_\_\_\_  
E-mail address or fax number

THIS PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS VOTED AT THE MEETING. PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY. PLEASE SEND YOUR PROXY TO GREEN STAR PRODUCTS, INC., NO LATER THAN JANUARY 30, 2009, TO: FAX (619) 789-4743, EMAIL [info@GreenStarUSA.com](mailto:info@GreenStarUSA.com), MAIL 455 East 500 South, Suite 203, Salt Lake City, UT 84111