



## Mission and Purpose Statement

Our mission is to be the number one producer of quality wood pellets in the Rocky Mountain region. Our purpose is to utilize available biomass material with virtually no other economic alternative use, and to add significant value with our process by providing a meaningful, reliable and sustainable solution for our vendor and customer groups.

## Vision

Our vision is to be a part of a national-scale solution to the energy problem faced by people in the US. In the near future, we foresee homes and businesses heated with a clean-burning and sustainable fuel - wood pellets. We hope to develop a system of distribution for our product that achieves efficiencies at both the regional and national levels - a planned and cooperative bulk delivery system.

## Core Values

We will operate our business with the following core values always part of our decision framework:

- Honesty and Integrity
- Purpose and Pride
- Respect and Courtesy
- Timeliness, Reliability and Professionalism

## Kremmling, Colorado - Facility

The Kremmling, Colorado plant produces up to 100,000 tons per year of super premium, premium and standard grade wood pellet fuel. Most is bagged and shipped to a network of over 100 retailers throughout the Country. We also service bulk customers through bulk delivery trucks. The CE plant employs about 28 people in production and transportation. The plant purchases nearly 150,000 dry and green tons of wood residues each year from sources throughout Colorado, providing a valuable market for low grade timber resources.

Confluence Energy operates a state of the art pellet manufacturing plant and distribution facility in the U.S. CE's 18,000 square foot structure in Grand County, Colorado houses its manufacturing, rail off-loading, bagging and distribution facility. The company has in place multiple forest service and private land holder agreements. Confluence Energy has nearly 2 million tons of raw material at its disposal over the next decade. That's enough material to heat 40,000 average-sized homes annually.

The facility design is the result of a collaboration of 50 years of experience in the wood pellet manufacturing business, and it is state-of-the-art in efficient pellet manufacturing. The plant site occupies 20 acres of developed ground, with all manufacturing and warehousing contained within an 18,000 square foot building. The balance of the plant site includes a 10 acre outdoor wood storage yard, including vertical silos for wood and finished pellet storage, access roadways for trucking, and parking for trucks and company employees.

Pellets are bagged onsite and shipped throughout the United States. A portion of total production is shipped via bulk delivery truck for use in commercial scale central heating. Total raw wood residue and low grade timber purchases will amount to approximately 150,000 tons per year. This will provide a valuable new market in these regions for clean wood residues from otherwise unusable low grade timber and dangerous standing beetle kill trees that are in HUGE abundance throughout the forests in Colorado's Rocky Mountains. CE estimates that it has a 25 year supply of feedstock to meet its output needs.

The Plant creates full time jobs for 28 people, with considerable additional employment supported through wood purchases, trucking and retail pellet sales. The plant will generate over \$10 million in annual purchases of goods and services for the local economy.

The facility solidifies Confluence Energy, LLC's position as the leader in manufacturing and distributor of wood pellet fuel in the region, and one of the largest in all of North America.



## Wood Pellet Fuel (PFI Source)

Pellet fuel is a renewable, clean-burning and cost stable home heating alternative currently used throughout North America. It is a biomass product made of renewable substances - generally recycled wood waste. There are approximately 800,000 homes in the U.S. using wood pellets for heat, in freestanding stoves, fireplace inserts and even furnaces. Pellet fuel for heating can also be found in such large-scale environments as schools and prisons. North American pellets are produced in manufacturing facilities in Canada and the United States, and are available for purchase at fireplace dealers, nurseries, building supply stores, feed and garden supply stores and some discount merchandisers. In short, pellet fuel is a way to divert millions of tons of waste from landfills and turn it into energy.

Wood pellets were first engineered in the 1970s in response to an energy shortage in the U.S. They are usually manufactured from wood waste generated in saw mills, furniture manufacturing facilities, paper mills, etc. Burning wood pellets can be used as a substitute for electricity, wood-fueled fireplaces and stoves, or even fossil fuels, such as propane or natural gas. Pellet fuel is burned in appliances, such as freestanding stoves, fireplace inserts, furnaces or commercial boilers.

## Convenience & Quality for Consumers

- Clean and allergy-free. No dust or dirt is brought into the home with pellet fuel.
- Stored in less space. Four times more pellet fuel can be stored in a given space than cordwood or wood chips. A winter's supply of pellets for an average home occupies a space roughly 6' x 6' x 6', which makes them easy to store in a small area of a dry garage, basement, utility room or shed.
- Easy to use. Load once a day. Precisely regulated fuel feed automatically self-ignites and operates the stove according to owner-determined settings.
- Consistent, top quality material. CE is the only manufacturer utilizing 100% whole log for producing pellets, where others use sawdust and an ever-changing variety of source material. This means CE's product will have consistent and cleaner resulting burn for your customers.

## Highly Efficient

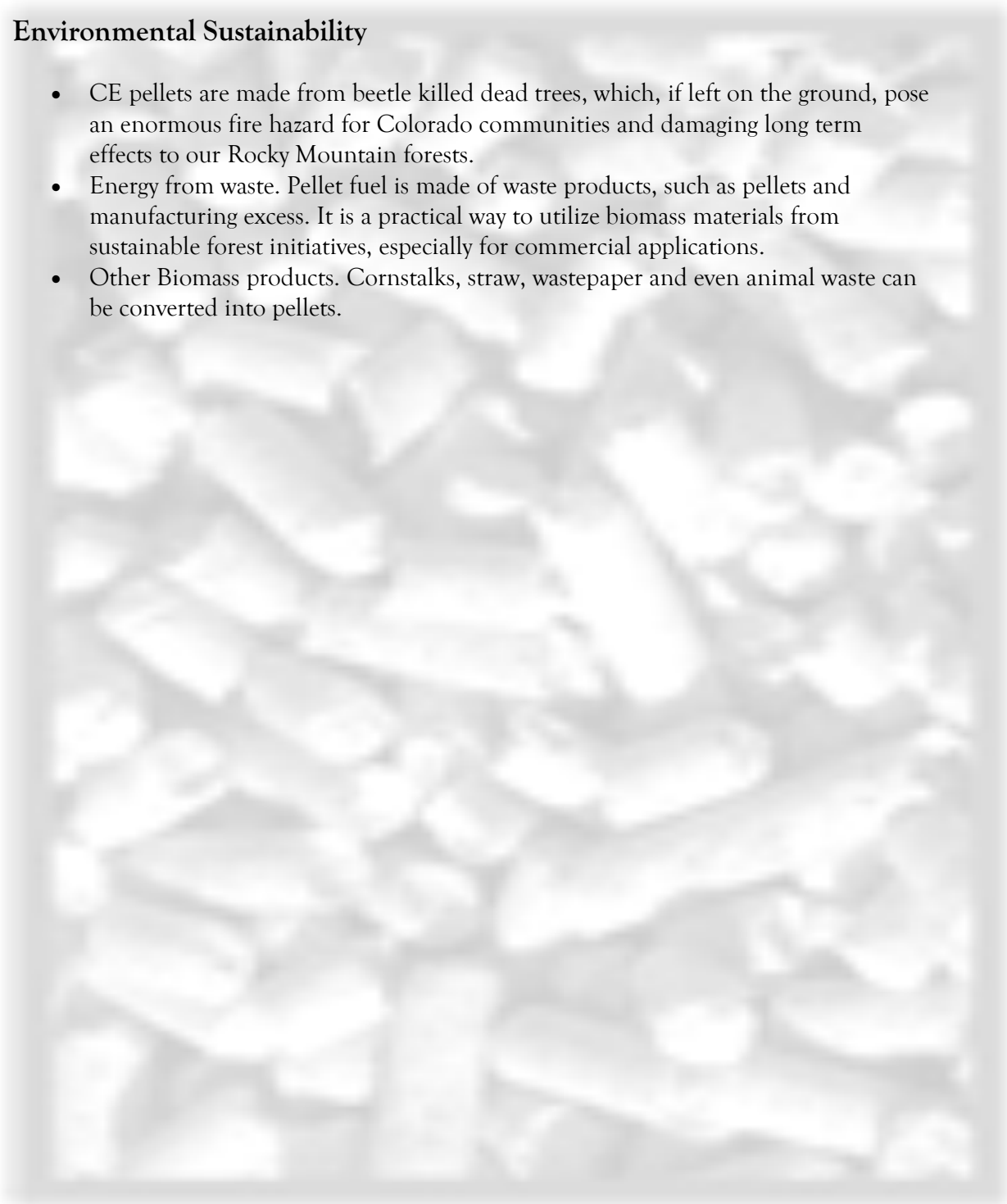
- More efficient fuel than cordwood. Pellets have five to 10 percent moisture content, in comparison to 30 to 60 percent for cordwood and woodchips. This means pellets are a more efficient fuel.
- Higher btu content than cordwood. Wood pellets have a btu output content of 350,000 per cubic ft. of fuel, versus 70,000 to 90,000 for cordwood or wood chips. This means pellets produce significantly more heat.

## Environmentally Sound

- All natural fuel. Once compressed and dried, pellets hold their form with natural lignin, which means no glue or binders are required.
- Cleaner burn. Pellet fuel has proven to provide the cleanest burn of any solid fuel. Pellet stoves exhaust an average of 1.2 particulate grams per hour - well below the United States EPA wood burning limit of 7.5 grams. This is because the combustion air can be easily regulated, which optimizes the burn efficiency, and because of pellet's low moisture content. As an example, on Denver's "no wood burning days," pellet stoves are still allowed to be used.

## Environmental Sustainability

- CE pellets are made from beetle killed dead trees, which, if left on the ground, pose an enormous fire hazard for Colorado communities and damaging long term effects to our Rocky Mountain forests.
- Energy from waste. Pellet fuel is made of waste products, such as pellets and manufacturing excess. It is a practical way to utilize biomass materials from sustainable forest initiatives, especially for commercial applications.
- Other Biomass products. Cornstalks, straw, wastepaper and even animal waste can be converted into pellets.





## **Our Promise to You**

We ask for the opportunity to earn you business in the 09-10 heating season. We are promising:

- High quality product
- Reliable supplies
- Reasonable terms
- Guaranteed pricing for pre commitments
- Personal service

We ask that you fill out this order form and return it via fax or email, so we can allocate you product early in the year. We expect we will sell out our capacity and we want to ensure your needs are met for the season. We look forward to bringing you a better product at a better price. We are confident this will create better margin for you and bring the price point down for the consumer. We look forward to building a great future together.

Sincerely

A handwritten signature in black ink, appearing to read "Mark Mathis".

Mark Mathis / President



## **Pricing and Availability**

Confluence Energy offers a 3 tier pricing and availability guarantee structure tailored to fit your buying profile. The three levels of commitment are:

### **Tier 1**

- 1000+ tons commitment
- Signed MOU Guarantee to buy and sell
- Guaranteed Pellet Allocation
- Receive product 10 to 12 months a year
- Most Favorable Pricing
- Same volume guarantee during off and on season

### **Tier 2**

- Commitment Less than 1,000 tons
- Reserved Pellet Allocation
- Take product 7 to 9 months
- Favorable Pricing

### **Tier 3**

- No volume commitment
- Take product during 6 month busy season
- Pellet Availability not Guaranteed
- Market pricing

## 2009/2010 Pellet Order Form

I agree to purchase \_\_\_\_\_ tons of Premium / Super Premium wood pellets during the 09-10 heating season in accordance with the following delivery schedule. I wish to be classified as a Tier\_\_\_\_ Retailer at a price of \_\_\_\_\_per ton

### Preferred Delivery Schedule

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
# of tons												

**Terms:**

Qualified retailers will be given Net 10 terms on initial orders. Other terms can be arranged upon approval of credit. All other orders are COD the plant. The price listed above is FOB the plant unless otherwise indicated. CE will require a signed MOU to secure Tier 1 Pricing or a signed Commitment Form to secure Tier 2 Pricing.

**Delivery:**

In return for most favorable pricing and guaranteed allocation, Tier 1 customers are required to take product 10-12 months per year and also must take equal amounts during on and off seasons. In return for favorable pricing and reserved allocation, Tier 2 customers must take product over 7-9 months. Freight expenses for delivery are passed through to the retailer at cost for all customers. CE will work with you to ensure the most cost effective shipping methods. CE cannot guarantee any quoted freight rates as third party freight prices can change without notice.

**Deposits:**

CE may ask for small deposits from retailer to ensure the commitment on product ordered. The deposits will range from \$5 to \$15 per ton depending on order, customer credit and terms negotiated with CE.

Print name \_\_\_\_\_

Customer Signature \_\_\_\_\_ Date \_\_\_\_\_

CE signature \_\_\_\_\_ Date \_\_\_\_\_



COMPANY NAME: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

CITY / STATE: \_\_\_\_\_ ZIP CODE: \_\_\_\_\_

FAX: \_\_\_\_\_ PHONE: \_\_\_\_\_

PURCHASER: \_\_\_\_\_ E-MAIL: \_\_\_\_\_

SHIPPING ADDRESS: \_\_\_\_\_

CITY / STATE: \_\_\_\_\_ ZIP CODE: \_\_\_\_\_

PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

Business # / IRS# / Federal ID# \_\_\_\_\_

PAYABLES CONTACT: \_\_\_\_\_ CREDIT LIMIT REQUIRED: \_\_\_\_\_

TYPE OF COMPANY:

Proprietorship / Partnership / Corporation Limited Company

OFFICERS / PRINCIPALS: \_\_\_\_\_

TITLE NAME SOCIAL SECURITY NUMBER \_\_\_\_\_

NUMBER OF YEARS IN BUSINESS: \_\_\_\_\_ YEARLY SALES: \_\_\_\_\_

**BANKING INFORMATION**

BANK NAME: \_\_\_\_\_

BANK ADDRESS: \_\_\_\_\_

CITY / STATE: \_\_\_\_\_ ZIP CODE: \_\_\_\_\_

**Confidential Credit Application**  
**Confluence Energy**  
Responsible Resource Management  
BANKING INFORMATION (Continued)

CONTACT: \_\_\_\_\_

PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

ACCOUNT #: \_\_\_\_\_

**REFERENCES**

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

**TERMS AND CONDITIONS**

All terms of sale are COD unless otherwise agreed upon in writing with "the Management" of Confluence Energy LLC. Interest may be charged at a rate of 2% per month on any amounts exceeding the credit terms. CE reserves the right to withhold shipment of any goods on overdue accounts. Delinquent accounts will be subject to collection and/or legal proceedings.

The above information is herewith submitted for the purpose of opening an account. We/I do hereby certify the above information to be true to the best of our/my knowledge. If credit is approved for our/my company, by signing this, we/I agree to all terms and conditions of sale and agree to keep our account in current standing.

DATE: \_\_\_\_\_

AUTHORIZED SIGNATURE: \_\_\_\_\_

PLEASE PRINT: \_\_\_\_\_

PO Box 1387 1809 Hwy 9 Kremmling CO 80459 Ph. 1970-724-9839 Fax 1970-724-9905

PERSONAL GUARANTY

I personally guaranty the above credit transaction and any unpaid balance due.

SIGNATURES:

GUARANTOR

PRINT NAME, ADDRESS, SS#

COLLECTIONS FEE CLAUSE

Confluence Energy reserves the right to add a collections fee to your invoice to the extent of Colorado law.