

Managing Energy Risk A Program to Minimize Price Volatility

The price of various energy components are heavily dependent on supply, demand and the many ways in which these are marketed. Today, businesses face a global market place in which increasing demand for limited resources is a reality. Whether you utilize Natural Gas, Diesel Fuel, Unleaded Gasoline, Electricity, Heating Oil, Propane or any other energy resource, you are limited by the producers' ability to respond to increasing demand. This limitation causes increases in price and price volatility. In addition, the energy markets are subject to worldwide geo-political concerns which are difficult to predict, and impossible to control. Trying to manage overall energy price risk is an extremely complex process. However, there are innovative ways to manage

your energy price risk so that you more successfully control your energy budgets, and ultimately your margins.



“FCStone’s Integrated Risk Management Program is a fundamental business strategy that enables companies to be competitive and survive today’s commodity price environment. It’s smart business.”

FCStone’s Energy Consultants offer unique market intelligence and innovative financial solutions to address commodity

price volatility in the energy sector. Our consultants have significant risk management experience and can make important contributions to your organization. Through the *Integrated Risk Management Program (IRMP)*, FCStone Energy Consultants provide companies with the solutions, tools and platforms necessary to meet budgets, stabilize input prices and secure margins. The non-exchange traded market provides a full array of products that can be customized to meet the exact needs and risk profile of our clients. In addition, our Energy Consultants have access to extensive proprietary databases and detailed historical knowledge that provide you with a huge competitive advantage and measurable bottom-line results.

Q. What is the *Integrated Risk Management Program (IRMP)*?

A. It is a full-service program offered by FCStone that uses a proven systematic process to evaluate and manage commodity price risk. The first step is to understand and quantify the overall energy risk inherent in your business. FCStone then makes recommendations to manage and minimize price and volumetric volatility. The IRMP program is then accountable for the results of those recommendations, verified through extensive month end and year end reports.

Q. Why should I use risk management as a business strategy?

A. One of the primary objectives of a risk management program is to reduce price volatility and lock in margins. Proper use of risk management techniques can help protect budgets, secure margins, gain competitive advantage and maintain profitability. FCStone Energy Consultants can reduce the impacts of energy volatility allowing you to focus more on your other business priorities.

Q. Who can benefit from managing natural gas price risk with the *Integrated Risk Management Program*?

A. Anyone with exposure to fluctuating prices can potentially benefit from the IRMP. Our Energy Consultants currently work with producers, distributors, manufacturers, wholesalers, retailers and other end users of energy.

Q. Is the *Integrated Risk Management Program*

difficult to manage, or time-consuming?

A. The answer to both of these questions is no. One of the benefits of engaging a FCStone Energy Consultant is that much of the risk management work is done for you, allowing you to focus on other priorities in your business. Your energy consultant will develop a comprehensive strategic plan to manage the risks that we identify in your business. Your consultant will then monitor relative commodity markets for changes and make ongoing recommendations to you. You do not have to be concerned with day-to-day market analysis; the IRMP program and your consultant do that for you. As always, you remain in full control of the decisions in the process.

Q. Does using the *Integrated Risk Management Program* change who supplies my actual product?

A. No. You will continue to utilize the purchasing relationships you have with your current trusted suppliers. The FCStone program is a financial strategy that allows you to mitigate physical product risk.

Q. What about foreign exchange rates? How does this affect the *Integrated Risk Management Program*?

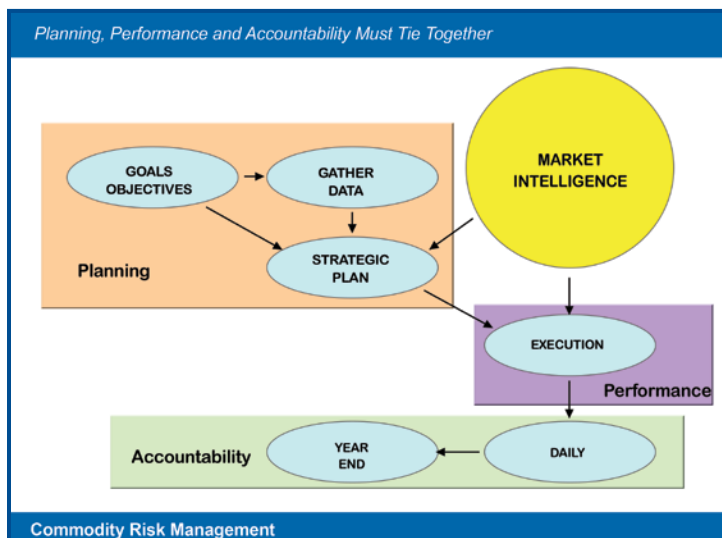
A. Whether you're exposed to the Canadian dollar, Euro or any other currency, FCStone can develop a plan that allows you to manage your exchange rate risks. Foreign exchange is a specialty area at FCStone, one of the many services we offer our clients under the IRMP.

Q. Are my competitors utilizing financial transactions like the *Integrated Risk Management Program*?

A. Yes, many of your toughest competitors are actively managing their overall energy price risk. We can provide you with the expertise and knowledge required to level the playing field and allow your business to be competitive.

Q. What happens if I don't manage my commodity price risks?

A. There are several things that happen to businesses that do not manage commodity risks, including, but not limited to loss of market competitiveness, missed opportunities for improved margins and a poor utilization of assets. Most importantly, it is speculation if you do not manage your commodity risks. For publicly held companies, there is the risk of explaining unmanaged energy costs in annual



reports. **The IRMP is a fundamental business strategy. In business, we believe it is a fiduciary responsibility to proactively manage these volatile risks which impact bottom-line results.**

Q. How does the *Integrated Risk Management Program* work and how does FCStone manage these risks?

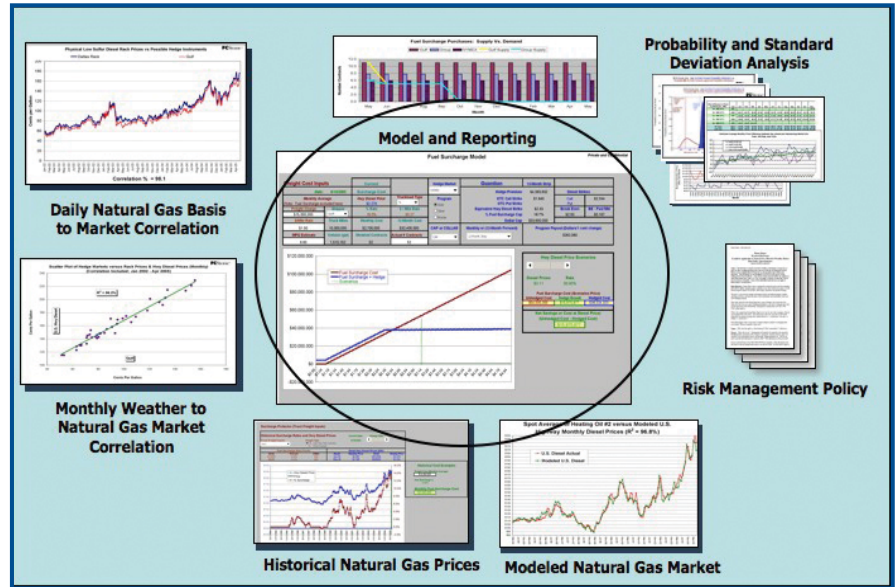
A. The FCStone Energy Consultant collects historical purchase data on your specific energy usage in your business. The data is then analyzed and a customized strategic energy risk management plan is created using the appropriate financial instruments. These financial instruments are then utilized to achieve the goals and objectives you have identified for your business. As a clearing member of all major North American futures exchanges, FCStone has experience in all the major commodity markets and access to the appropriate financial tools and programs to manage your energy price risk.

Q. Am I taking on more risk with the *Integrated Risk Management Program*?

A. Risk management is a process where financial methods known as hedging with futures, options, OTC's and swaps are used to reduce exposure to fluctuating market prices. While commodity trading involves risk, with the FCStone *Integrated Risk Management Program* you are actually minimizing your risk exposure to the volatile energy markets. Taking no action to limit your risk exposure is one of the biggest risks you'll face in your business environment.

Q. Why should I work with FCStone?

A. FCStone is an independent third party who sits on your side of the desk. Your goals become our goals. Your objectives are our objectives. We provide a consultative approach that enables you to evaluate your commodity price inputs objectively. FCStone brings extensive experience in risk management and our unique market intelligence is unparalleled in the commodity markets. The IRMP is a proven business strategy that addresses your management objectives of protecting budgets, stabilizing input prices and securing margins. By working with FCStone, it allows you to have your own risk management department and access the latest tools and financial tools. We offer you a single source for all your risk management needs.



Examples of the IRMP analysis and reporting

Q. What other risk management services does FCStone offer?

A. We view commodity risk management from a holistic perspective and work in all of the major commodity areas. Our in-depth understanding of the global foreign exchange and energy markets can add enhancements to your operations. Our Fuel Surcharge Management Program is designed to protect shipping budgets and stabilize transportation costs. Your FCStone Energy Consultant can assess and evaluate these risks as part of the IRMP.

Q. How can I learn more about how the commodity markets work and the tools that FCStone uses to protect against market volatility?

A. As an IRMP participant, you'll have access to training seminars. And, for those clients that want to take a more active role in managing commodity price risk, your Energy Consultant can develop seminars unique to your companies' business solutions.

Q. How do I get started?

A. Simply contact a FCStone Group consultant at (877) 848-7777. A consultant will visit your operation and explain the program in detail.

Integrated Risk Management Program
Smart business.



It's a fast-paced world out there. Blink and things change.

You can let the situation manage you and hope for the best, or take control of your destiny and manage the situation.

At FCStone, we believe a company should have the resources to look at all their options and make sound business decisions toward their future.

Yes, a company can control the uncontrollable.

It takes skill, experience and a dedicated passion for financial innovation.

That's our business.

We have always been leaders in helping companies control their commodity risks, particularly companies with unique price risk situations.

Welcome to FCStone's Energy Group

FCStoneSM
UNDERSTAND • SIMPLIFY • SUCCEED

877-848-7777

or visit www.fcstone.com