



Falconi Bros., Inc.

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We accept:



www.falconibros.com

- ✓ *New! Price Protection*
- ✓ *Budget Plans*
- ✓ *Heating Oil*
- ✓ *24-Hour Service*
- ✓ *Maintenance Plans*
- ✓ *Automatic Delivery*
- ✓ *Diesel • Gasoline • Kerosene*

FALCONI BROS.' GUIDE TO

OILHEAT PRICE PROTECTION

Why are we sending you this price protection guide?

It's the beginning of summer, and you've just finished reading the Falconi Bros. Spring 2010 *Warmest Regards* newsletter. If you're surprised to be seeing this, we hope it's a pleasant surprise.

We're sending you this special Price Protection Guide now, to let you know about the programs Falconi Bros. offers to help you control your energy costs. You'll need to enroll in these programs soon – in fact, you'll be getting some more information in a week or so. But, before you got that mailing, **we wanted to make sure you understood why you should be in a Falconi Bros. Price Protection program.** You can also go to our website, www.falconibros.com, to learn more and soon will be able to enroll online.

Do you have any idea what the price of gasoline will be when you fuel up your car a year from now? Will it be higher, lower or the same as it is now? Don't know? Neither do we. Nor do we know where heating oil or natural gas prices will be. Who thought heating oil prices would reach the highs of the past few years — certainly we didn't!

This guide will, in a nutshell, tell you what price protection is, why it might (or might not) work for you, and offer you our best suggestions on what to do. As always, if you have any questions regarding price protection, visit www.falconibros.com or give us a call. And remember, no matter what happens to Oilheat prices, you can continue to trust Falconi Bros. to provide the best service and value possible – just as you've trusted us for more than 75 years.



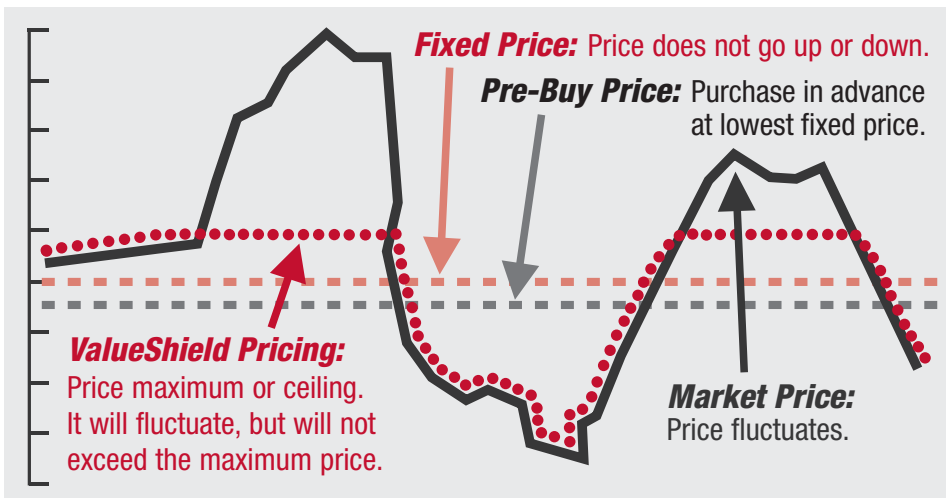
Oilheat Price Protection

What You Need to Know



In these days of fluctuating energy prices, questions about price protection come up quite frequently. And whether you're new to Falconi Bros. or have been a customer for many years, you may be wondering, "What exactly is price protection, and is it right for me?"

While we can't tell you which type of price protection program is right for your family's needs and budget, we are happy to highlight the features of each of the programs we offer:



Market Price

What it is: A market-based price. We simply buy oil and deliver it to you without any price commitment.

Pros: As prices drop, your price drops.

Cons: As prices rise, your price rises.

Fixed Price

What it is: We set one fixed price for a period of time.

Pros: As prices rise, your price does not.

Cons: As prices fall, your price does not.

ValueShield Pricing

What it is: We set a maximum price you might pay for a period of time, and you get regular monthly bills.

Pros: If prices rise, your price will not exceed the maximum price. If prices fall, your price will fall. And your monthly bills are kept manageable with automatic enrollment in our budget plan.

Cons: There's a cost to provide you with this type of flexibility.

Pre-Buy Price

What it is: You purchase your season's worth of heating oil in advance at the lowest fixed price offered.

Pros: You're paying the lowest price available; your price does not rise with market increases; you make one payment for the entire season.

Cons: As prices fall, your price does not.



ValueShield customers are automatically enrolled in a monthly budget plan – and your market price and fixed price bills can be paid via a budget plan as well – in fact, we recommend it!

**COMING SOON –
ENROLL ONLINE AT
WWW.FALCONIBROS.COM**



What Do We Think Our Customers Should Do?



- * Choose one of the price protection programs we offer. Price protection is a relatively new concept; customers have simply paid the posted price for their fuel for decades. **We strongly recommend our ValueShield Program**, because **it provides a ceiling** or maximum price while allowing you to **enjoy a lower price** when energy prices do fall, and automatically puts you on a budget plan to manage your energy costs even further.
- * **Enroll in our 11- or 12-month budget plan.** Even if you don't take advantage of the exceptional ValueShield Program, you can still get a grip on your energy costs with an 11- or 12-month budget plan. Our budget plan helps you "divide and conquer" by taking your estimated energy cost for the season and dividing it into equal monthly payments. We will "settle up" at the end of your budget period in two ways. First, we'll issue our **Prompt Pay Discount credit of \$0.05 per gallon** for each month you've paid your budget invoice

by the 10th of the month by cash, check or ACH. Then, we either send you a refund check or apply any credits due to next year's budget (your choice), or invoice you for any remaining balance.

- * **Call to schedule your annual tune-up** in the spring or summer. By having your heating system tuned up you will ensure that it is working optimally, save money by reducing the amount of fuel your system uses, and have any potential problems diagnosed before they become expensive repairs. This can lower your annual heating bill by as much as 5 percent.
- * **Stick with a company you trust.** Falconi Bros. has been trusted by Metrowest homeowners for more than 75 years. Our valued customers know that when they need service or a delivery, we'll be there.
- * **Don't fall for telemarketing and e-mail lower price "scams"** — if it sounds too good to be true, it probably is, and won't be there tomorrow.
- * **CONTACT US!** Call, e-mail or send us a letter if you have any questions or concerns. *If you don't ask or tell us, we can't help you.*

WHY IS THERE AN ENROLLMENT FEE FOR DOWNSIDE PROTECTION?

When we offer our customers the protection of our ValueShield Program, we also charge an enrollment fee. This fee covers our hedging fees for the program. Many of you have asked "What's a hedging fee and why do we have to pay it?"

To offer you ValueShield pricing with downside protection, we have to pay a premium for the same protection on our costs – **basically an insurance policy against rising prices.** The hedging fee is our cost to ensure the future maximum price while retaining the opportunity to pay a lower price. We get that protection through a combination of Futures and Options Contracts bought on the commodities market. Our options brokers charge for their services, and our hedging fees are applied to those charges.

The enrollment fee we require for ValueShield passes a portion of these costs to you. For customers who do not wish to pay the enrollment fee, Falconi Bros. offers other price protection and budget plans.



Penalties for Non-Payment and Cancellation

When you agree to purchase your heating oil from Falconi Bros. through our Fixed Price, Pre-Buy or ValueShield programs, we have to go to the market with our wholesaler and buy the contracts to cover your purchase. Signing a contract for these plans means you have agreed to buy the oil that we secure for you. We can't walk away from the commitment we made on your behalf, just as you can't walk away from a contract without Falconi Bros. exercising penalties for non-payment and cancellation. It's the same thing that happens if you leave a cell phone contract, a car lease or home mortgage before the term is complete.



Why Are Prices So Volatile?

You may have listened to the radio or read the paper today to find that the price of oil went up ... or even better, down, yesterday. However, just because the price of oil on, say, the New York Mercantile Exchange, went in a certain direction, doesn't mean your heating oil price did, too.

There are many reasons for the volatility, including the increasing demand around the globe, speculators, the value of the Euro and the US dollar, etc. Each of these issues works on and against the others, which is why the cost of oil fluctuates so much.

However, remember that Falconi Bros. is doing everything we can to secure the best pricing for you and to minimize the bumps on the pricing roller coaster. In addition to the Price Protection plans we offer, we're also buying our oil in bulk and keeping it in our local storage facilities, managing our other overhead costs, and working as efficiently as possible.

Price Protection Facts:

FACT: Your heating oil deliveries do not end when your price protection does.

As your Oilheat provider, our first responsibility is to deliver your fuel on an automatic basis, regardless of price. Even if you choose to "go with the flow" and purchase your oil at posted daily prices much like gasoline or milk, we will still deliver your home heating oil and gladly service your equipment.

FACT: Budget plans are better!

You use the bulk of your heating oil in a few short months – the same months when your budget is stretched tightest with holiday shopping and celebrations. A budget plan lets you spread your heating bills throughout the year – you pay before the season starts to get ahead of your costs ... you pay less than your actual delivery costs during the height of the season ... and you pay the balance out over the rest of the year. Your monthly bills stay the same throughout the year, no matter how many deliveries you get in December, January or February!

FACT: ValueShield enrollment fees pass along a portion of the costs we incur.

We have to pay a Hedging Fee (see page 2) to protect our company from fluctuating daily prices – and the program enrollment fee we charge you is only a portion of those costs.

FACT: System efficiency is still the best price protection plan around.

Keeping your heating equipment running smoothly with an annual tune-up will save you up to 5 percent of your heating costs each year. Upgrading to a new system can save you up to 30 percent! Remember, the less oil you're using, the less increased prices will hit you in the wallet if you don't have price protection.



Did You Know ...

In 1978, the average American home burned 1,297 gallons of oil per year.

In 2005, the average number of gallons burned was 860. That's 33.6% less!

THE REASON: today's modern Oilheat systems burn more efficiently, creating more heat with less fuel.



Source: OilheatAmerica