

BLATMAN, BOBROWSKI & HAVERTY, LLC

ATTORNEYS AT LAW

9 DAMONMILL SQUARE, SUITE 4A4
CONCORD, MA 01742
PHONE 978.371.3930
FAX 978.371.3928

MARK BOBROWSKI
Mark@bbhlaw.net

Via Electronic Filing

January 9, 2017

242390

ENTERED

Office of Proceedings

January 9, 2017

Part of

Public Record

Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20024

RE: Diana Del Grosso, et al - Petition for Declaratory Order
Finance Docket No.: 35652

Dear Sir/Madam:

Enclosed please find Petitioners' Reply. Kindly docket and file same. The document has been emailed to the STB today.

If you have any questions or require any other information, please let me know. Thank you for your consideration.

Very truly yours,



Mark Bobrowski

cc: Atty. Howard (via email only)
Atty. Hocky (via email only)
Atty. Morgan (via email only)
Upton Development Group (via first class mail)
First Colony Development Company (via first class mail)

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. : 35652

**REPLY OF PETITIONERS
DIANA DEL GROSSO, RAY SMITH, JOSEPH HATCH, CHERYL HATCH,
KATHLEEN KELLEY, ANDREW WILKLUND, AND RICHARD KOSIBA**

ON REMAND FROM THE U.S. COURT OF APPEALS FOR THE FIRST CIRCUIT

Mark Bobrowski
Blatman, Bobrowski & Haverty, LLC
9 Damonmill Square, Suite 4A4
Concord, MA 01742
Attorney for Petitioners

Date: January 9, 2017

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. : 35652

**REPLY OF PETITIONERS
DIANA DEL GROSSO, RAY SMITH, JOSEPH HATCH, CHERYL HATCH,
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ON REMAND FROM THE U.S. COURT OF APPEALS FOR THE FIRST CIRCUIT**

BACKGROUND

In its “Reply of Grafton & Upton Railroad Company in Opposition to Opening Statement of Petitions,” dated December 8, 2016 (the “2016 Reply”), the Grafton & Upton Railroad (the “G&U”) makes two principal arguments. First, the G&U claims that the activities in the pellet facility in the Upton railyard do not constitute “manufacturing.” Second, the G&U claims that these activities are “absolutely essential to the physical transfer of the pellets from the rail hopper cars to the trucks provided by the distributors” who use the Upton facility. For the reasons set forth below, Petitioners request the Surface Transportation Board (“Board”) to rule on remand that the manufacturing of wood pellets in the Upton railyard does not constitute “rail transportation” protected by 49 U.S.C. §10501(b).

ARGUMENT

I. THE ACTIVITIES IN THE UPTON YARD CONSTITUTE “MANUFACTURING.”

Manufacturing or commercial transactions that occur on property owned by a railroad that are not part of or integral to the provision of rail service are not contemplated within the term “transportation.” See, NE Transrail, LLC d/b/a Wilmington & Woburn Terminal Railway, STB Finance Docket No. 34797, 2007 WL 2832987 (June 29, 2007)(“NE Transrail”).

Petitioners claim that the activities being conducted at the pellet facility – including screening, vacuuming, repalletizing, bagging, palletizing and shrink-wrapping – constitute manufacturing, and that such manufacturing is unrelated to rail transportation. The G&U counters by claiming that the activities being conducted at the wood pellet facility in the Upton railyard do not constitute manufacturing. The G&U makes several arguments, all unavailing, to persuade the Board of this “fact.”

First, the G&U claims “the process of manufacturing pellets is complete at the plants of the manufacturers.” 2016 Reply, at p. 18. But their own witnesses have disputed this finding. Exhibit 3 contains a detailed business plan (the Business Plan) for a wood pellet manufacturing plant. The Business Plan was authored by Gordon Murray, an expert previously engaged by the G&U. See Exhibit 3. In fact, the Board relied on Mr. Murray’s testimony in its earlier ruling. Gordon Murray’s wood pellet plant Business Plan identifies screening, repelletizing, bagging, and palletizing as being part of the manufacturing process. Furthermore, he states that

the creation of the pellets is only a small step in the overall process of manufacturing wood pellets. These steps include feedstock preparation, drying, hammer-milling, conditioning, pelletizing, cooling, screening, and packaging. Each step must be carried out with care to ensure a final product of acceptable quality.

See Exhibit 3, p. 20 and Figure 7. The information in Mr. Murray's Business Plan is in direct conflict with his earlier sworn testimony to the Board where he stated, "After rolling and squeezing [the wood pellets] the manufacturing process is complete. ... Bagging is not part of the manufacturing process." G&U Supplemental Reply dated February 25, 2016, Middleton VS, pp. 2-3. Which is correct? Mr. Murray is not a credible witness.

Moreover, recent bankruptcy proceedings involving Viridis, a wood pellet manufacturer and former G&U rail customer, again indicate that the activities at the Upton wood pellet facility constitute manufacturing. Shortly before the filing on October 24, 2016, of the "Petitioner's Opening Statement on Remand" in this matter, Grafton-Upton Railcare and Dana Transport were granted relief with regard to an "Inventory and Raw Materials Located at Upton, MA." This relief was part of a bankruptcy proceeding, being Case No. 16-27792 (CMG), United States Bankruptcy Court for the District of New Jersey. Viridis Merchants Inc. is the Debtor to, among others: (1) Grafton Upton Railcare, the Dana company setup solely to perform transloading and wood pellet packaging at the G&U Upton Railway; and (2) Dana Transport.¹ Grafton Upton Railcare and Dana Transport are collectively defined in the Bankruptcy Proceeding as the

¹ It is now clear that Dana Transport owns the pellet facility in the Upton railway. Exhibit 5 contains various recent statements from Douglas Middleton, former North American Managing Director for Viridis; Mr. Middleton is now with a company called International Wood Pellet Sales, LLC. Mr. Middleton is an expert previously used by the G&U as an expert. The Board has previously relied upon his testimony in this matter. In a blog retrieved from the internet, he stated "Dana Transport does NOT own the Grafton/Upton Railroad...that is not correct... They do own the pellet facility...that is correct." (Exhibit 5, p.)

“Secured Party.” (See Exhibit 1 and Exhibit 2). Exhibit 1 describes the Upton railyard as being the “Secured Party’s Upton Massachusetts location.” (See Exhibit 1, p.3).

At issue, in part, is the possession and control of approximately 6,760 tons of Viridis’ Raw Materials forming the Dana/G&U Collateral. Michael J. Polselli, New England Manager for the Dana Companies, in his Certification in Support of Motion dated October 3, 2016, (part of Exhibit 1, at para. E.13) defines the unbagged wood pellets in bulk as “Raw Materials.” “Raw Materials” are further described as “a “mix of organic and inorganic material used to form pellets to be packaged and sold to distributors.” See Exhibit 1, p. 5. The Raw Materials in the Upton railyard are distinguished from the bagged product, which is described in Exhibit 2, at p. 15 (also a part of the Bankruptcy Proceeding), as “Finished Goods.”

Raw Materials (17 Railcars of Platinum*98 tons/railcar*\$127 CAD/1.3 exchange rate)+(2 Railcars of Low Country product*98 tons/railcar*\$155 USD)=\$193,135.40 USD
Finished Goods (907 tons of Platinum * \$255 USD) + (1,791 tons of Douglas Fir * \$300 USD) + (2,743 tons of Gold * \$235 USD)= \$1,413,190.00 USD

One can only assume that the “Finished Goods” are those pellets in bags, not bulk. In short, three (3) key witnesses for the G&U – Messrs. Polselli, Middleton, and Murray -have admitted that the operations at the wood pellet facility constitute manufacturing.

The G&U next tries to minimize this manufacturing activity by calling it “spot repairs” (2016 Reply, at p. 7) or mere “handling” to cure breakage during shipment (2016 Reply, at p. 13). There is no citation to support either contention in the Reply.

The G&U concedes that 5-10% of the pellets shipped by rail are “usually broken” in transport. As the Reply admits at p. 7:

Since December, 2012, G&U has operated a piece of machinery that has one die that is used to press the broken pieces back together in order to form full-size pellets. The die is capable of pressing together *approximately one ton of pellets per hour*. (emphasis added)

It is hard to imagine how the production of one ton of pellets per hour constitutes a “spot repair” or mere “handling”. It is an integral part of the manufacturing process described above.

In conclusion, wood pellet manufacturing, whether at the point of origin, or at a facility providing screening, vacuuming, repalletizing, bagging, palletizing and shrink-wrapping - like the one in Upton - is acknowledged as an industrial activity. See the North American Industry Classification System, Item 321999, which makes no distinction:

321999 All Other Miscellaneous Wood Product Manufacturing

This U.S. industry comprises establishments primarily engaged in manufacturing wood products (except establishments operating sawmills and preservation facilities; establishments manufacturing veneer, engineered wood products, millwork, wood containers, pallets, and wood container parts; and establishments making manufactured homes (i.e., mobile homes) and prefabricated buildings and components).

II. THE PELLET MANUFACTURING FACILITY IN THE UPTON RAILYARD IS NOT “ABSOLUTELY ESSENTIAL TO THE PHYSICAL TRANSFER OF THE PELLETS FROM THE RAIL HOPPER CARS TO THE TRUCKS PROVIDED BY THE DISTRIBUTORS,” AS CLAIMED BY THE G&U.

In its 2016 Reply, the G&U claims that Georgia Biomass or Pinnacle Renewable Energy manufacture most of the pellets that are transloaded at the Upton railyard. 2016 Reply, at p. 3. Distributors take title to these bulk pellets at the Georgia Biomass or Pinnacle facilities. 2016 Reply, at. p. 5. According to the 2016 Reply, wood pellet distributors that use the G&U for rail

transportation are not able to receive wood pellets in bulk. 2016 Reply, at p. 12. Somehow, by “simply responding to the needs of its customers” this makes the bagging facility in Upton “absolutely essential” to rail transportation. 2016 Reply, at p. 13.

However, the G&U’s claim exalts convenience, not necessity. It avoids the fact that the pellets could be shipped in bags or transloaded into dry bulk carriers for transport to a pellet manufacturing facility outside a railyard. For example, here is the testimony of Douglas Middleton, then affiliated with Viridis, in his Verified Statement, at pp. 2-3, attached to the G&U’s original Reply, dated August 20, 2012:

Viridis' only operating manufacturing facility is located in Kelowna, British Columbia. Because our markets are in New England and Europe, transportation logistics has become a very important issue for us. Until recently, the wood pellets produced in British Columbia were put in 40 pound bags at our plant, placed on pallets, shrink wrapped and then loaded into rail boxcars. It is necessary to bag and palletize wood pellets for shipment in boxcars in order to minimize damage in the form of broken bags, which require rebagging and extra time in loading boxcars. ... Viridis formerly shipped boxcars of wood pellets to other locations in Massachusetts, including Monson, Worcester and Allston, but we found that the transloading and bagging services of the [G&U in Upton] afforded a much more efficient and less costly means of transporting the pellets, as described below.

As Mr. Middleton stated, the switch was based solely upon considerations of the efficiency and cost of transportation services.

The 2016 Reply identifies no other manufacturers who do or will use the Upton facility. Granting an exemption pursuant to Section 10501(b) on the basis of the business plan of two pellet manufacturers is simply wrong.

Moreover, Dana Transport, *the owner of the pellet manufacturing facility*, advertises on its website that it provides dry bulk trucking service. See Exhibit 4. Nothing prevents G&U Railcare or Dana from transloading the pellets into trucks and transporting the pellets to a manufacturing facility outside the Upton railyard.

In New Eng. Transrail, STB Finance Docket No. 34797, 2007 WL 1989841, at 1 (S.T.B. Jun. 29, 2007), the Board noted that "a shredder is *not required* to pack into rail cars" the construction debris that had arrived from trucks. (emphasis added)). In the instant matter, a pellet manufacturing facility is *not required* to load the bulk pellets into trucks, so that they can be transported to a facility outside the railyard for vacuuming, screening, repalletizing, bagging, and palletizing. Dry bulk trucking (in a vehicle owned by Dana or another company) will substitute quite nicely for a pellet manufacturing facility. See Exhibit 4. In fact, as Petitioners' Opening Statement indicated, dozens of pellet bagging facilities are entirely without rail service altogether.

CONCLUSION

In its earlier decision, the Board concluded that the transloading activities here were "transportation" because the vacuuming, screening, bagging, and palletizing of the wood pellets allowed G&U to transport the pellets in hopper railcars, which accommodate twenty more tons of pellets than boxcars. "Were these activities performed at the manufacturing facility," the Board reasoned, "the wood pellets would have to be transported in boxcars, in which case each pallet containing 50 40-pound bags would have to be blocked and braced in order to limit

movement within the boxcar." That in turn "would consume space and . . . leav[e] less capacity for the wood pellets themselves."

The First Circuit found that the Board's "efficiency rationale" went "beyond the statute and is beside the point." The Court noted that "the ICCTA does not preempt all state and local regulation of activities that has any efficiency-increasing relationship to rail transportation." The Court admonished that "the proper focus of the Board should have been on the question of whether the activities — vacuuming, screening, bagging, bagging, and palletizing — facilitated the physical movement of "passengers or property" (here the transfer of the pellets from rail to truck), rather than cost efficiency."

Petitioners argue that these activities at the Upton wood pellet facility are entirely driven by cost efficiency and convenience, not necessity. It is just as easy to truck the wood pellets arriving in bulk to manufacturing facilities outside the railyard. Manufacturing the finished product inside the railyard is not protected by 49 U.S.C. § 10501(b).

Petitioners,
By their attorneys,



Mark Bobrowski, BBO #546639
Blatman, Bobrowski & Haverty, LLC
9 Damon Mill Square, Suite 4A4
Concord, MA 01742
978.371.2226
978.371.2928 fax
Mark@bbmatlaw.com

DATE: January 9, 2017

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO.: 35652

**PETITION OF
DIANA DEL GROSSO, RAY SMITH, JOSEPH HATCH, CHERYL HATCH, KATHLEEN
KELLEY, ANDREW WILKLUND, AND RICHARD KOSIBA
FOR DECLARATORY ORDER**

CERTIFICATE OF SERVICE

I, Mark Bobrowski, attorney for the Petitioners, hereby certify that I served a copy of Petitioners' Reply via e-mail to:

Eric M. Hocky
Thorp, Reed & Armstrong
One Commerce Square
2005 Market Street
Philadelphia, PA 19103-7041
ehocky@thorpree.com

James E. Howard, Esquire
70 Rancho Road
Carmel Valley, CA 93924
jim@jehowardlaw.com

Linda Morgan, Esquire
Nossaman LLP
1666 K St., NW, Suite 500
Washington, D.C. 20006
lmorgan@nossaman.com

and by mail to:

First Colony Development Company, Inc.
929 Boston Post Road East
Marlborough, MA 01752

Upton Development Group
31 Whitewood Road
Milford MA 01757

DATE: January 9, 2017


Mark Bobrowski

EXHIBIT 1

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

BECKER LLC

Eisenhower Plaza II
354 Eisenhower Parkway, Suite 1500
Livingston, New Jersey 07039
Telephone number: (973) 422-1100
Fax number (973) 422-9122
Attorneys for Secured Creditors, Dana Transport,
Inc. and Grafton & Upton Railcare, LLC
ALLEN J. UNDERWOOD, II, ESQ.
E-mail address: ajunderwood@becker.legal
J. ALEX KRESS, ESQ.
E-mail address: akress@becker.legal

In re:

VIRIDIS MERCHANTS INC.,

Debtors.

Case No. 16-27792 (CMG)

Chapter 7

Judge: Honorable Christine M. Gravelle

Hearing Date: Oct. __, 2016
at __. m.

**NOTICE OF MOTION OF DANA TRANSPORT, INC. AND
GRAFTON & UPTON RAILCARE, LLC IN SUPPORT OF MOTION
FOR AN ORDER: (1) GRANTING RELIEF FROM THE
AUTOMATIC STAY PURSUANT TO 11 U.S.C. § 362(d) TO
PERMIT ENFORCEMENT OF SECURITY INTERESTS AGAINST
INVENTORY AND RAW MATERIALS LOCATED AT UPTON, MA
AND (2) FOR OTHER FURTHER RELATED RELIEF**

TO: THE HONORABLE CHRISTINE M. GRAVELLE, U.S.B.J.
OTHER PARTIES IN INTEREST

Dana Transport, Inc. (“**Dana Transport**”) and Grafton & Upton Railcare, LLC (“**G&U Railcare**” and, together with Dana Transport, collectively, the “**Secured Party**”) has filed papers with the court seeking the entry of an Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief (the “**Motion**”). The Motion seeks a waiver of the stay imposed by *Fed. R. Bankr. P.* 4001(a)(3).

In support of the Motion, the Secured Party will rely upon the Certification of Michael Polselli and the Memorandum of Law submitted to the court. A proposed form of Order granting the Motion has been submitted to the court. (A copy of the supporting documents and the proposed Order are enclosed with this Notice.)

Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one in this bankruptcy case. (If you do not have an attorney, you may wish to consult one.)

If you do not want the court to issue an order granting the Motion, or if you want the court to consider your views on the Motion, then, **on or before** _____, **2016**, you or your attorney must:

- File a response, pursuant to *D.N.J. LBR 9013-2(a)(2)*, with the Clerk of the Bankruptcy Court at:

United States Bankruptcy Court
Clarkson S. Fisher U.S. Courthouse
402 East State Street
Trenton, NJ 08608

If you mail your response to the court for filing, you must mail it early enough so the court will **receive** it on or before the date stated above.

- Deliver a copy of your response (a) to counsel to the Secured Party at the following address: Becker, LLC, 354 Eisenhower Parkway, Plaza II, Suite 1500, Livingston, NJ 07039, e-mail: ajunderwood@becker.legal or akress@becker.legal and (b) to all parties requesting notice in this case, so they all **receive** it on or before _____, **2016**.
- Attend the hearing scheduled to be held on _____, **2016**, at __:__ **a.m.** before The Honorable Christine M. Gravelle, United States Bankruptcy Judge, United States Bankruptcy Court, Clarkson S. Fisher US Courthouse, 402 East State Street, Trenton, New Jersey 08608 in **Courtroom #3**.

If you or your attorney do not take these steps, the court may decide that you do not oppose the relief sought in the Motion and may enter an order granting that relief.

BECKER LLC
Attorneys for Dana Transport, Inc. and
Grafton & Upton Railcare LLC

By: /s/ J. Alex Kress
Allen J. Underwood II, Esq.
J. Alex Kress, Esq.

Dated: October 3, 2016

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

BECKER LLC

Eisenhower Plaza II
354 Eisenhower Parkway, Suite 1500
Livingston, New Jersey 07039
Telephone number: (973) 422-1100
Fax number (973) 422-9122
Attorneys for Secured Creditors, Dana Transport,
Inc. and Grafton & Upton Railcare, LLC
ALLEN J. UNDERWOOD, II, ESQ.
E-mail address: ajunderwood@becker.legal
J. ALEX KRESS, ESQ.
E-mail address: akress@becker.legal

In re:

VIRIDIS MERCHANTS INC.,

Debtors.

Case No. 16-27792 (CMG)

Chapter 7

Judge: Honorable Christine M. Gravelle

Hearing Date:

**CERTIFICATION OF MICHAEL POLSELLI IN SUPPORT OF
MOTION OF DANA TRANSPORT, INC. AND GRAFTON &
UPTON RAILCARE, LLC FOR AN ORDER: (1) GRANTING
RELIEF FROM THE AUTOMATIC STAY PURSUANT TO 11
U.S.C. § 362(d) TO PERMIT ENFORCEMENT OF SECURITY
INTERESTS AGAINST INVENTORY AND RAW MATERIALS
LOCATED AT UPTON, MA AND (2) FOR OTHER FURTHER
RELATED RELIEF**

MICHAEL POLSELLI, of full age, hereby certifies and states as follows:

1. I am the Northeast Regional Manager of Dana Transport, Inc. and the Terminal Manager of Grafton & Upton Railcare, LLC. As such, I have knowledge of the facts set forth herein and I am authorized to make this Certification on behalf of Dana Transport, Inc. ("**Dana Transport**") and Grafton & Upton Railcare, LLC ("**G&U Railcare**") and, together with Dana Transport, collectively, the "**Secured Party**").

2. I make this Certification in support of the Secured Party's motion for the entry of an Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief (the "**Dana Stay Relief Motion**").

A. The Bankruptcy Case

3. Upon information and belief, Viridis Merchants, Inc., the debtor herein ("**Viridis**" or the "**Debtor**"), filed a voluntary petition (the "**Petition**") for liquidation under Chapter 7 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "**Bankruptcy Code**") on September 16, 2016 (the "**Commencement Date**") in the United States Bankruptcy Court for the District of New Jersey (the "**Bankruptcy Court**").

4. Upon further information and belief, Bunce D. Atkinson has been appointed as the Chapter 7 Trustee (the "**Chapter 7 Trustee**") for the Debtor.

5. Upon further information and belief, the Debtor is a Delaware limited liability company. According to the Petition, the Debtor's principal place of business was 80 Cottontail Lane, Suite 210, Somerset, New Jersey 08873. Upon information and belief, the Debtor also maintained business offices at 4632 East Red Bird Road, Cave Creek, Arizona 85331, 850 New Burton Road, Suite 201, Dover DE 19904 and 700 West Pender Street, Suite 520, Vancouver, BC V6C 1G8.

B. The Liens and Claims of Dana Transport and G&U Railcare

6. On or about August 7, 2105, the Debtor entered into the following agreements with the Secured Party:

- a. a Line of Credit Agreement, dated as of August 7, 2015, a copy of which is attached to this Certification as Exhibit "A" (the "**Credit Agreement**");
- b. a Line of Credit Note, dated August 7, 2015, a copy of which is attached to this Certification as Exhibit "B" (the "**Note**"); and
- c. a Security Agreement Dated August 7, 2015, a copy of which is attached to this Certification as Exhibit "C" (the "**Security Agreement**").

7. The Security Agreement granted the Secured Party a lien in the following assets of the Debtor (the "**Dana/G&U Collateral**");

All Debtor's inventory which is located in rail cars owned or leased by the Secured Party and being shipped to Secured Party's Upton Massachusetts location (the "Site") and all such inventory at the Site whether in bulk or in bags and all such inventory being warehoused at the Site or any location under the control of the Secured Party and the proceeds and insurance proceeds thereof.

Security Agreement at Paragraph 2, pp. 1-2. The Site is a railyard operated by the Secured Party located at 25 Maple Avenue, Upton, Massachusetts.

8. The Secured Party perfected its security interest in the Dana/G&U Collateral by filing a UCC-1 Financing Statement with the Delaware Department of State, U.C.C. Filing Section on August 24, 2015, Filing No. 2015 376614 (the "**Dana/G&U Financing Statement**"). (A copy of the Dana/G&U Financing Statement is attached to this Certification as Exhibit "D.")

C. The Debtor's Pre-Petition Defaults

9. The Debtor defaulted in its obligations under the Note and the Credit Agreement by, among other things, failing to make the regular monthly payment due under the Note on September 1, 2016.

10. By notice dated September 6, 2016 (the "**Default Notice**"), the Secured Party advised the Debtor of the defaults, accelerated the balance due pursuant to the Note, and advised the Debtor of the Secured Party's intent to exercise their rights to the Dana/G&U Collateral on or after September 20, 2016. (A copy of the Default Notice attached to this Certification as Exhibit "E.")

11. Upon information and belief, the Default Notice was a principal reason for the Debtor's bankruptcy filing.

D. The Secured Party's Claim

12. As of the Petition Date, the Secured Party was owed a total of at least \$2,211,291.13. The elements of the claim are as follows:

Principal invoices	\$1,724,406.37
Interest invoices	\$117,779.51
Additional charges	<u>\$369,105.25</u>
Total	\$2,211,291.13

E. The Nature and Value of the Dana/G&U Collateral

13. The Dana/G&U Collateral is a mix of organic and inorganic material used to form fuel pellets to be packaged and sold to distributors. The Secured Party currently is in possession and control of approximately 6,760 tons of raw materials forming the Dana/G&U Collateral.

14. The raw materials are diminishing in value because the peak season to sell fuel pellets is the fall season.

15. Additionally, the raw materials are subject to erosion from wind and rain and lose their viability when exposed to sunlight. The raw materials are rapidly at risk of losing some or all of their value if further exposed to the elements. They are further diminishing in value as they sit at the Site.

16. Finally, and perhaps obviously, the raw materials occupy significant space which could otherwise be put to profitable use, at the Dana/G&U Site.

17. Though not an exact science, Dana/G&U estimates that the wholesale value of the product, in its current condition, is \$1,641,350.00.

18. Dana/G&U is confident that it can package and reship this material within the industry so as to at least reduce the amount that Debtor owes Dana/G&U on a secured basis. Dana/G&U, due to its experience within the industry, is the entity in the best position to maximize the value of the material on sale, and has every incentive to do so.

I certify, under penalty of perjury, that the foregoing factual statements are true and correct to the best of my personal knowledge, information and belief. I am aware that if any of these statements made by me are willfully false, I am subject to punishment.

Executed on October 3rd, 2016,


MICHAEL POLSELLI

Exhibit “A”

Seder & Chandler
August 7, 2015 (3:21PM)

LINE OF CREDIT AGREEMENT

AGREEMENT made this 7 day of August, 2105 between **VIRIDIS MERCHANTS, INC.**, a Delaware corporation with an address of 4632 E Red Bird Road Cave Creek Arizona 85331 ("Viridis") and **DANA TRANSPORT, INC.**, a New Jersey corporation and **GRAFTON & UPTON RAILCARE, LLC**, a Massachusetts limited liability company, each with a place of business at 25 Maple Avenue, Upton, Massachusetts 01568 (collectively, the "Vendor").

WITNESSETH:

Viridis has applied to the Vendor for a line of credit in the principal sum of up to Three Million and 00/100 Dollars (\$3,000,000.00).

NOW, THEREFORE, in consideration of the premises and of the covenants, agreements, representations and warranties contained herein, Viridis and the Vendor agree as follows:

1. Obligations. As used herein, the term "Obligations" shall mean all liability of Viridis on account of invoices rendered to Viridis by the Vendor for transportation, pellet bagging, warehousing and other services provides to Viridis by the Vendor and Viridis' promissory note dated August 7, 2015 in the original principal amount of \$3,000,000.00 (the "Note"), payable to the Vendor.

2. Extension of Credit to Viridis. Vendor hereby extends to Viridis a line of credit of (a) Three Million and 00/100 Dollars (\$3,000,000.00) for Viridis' outstanding Obligations to the Vendor; or (b) for one hundred percent (100%) of the wholesale value of the Collateral, whichever of (a) or (b) is less. Notwithstanding the foregoing, the outstanding Obligations shall, for a period of thirty (30) consecutive days commencing in January of each calendar year (commencing with the calendar year starting on January 1, 2017), not exceed One Hundred and 00/100 Dollars (\$100.00). The amount of the Obligations outstanding at any time shall be evidenced by the Note, a copy of which is annexed hereto as Exhibit "A", and interest on the outstanding amount of Obligations shall accrue and be payable as provided in the Note.

3. Line of Credit Documents. Viridis has executed and/or caused to be delivered to the Vendor, simultaneously herewith, the Note, and a Security Agreement, a copy of which is annexed hereto as Exhibit "B", granting to the Vendor a security interest in Viridis' product in railcars owned or leased by the Vendor, and being shipped to Vendor's Upton, Massachusetts location (the "Site") and all of such inventory at the Site as more fully described in the Security Agreement (the "Collateral") to secure the payment of all indebtedness of Viridis to the Vendor evidenced by the Note or otherwise.. Any and all of such documents and this Agreement are referred to herein as the "Line of Credit Documents".

4. Representations and Warranties of Viridis. Viridis represents and warrants to the Vendor:

Seder & Chandler
August 7, 2015 (3:21PM)

(a) It (i) is a corporation, validly existing and in good standing under the laws of the State of Delaware, and (ii) has adequate power and authority and all legal right to own or to hold under lease its properties and to carry on the business in which it is presently engaged.

(b) It has adequate power and authority and has full legal right to enter into each of the Line of Credit Documents to which it is or is to become a party, to perform, observe and comply with all of its agreements and obligations under each of such documents, and to make all of the borrowings contemplated by this Agreement

(c) The execution and delivery by Viridis of each of the Line of Credit Documents to which it is or is to become a party, and the performance by Viridis of all of its agreements and its Obligations under each of such documents have been or will be duly authorized by all necessary action on the part of Viridis and do not and will not (i) contravene any provision of Viridis' corporate formation documents, (ii) conflict with, or result in a breach of any material term, condition or provision of, or constitute a default under or, except as contemplated herein, result in the creation or any mortgage, lien, pledge, charge, security interest or other encumbrance upon any of the property of Viridis under any instrument to which Viridis is or may become a party or by which Viridis or any of the properties of Viridis is or may become bound or affected, or (iii) require any approval, consent order, authorization or license by, or giving notice to, or taking any other action with respect to, any governmental or regulatory authority or agency under any provision of any applicable law.

(d) Viridis has duly executed and delivered each of the Line of Credit Documents to which it is a party and each of such documents is in full force and effect. The agreements and obligations of Viridis contained in each of the Line of Credit Documents to which it is a party constitute legal, valid and binding obligations of Viridis enforceable against it in accordance with their respective terms, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that the availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(e) Viridis will be the owner of all items of inventory shipped to Vendor's location in Upton, Massachusetts, in which Viridis grants to Vendor a security interest pursuant to the Security Agreement.

5. Affirmative Covenants of Viridis. From the date of this Agreement and so long as Viridis has any Obligations to the Vendor outstanding, Viridis shall:

(a) maintain the accuracy of all of its representations, warranties and perform and observe all of its covenants set forth in any and all of the Line of Credit Documents which

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representations, warranties and covenants are hereby incorporated herein.

(b) Deliver to the Vendor within ninety (90) days of its fiscal year end, the balance sheet and statement of revenue and expenses (the "Financial Statement") of Viridis for its immediately-preceding fiscal year, setting forth in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied on the accrual basis and reviewed by an independent certified public accountant or firm of independent certified public accountants selected by Viridis and approved by the Vendor.

(c) maintain, with companies reasonably satisfactory to the Vendor, insurance of the kinds, covering the risks and in such amounts as the Vendor may require for one hundred percent (100%) of the replacement value of the Collateral naming the Vendor as a loss payee and secured party and providing for twenty (20) day minimum cancellation notice to the Vendor; and the Vendor shall promptly receive a certificate evidencing the existence thereof.

(d) comply with all laws and regulations governing the conduct of its business (the violation of which would materially or adversely affect its financial condition or operations) and conduct its business substantially consistent with the manner in which the business of Viridis is conducted as of the date of this Agreement.

(e) promptly and in form satisfactory to the Vendor, deliver to the Vendor, such other financial and other information concerning Viridis as Vendor may reasonably request from time to time.

(f) upon the request of the Vendor, at Viridis' expense, execute, acknowledge and deliver such further instruments and perform such other acts as may be necessary, desirable or proper (as determined by the Vendor) to carry out the purposes of the Line of Credit Documents or to perfect and preserve the lien or charge of the Line of Credit Documents.

6. Security. The Note and all of Viridis' Obligations under the Line of Credit Documents shall be secured by a security interest in Viridis' inventory as described in the Security Agreement.

7. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) There shall be any default in the payment of principal of or interest on the Note (as the same may be amended or extended at any time); or

(b) The outstanding amount under the Line of Credit and the Note shall not have been reduced to an amount not in excess of One Hundred and 00/100 Dollars (\$100.00) for thirty (30)

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consecutive days during each calendar year, commencing the calendar year commencing January 1, 2017; or

(c) Any representation or warranty made in writing in this Agreement, the Note or in any amendment thereto, or in any certificate or other document furnished pursuant hereto or in or pursuant to any of the Line of Credit Documents shall prove at any time to have been incorrect when made in any material respect; or

(d) There shall be any default by Viridis in the performance of any other term, covenant or agreement contained in this Agreement or in any or all of the Line of Credit Documents; or

(e) Viridis shall become insolvent or bankrupt or shall file a petition for an arrangement, reorganization or for any other relief under any state or federal statute providing for the relief of debtors, or shall call a meeting of its creditors, offer a composition or extension to creditors or shall generally cease paying its debts as they mature or shall make an assignment for the benefit of creditors or shall execute a trust mortgage for the benefit of creditors; or

(f) A trustee, receiver or liquidator shall be appointed for Viridis or for a substantial part of the property of Viridis, or bankruptcy, reorganization, arrangement, insolvency or similar proceedings shall be instituted against Viridis under the laws of any jurisdiction; or

(g) There shall be a material loss, theft, damage, or destruction of or to any Collateral for any of the Obligations unless such loss, theft, damage or destruction shall have been covered by insurance, which insurance shall have been paid to the Vendor in reduction of the Obligations

then, upon the occurrence of any one or more of such Events of Default, the outstanding principal of the Note, with all accrued and unpaid interest thereon, together with expenses provided for therein and all of the Obligations shall, at the option of the Vendor, become and be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by Viridis, the extension of credit by Vendor to Viridis shall immediately cease and terminate, and the Vendor may pursue any and all remedies available to it under the Line of Credit Documents and/or under any law, against Viridis.

8. Waiver of Automatic Stay. In the event that Viridis becomes a debtor or debtor-in-possession under any provision of the United States Code, Title 11, whether by Viridis' voluntary petition or through the grant of an order for relief on an involuntary petition against Viridis, Viridis hereby: (a) unconditionally consents to the entry of an order granting the Vendor relief from the so-called automatic stay provisions of 11 USC Section 362, upon the Vendor's motion, complaint, or other pleading pursuant to which the Vendor seeks to exercise its rights to foreclose on and liquidate any or all of the Collateral and apply the proceeds thereof in reduction of Viridis' obligations; and (b) waives any right Viridis may have to object to and/or defend against such motion, complaint or other pleading, including, but not limited to any assertion or contention that Viridis, as a debtor or debtor-in-possession in any case under said Title 11, is able to provide adequate protection against any diminution in the value of Vendor's Collateral in such

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case. Viridis acknowledges that the foregoing consent to the Vendor's relief from the automatic stay and the waivers of Viridis' rights to object, and/or defend and/or to offer adequate protection response to any of the Vendor's motions, complaints or other pleadings seeking relief from the automatic stay, constitute a material inducement to the Vendor in granting the financial accommodations to Viridis provided for in this Agreement.

9. Entire Agreement. This Agreement, together with any instrument or document delivered pursuant hereto or in connection herewith, embody the entire agreement and understanding among the parties relating to the subject matter hereof and supersede all prior proposals, negotiations, agreements and understandings relating to such subject matter.

10. Notice. All notices, requests and other communications to any party hereunder or under any of the other documents or instruments executed and delivered in connection herewith shall be in writing and shall be personally delivered or sent by United States certified mail, postage prepaid, return receipt requested, or by a reputable delivery service or by facsimile and shall be given,

if to Viridis:

Michele Rebiere
Viridis Energy
570 - 700 West Pender St.
Vancouver BC V6C 1G8.

if to the Vendor:

25 Maple Avenue
Upton, MA 01568
ATTN: Regional Manager

or such other address as such party may hereafter specify by notice to the Vendor and Viridis. Each such notice, request or other communication shall be effective (i) if given by United States certified mail, 72 hours after such communication is deposited with the post office, postage prepaid, addressed as aforesaid or (ii) if given by any other means (including, without limitation, by courier), when delivered at the address specified in this paragraph.

11. Waivers, Modifications. No failure or delay on the part of the Vendor in exercising any power or right hereunder or under any of the Line of Credit Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement or in or with respect to the Note, nor consent by the Vendor to any departure by Viridis from any such provision, shall in any event be effective unless the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on Viridis in any case shall entitle Viridis to any other or further notice or demand in similar or other circumstances.

12. Captions. The captions of each paragraph herein are for convenience only and shall not be used in the interpretation of any provision of this Agreement.

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13. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Viridis may not assign or transfer its rights hereunder without the prior written consent of the Vendor.

14. Governing Law, Jurisdiction, Venue. This Agreement and each and all of the Line of Credit Documents shall be deemed to be contracts under the laws of the Commonwealth of Massachusetts and for all purposes shall be construed in accordance with the laws of said Commonwealth (without giving effect to conflicts of laws principles thereof.). Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in Worcester County, Massachusetts for any action or suit which may be brought with respect to a party's obligations under this Agreement, or with respect to any other obligations of one party to the other. For such purposes, each party hereto waives and agrees not to assert, in any such action or suit, a claim that it is not personally subject to the jurisdiction of the courts referred to above, that any such action or suit was brought in an inconvenient forum, or that the venue of such action or suit is improper.

EXECUTED as a sealed instrument on the day and year first above written.

Witness

VIRIDIS MERCHANTS, INC.

By: Michele Revere
Name: Michele Revere
Title: CEO

DANA TRANSPORT, INC.

By: Michael J. Polselli
Name: Michael J. Polselli
Title: New England Regional Mgr.

Witness

GRAFTON & UPTON RAILCARE, LLC

By: Michael J. Polselli
Name: Michael J. Polselli
Title: New England Regional Mgr.

Witness

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EXHIBIT LIST

Exhibit "A" -- \$3,000,000 Line of Credit Note

Exhibit "B" -- Security Agreement

Exhibit “B”

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LINE OF CREDIT NOTE

\$3,000,000.00

Upton, Massachusetts

7 August, 2015

FOR VALUE RECEIVED, **VIRIDIS MERCHANTS, INC.**, a Delaware corporation with an address of _____ (the "Maker"), promises to pay to **DANA TRANSPORT, INC.**, a New Jersey corporation and **GRAFTON & UPTON RAILCARE, LLC**, a Massachusetts limited liability company, each with a place of business at 25 Maple Avenue, Upton, Massachusetts 01568, their successors, assigns and any future holder or holders of this instrument (collectively, the "Lender"), or order, at such place of business (unless otherwise directed by the Lender) the principal sum of **THREE MILLION and 00/100 DOLLARS (\$3,000,000.00)** or, if less, the aggregate unpaid principal amount of outstanding invoices rendered to Maker for transportation, pellet bagging, warehousing and all other services rendered to Maker ("Obligations") pursuant to that certain Line of Credit Agreement of even date between the Maker and the Lender (the "Line of Credit Agreement"), together with interest at the per annum rate of six percent (6%), in arrears, from the date hereof on the unpaid principal balance from time to time outstanding hereunder, payable monthly on the 1st day of each month commencing August 1, 2015.

This Note is issued pursuant to, is entitled to the benefits of, and is in all respects subject to, the provisions of the Line of Credit Agreement, but neither this reference to the Line of Credit Agreement nor any provision thereof shall affect or impair the absolute and unconditional Obligations of the Maker to pay the principal hereof and interest on this Note as herein provided.

Interest shall be calculated on a daily basis on daily outstanding unpaid principal amounts. In no event shall the amount of interest payable hereunder together with all amounts reserved, charged or taken by the Lender as compensation for fees, services or expenses incidental to the making, negotiating or collection of the amounts outstanding evidenced hereby exceed the maximum rate of interest on the unpaid balance hereof allowable by applicable law.

All computations of interest on the amounts outstanding evidenced hereby shall be based on a 360-day year and the actual number of days elapsed. Whenever a payment under this Note becomes due on a day on which the Lender is not open for business ("business day"), the due date for such payment shall be extended to the next-succeeding business day, and interest, as hereinabove provided, shall accrue during such extension.

Until July 31, 2020, unless extended by the Lender in a writing signed by the Lender (the "Maturity Date"), or until any of the Events of Default as set forth in the Line of Credit Agreement shall have occurred, the Maker may incur Obligations from time to time, provided that the aggregate principal amount at any time outstanding hereunder or

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on account of outstanding Obligations shall not exceed the sum of **Three Million and 00/100 Dollars (\$3,000,000.00)**, or as may otherwise be limited by and subject to the provisions of the Line of Credit Agreement.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, FOR A PERIOD OF THIRTY (30) CONSECUTIVE DAYS COMMENCING IN JANUARY OF EACH CALENDAR YEAR (COMMENCING WITH THE CALENDAR YEAR STARTING ON JANUARY 1, 2017), THE OUTSTANDING BALANCE OF OBLIGATIONS (AND THE AMOUNT OUTSTANDING EVIDENCED BY THIS NOTE) SHALL NOT EXCEED ONE HUNDRED AND 00/100 DOLLARS (\$100.00).

All principal outstanding hereunder (together with any and all accrued and unpaid interest thereon) and other amounts due hereunder shall become immediately due and payable at the option of the Lender on the Maturity Date, or upon the occurrence of an Event of Default, as set forth and described in Section 7 of the Line of Credit Agreement (an "Event of Default").

All payments hereunder shall be applied first against interest and other charges then due and payable, and the balance in reduction of principal, except after the occurrence of any Event of Default payments shall be applied as determined by the Lender.

Both principal and interest are payable in lawful money of the United States of America in immediately available funds.

This Note is secured by security interests in certain personal property of the Maker as set forth in a Security Agreement of even date between the Maker and the Lender.

The Lender may assign, transfer or negotiate this Note or all its right, title and interest in and to this Note, the Line of Credit Agreement, and any security for the performance of the Maker's Obligations, and in *such* event, all the provisions of this Note and the Line of Credit Agreement shall inure to the benefit of and may be exercised by or on behalf of the assignee, transferee or successor to the Lender, and, to the extent permitted by applicable law, all payments of principal and of interest due and to become due under this Note shall not thereafter be subject to any defense, counterclaim or set-off which the Maker may have against Dana Transport, Inc. or Grafton & Upton Railcare, LLC

To the extent permitted by applicable law, upon and after the occurrence of any of the Events of Default whether or not the Lender has accelerated payment of this Note, and after the Maturity Date, interest on principal shall, at the option of the Lender, be payable, on demand, at a rate of twelve percent (12%) per annum (the "Default Rate").

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Without in any way limiting the imposition by the Lender of the Default Rate, if a payment of principal or interest hereunder is not received by the Lender within fifteen (15) days of the date such payment is due, the Maker will pay to the Lender, on demand, a late payment charge equal to five percent (5%) of the amount of such payment. Nothing in this or the preceding paragraph shall affect the Lender's right to demand payment of all Outstanding amounts hereunder at any time or to accelerate the maturity of this Note upon the occurrence of any of the Events of Default.

Upon the occurrence of any of the Events of Default, the Lender shall have any and all rights set forth in the Line of Credit Agreement and any other agreement or instrument granting to the Lender security for the payment hereof and under any law, and the right to institute any proceedings upon this Note and any collateral given to secure the same for the purposes of collecting said principal and interest with costs and expenses, and/or of protecting any security connected herewith, and shall have, among other remedies, all of the rights of a secured party under the Uniform Commercial Code of Massachusetts.

The Maker shall pay all reasonable costs, including but not limited to attorneys' and paralegals reasonable fees, incurred by the Lender in connection with collecting or enforcing this Note or the Obligations evidenced hereby. No course of dealing by the Lender and no delay in exercising any right under this Note will operate as a waiver by the Lender of any of Lender's rights, and a waiver of any right on one occasion may not be construed as a waiver of the right on any future occasion.

The Maker expressly waives presentment, demand for payment, protest and notice of nonpayment

The Maker and any guarantor, and any endorser and each other person now or hereafter liable for the payment of any of the indebtedness evidenced by this Note severally agree, by making, endorsing or guaranteeing this Note or by making any agreement to pay any of the indebtedness evidenced by this Note, to and do hereby waive presentment for payment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Note and consent without notice or further assent to (a) the substitution, exchange or release of all or any of the collateral securing this Note or any part thereof at any time, (b) the acceptance by the Lender at any time of any additional collateral or security for or guarantors of this Note, (c) the modification or amendment at any time and from time to time, of this Note, and any instrument securing this Note, at the request of any person liable hereon, (d) the granting by the Lender of any extension of the time for payment of this Note or for the performance of the agreements, covenants and conditions contained in this Note, or any instrument securing this Note, at the request of any person liable hereon, and (e) any and all forbearances and indulgences whatsoever; and such consent shall not alter or diminish the liability of any person.

The Maker has received a copy of this Note.

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This Note shall be the joint and several obligation of the Maker and all sureties, guarantors and endorsers, and shall be binding upon them and their respective successors and assigns and each or any of them.

This Note is a Massachusetts contract and all of its terms and provisions shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to the conflict of laws principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in Worcester County, Massachusetts for any action or suit which may be brought with respect to a party's obligations under this Note, or with respect to any other obligations of one party to the other. For such purposes, the Maker hereto waives and agrees not to assert, in any such action or suit, a claim that it is not personally subject to the jurisdiction of the courts referred to above, that any such action or suit was brought in an inconvenient forum, or that the venue of such action or suit is improper.

The Maker represents and warrants to the Lender that the proceeds of the Loan shall be used for commercial purposes.

IN WITNESS WHEREOF, VIRIDIS MERCHANTS, INC. has caused this Note to be executed, under seal, by its officer, thereunto duly authorized, on the day and year first above written.

Witness

VIRIDIS MERCHANTS, INC.

By: Michele Rebore
Name: Michele Rebore
Title: CEO

Exhibit “C”

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated August 7, 2015 is among **VIRIDIS MERCHANTS, INC.**, a Delaware corporation with an address of _____ ("Debtor") and **DANA TRANSPORT, INC.**, a New Jersey corporation and **GRAFTON & UPTON RAILCARE, LLC** a Massachusetts limited liability company, each with a place of business at 25 Maple Avenue, Upton, Massachusetts 01568 (collectively, the "Secured Party").

WHEREAS, Debtor, has executed and delivered to the Secured Party a promissory note in the principal amount of \$3,000,000.00, as it may be amended, restated and/or substituted from time to time (the "Note"), and has this date executed and delivered a Line of Credit Agreement with and to the Secured Party, as it may be amended from time to time (the "Line Agreement") (collectively, together with this Security Agreement and all other documents executed and delivered to the Secured Party by the Debtor in connection therewith, the "Line of Credit Documents").

NOW THEREFORE, it is agreed as follows:

1. Definitions.

(a) The term "State", as used herein, means the Commonwealth of Massachusetts. All terms defined in the Uniform Commercial Code of the State ("UCC") and used herein shall have the same definitions herein as specified therein; provided, however, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term shall have the meaning herein as specified in said Article 9.

(b) "Obligations" means the Note, the Line Agreement, all liability of the debtor for transportation, pellet bagging, warehousing and all other services provided by the Secured Party to the Debtor, and any and all obligations, liabilities, indebtedness, and advances and loans owing by the Debtor to the Secured Party of every kind and description, direct or indirect, absolute or contingent, primary or secondary, secured or unsecured, due or to become due, now existing or hereafter arising, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes obligations to perform acts and refrain from taking action as well as obligations to pay money.

2. Grant of Security Interest. To secure the timely payment, performance and observance of all of the Debtor's Obligations to Secured Party, Debtor hereby grants to Secured Party a continuing security interest in and pledges, assigns and grants to Secured Party a right of setoff against the following property of Debtor, wherever located, (including the proceeds, insurance proceeds and products thereof) whether now existing or owned by the Debtor or owned, acquired, created or arising hereafter (all of the same being hereinafter referred to as the "Collateral"):

All Debtor's inventory which is located in rail cars owned or leased by the Secured Party

and being shipped to Secured Party's Upton, Massachusetts location (the "Site") and all of such inventory at the Site whether in bulk or in bags, and all of such inventory being warehoused at the Site or any location under the control of the Secured Party and the proceeds and insurance proceeds thereof.

3. Authorization to File Financing Statements. The Debtor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) hereinabove described, regardless of whether any particular asset constituting any Collateral falls within the scope of Article 9 of the UCC or the Uniform Commercial Code of such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including whether the Debtor is an organization, the type of organization and any organization identification number issued to the Debtor. The Debtor also ratifies its authorization for the Secured Party to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendment thereto if filed prior to the date hereof.

4. Representations, Warranties and Covenants. Debtor represents, warrants and covenants that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the power and authority to own its properties and to transact the business in which it is engaged;

(b) It has the requisite power and authority to execute and deliver, and to perform its obligations under the Note, the Line Agreement and under this Security Agreement, and has taken all necessary action to authorize the execution, delivery and performance of the Line of Credit Documents;

(c) The Note, the Line Agreement, and this Security Agreement constitute the legal, valid and binding obligations of the Debtor, enforceable in accordance with their terms;

(d) The execution, delivery and performance of the Note, the Line Agreement, and this Security Agreement will not violate any law or regulation, or any order or decree of any court or governmental instrumentality, or any provision of the controlling corporate documents of the Debtor, and will not conflict with, or result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Debtor is a party or by which it is bound, and will not result in the creation or imposition of any lien, charge or encumbrance upon any of the property of the Debtor pursuant to the provisions of any of the foregoing;

(e) No consent of any other person (including, without limitation, Directors and creditors of the Debtor) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental

instrumentality is required in connection with the execution, delivery, performance, validity or enforceability of the Note, the Line Agreement or this Security Agreement;

(f) The chief executive office of the Debtor and the office where Debtor keeps its books and records relating to the Collateral are at the addresses set forth on Exhibit "A" hereto;

(g) Debtor will not change its state of formation or organization, its name, its mailing address, its organizational identification number (if it has one), its legal structure, its chief executive office, the office where its books and records are kept, or any locations of Collateral without prior written notice to and consent of Secured Party;

(h) If the Debtor does not, as of the date hereof, have an organizational identification number but obtains one hereafter, the Debtor shall forthwith notify the Secured Party of such organization identification number;

(i) Except for liens in favor of Secured Party and except for liens set forth on Exhibit "B" hereto annexed, the Debtor is the owner of the Collateral and the Collateral is free and clear of all liens and Debtor will not create or suffer to exist any lien on any of the Collateral;

(j) Debtor will not assign, pledge, grant a security interest in, transfer, sell, lease or otherwise dispose of any Collateral, except for inventory sold or consumed in the ordinary course of Debtor's business;

(k) The Collateral is being used, and will continue to be used, in Debtor's business and not for personal, family, household or farming use;

(l) Debtor will use the Collateral for lawful purposes only, with all reasonable care and caution and in conformity with all applicable laws, ordinances and regulations;

(m) Debtor will keep the Collateral at all times insured by such insurance as Secured Party may from time to time reasonably require and in any event and without specific request by Secured Party will insure the Collateral against fire, including so-called extended coverage, theft and, in the case of any motor vehicle, collision. The Debtor also shall maintain insurance of the kinds, covering the risks and in the relative amounts usually carried by companies engaged in businesses similar to Debtor. All such insurance shall be written by such companies as Secured Party shall reasonably approve, the Secured Party and Debtor named as insureds and loss payees as their respective interests may appear. All policies of insurance shall provide for not less than twenty (20) days' notice of cancellation, change, or termination to Secured Party and, if requested by Secured Party, all policies of insurance shall be delivered to and held by it until all of the Obligations have been fully paid, performed and observed. Debtor shall provide to Secured Party, at least annually, certificates evidencing insurance;

(n) Debtor will, at its sole cost and expense, perform all acts and execute all documents required by Secured Party from time to time to evidence, perfect, maintain or enforce Secured Party's security interest granted herein, and to effectuate or maintain the priority thereof

or otherwise to carry out the provisions and purposes of this Security Agreement;

(o) In its discretion, Secured Party may, at any time and from time to time, for the account of Debtor, pay any amount or do any act required of Debtor hereunder which Debtor fails to do or pay, and any such payment shall be deemed an Obligation payable on demand together with interest at the highest rate then payable on any of the Obligations;

(p) Debtor has not, during the five-year period prior to the date hereof, been known by or used any tradename, fictitious name or any name other than Debtor's name as set forth on page 1 hereof, which is Debtor's exact legal name, and all invoices in connection with or which evidence Debtor's accounts receivable are billed under such name;

(q) If any proceeds of Collateral are received by Debtor which, pursuant to the provisions hereof are to be received by or turned over to Secured Party, Debtor shall not commingle such proceeds with any of its other property, shall hold such proceeds in trust for Secured Party and shall immediately deliver the same to Secured Party in the form received;

(r) All statements in the Perfection Certificate annexed hereto as Exhibit "A" are true and correct; and

(s) The Debtor has at all times conducted its business and will from and after the date hereof conduct its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes, ordinances and regulations dealing with the control, shipment, storage and disposal of oil, hazardous materials and hazardous substances.

5. Inspection of Records and Collateral. The Debtor shall, at all reasonable times, and from time to time, allow Secured Party by or through any of its officers, agents, attorneys, or accountants, to examine, copy, inspect or make extracts from the Debtor's books and records and those of any related company, and to arrange for verification of accounts receivable, under reasonable procedures, directly with account debtors or by other methods. Debtor shall at all reasonable times and from time to time allow the Secured Party, by or through any of its officers, or agents to enter any location for the purpose of inspecting the Collateral.

6. Default, Remedies Upon Default. Upon the occurrence of any default by Debtor under the Note, the Line Agreement, or under any Obligation, and at any time thereafter, Secured Party may, without notice to or demand upon Debtor, declare any and all Obligations immediately due and payable and Secured Party shall have the following rights and remedies (to the extent permitted by applicable law), in addition to all rights and remedies of Secured Party under the Note, the Line Agreement, and all rights and remedies of a secured party under the Uniform Commercial Code, all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively or concurrently, at such time or times as Secured Party shall deem expedient:

(a) Secured Party may at any time and from time to time, with or without judicial

process or the aid and assistance of others, enter upon any premises in which any Collateral may be located and, without resistance or interference by Debtor, take possession of the Collateral, and/or dispose of any Collateral on any such premises, and/or require Debtor to assemble and make available to Secured Party at the expense of Debtor any Collateral at any place and time designated by Secured Party which is reasonably convenient to both parties, and/or remove any Collateral from any such premises for the purpose of effecting sale or other disposition thereof, and/or sell, resell, lease, assign and deliver, grant options for or otherwise dispose of any Collateral in its then condition with or without following any commercially reasonable preparation or processing, at public or private sale or proceedings or otherwise, by one or more contracts, in one or more parcels or lots, at the same or different times, with or without having the Collateral at the place of sale or other disposition, for cash and/or credit, and upon any terms, at such place(s) and time(s) and to such person(s) as Secured Party deems best, all without demand, notice or advertisement whatsoever except where an applicable statute requires reasonable notice of sale or other disposition. Debtor hereby agrees that the sending of ten (10) days' notice (as provided in paragraph 15 hereof) shall be deemed reasonable notice thereof. If any Collateral is sold by Secured Party upon credit or for future delivery, Secured Party shall not be liable for the failure of the purchaser to pay for same and in such event Secured Party may resell such Collateral. Secured Party may buy any Collateral at any public sale and, if any Collateral is of a type customarily sold in a recognized market or is of the type which is subject to widely distributed standard price quotations, Secured Party may buy such Collateral at private sale and in each case may make payment therefor by any means, provided that payment is made in full by Secured Party upon the later of the time of such sale and the taking of delivery of such Collateral.

(b) Secured Party may apply the cash proceeds actually received from any sale or other disposition of Collateral to the reasonable expense of retaking, holding, preparation for sale, selling, leasing and the like, to reasonable attorneys' fees and all legal, travel and other expenses which may be incurred by Secured Party in attempting to collect the Obligations or to enforce this Security Agreement, or in the prosecution or defense of any action or proceeding related to the subject matter of this Security Agreement; and then to the Obligations in such order and as to principal or interest as Secured Party may determine; and Debtor shall remain liable and will pay Secured Party, on demand, any deficiency remaining after the application of such cash proceeds, together with interest thereon at the highest rate then payable on the Obligations and the balance of any expenses unpaid, with any surplus to be paid to Debtor, subject to any duty of Secured Party imposed by law to the holder of any other security interest in the Collateral known to Secured Party. Within a reasonable time following the application of cash proceeds, Secured Party shall provide Debtor with a reasonable accounting of the Obligations to which such proceeds have been applied.

7. Standards for Exercising Remedies. To the extent that applicable law imposes duties on the Secured Party to exercise remedies in a commercially reasonable manner, the Debtor acknowledges and agrees that it is not commercially unreasonable for the Secured Party to (a) fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (b) fail to obtain third-party consents for access to Collateral to

be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) fail to remove liens or encumbrances on or any adverse claims against Collateral, (d) exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) advertise dispositions of Collateral through publications or media of general circulations, whether or not the Collateral is of a specialized nature, (f) contact other persons, whether or not in the same business as the Debtor, for expressions of interest in acquiring all or any portion of the Collateral, (g) hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (h) dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) dispose of assets in wholesale rather than retail markets, (j) disclaim disposition warranties, (k) purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by the Secured Party, to obtain the services of brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. The Debtor acknowledges that the purpose of this paragraph 7 is to provide nonexhaustive indications of what actions or omissions by the Secured Party would not be commercially unreasonable in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed commercially unreasonable solely on account of not being indicated in this Paragraph 8. Without limitation upon the foregoing, nothing contained in this paragraph 7 shall be construed to grant any rights to the Debtor or to impose any duties on the Secured Party that would not have been granted or imposed by this Security Agreement or by applicable law in the absence of this paragraph 7.

8. Power of Attorney. To effectuate the terms and provisions hereof, Debtor hereby designates and appoints Secured Party and each of its designees or agents as attorney-in-fact of Debtor, irrevocably and with power of substitution, with authority to: (i) execute proofs of claim and loss; (ii) execute endorsements, assignments or other instruments of conveyance or transfer; (iii) adjust and compromise any claims under insurance policies or otherwise; (iv) execute releases; and (v) do all other acts and things necessary or advisable, in the sole discretion of Secured Party, to carry out and enforce this Security Agreement and the Obligations. All acts done under the foregoing authorization are hereby ratified and approved by the Debtor and neither Secured Party nor any designee or agent thereof shall be liable for any acts of commission or omission, for any error of judgment or for any mistake of fact or law except for Secured Party's gross negligence or wilful misconduct. This power of attorney, being coupled with an interest, is irrevocable while any Obligations shall remain unpaid, unobserved or unperformed.

9. Care of Collateral. Secured Party shall have the duty to exercise reasonable care in the custody and preservation of any Collateral in its possession, which duty shall be fully satisfied if Secured Party accords such Collateral treatment substantially the same as that which it accords similar property owned by it. Except for any claims, causes of action or demands arising out of Secured Party's failure to perform its agreements set forth in the preceding sentence,

Debtor releases Secured Party from any claims, causes of action and demands at any time arising out of or with respect to this Security Agreement, the Obligations, the Collateral and its use and/or any actions taken or omitted to be taken by Secured Party with respect thereto, and Debtor hereby agrees to hold Secured Party harmless from and with respect to any and all such claims, causes of action and demands. Secured Party's prior recourse to any Collateral shall not constitute a condition of any demand, suit or proceeding for payment or collection of the Obligations.

10. Secured Party's Obligations and Duties. Anything herein to the contrary notwithstanding, the Debtor shall remain liable under each contract or agreement comprised in the Collateral to be observed or performed by the Debtor thereunder. The Secured Party shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Security Agreement or the receipt by the Secured Party of any payment relating to any of the Collateral, nor shall the Secured Party be obligated in any manner to perform any of the obligations of the Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Secured Party or to which the Secured Party may be entitled at any time or times. The Secured Party's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under §9-207 of the UCC or otherwise, shall be to deal with such Collateral in the same manner as the Secured Party deals with similar property for its own account.

11. Suretyship Waivers by Debtor. The Debtor waives demand, notice, protest, notice of acceptance of this Security Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description (except as specifically provided for herein). With respect to both the Obligations and the Collateral, the Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in paragraphs 10 and 11 hereof. The Debtor further waives any and all other suretyship defenses.

12. Marshalling. The Secured Party shall not be required to marshal any present or future collateral security (including, but not limited to, this Security Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Debtor agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Secured Party's rights under this Security

Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Debtor hereby irrevocably waives the benefits of all such laws.

13. Secured Party's Waivers. No act, omission or delay by Secured Party shall constitute a waiver of its rights and remedies hereunder or otherwise. No single or partial waiver by Secured Party of any default or right or remedy which it may have shall operate as a waiver of any other of said defaults, rights or remedies or of the same default, right or remedy on a future occasion.

14. Governing Law, Jurisdiction, Venue. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (without giving effect to the conflict of laws principles thereof). Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in Worcester County, Massachusetts for any action or suit which may be brought with respect to a party's obligations under this Agreement, or with respect to any other obligations of one party to the other. For such purposes, each party hereto waives and agrees not to assert, in any such action or suit, a claim that it is not personally subject to the jurisdiction of the courts referred to above, that any such action or suit was brought in an inconvenient forum, or that the venue of such action or suit is improper.

15. Notices. All notices and other communications to any party hereunder shall be in writing and shall be personally delivered or sent by United States certified mail, postage prepaid, return receipt requested, or by a reputable courier delivery service and shall be given as follows:

if to the Debtor:

Vividis Energy
500 - 700 West Pender St. Vancouver BC
ATTN: Michele Rebrene V0C1G8

if to the Secured Party:

25 Maple Avenue
Upton, MA 01568
ATTN: Regional Manager

or such other address as such party may hereafter specify by notice to the Secured Party and the Debtor. Each such notice, request or other communication shall be effective (i) if given by certified mail, 72 hours after such communication is deposited with the post office, addressed as aforesaid, or (ii) if given by any other means (including, without limitation, by courier), when delivered at the address specified in this paragraph.

16. Amendments and Waivers; Partial Invalidity; Acknowledgment of Receipt. No provision hereof shall be modified, altered or limited except by a written instrument expressly referring to this Security Agreement and to such provision, and executed by the party to be charged. If any term of this Security Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby. Debtor

acknowledges receipt of a copy of this Security Agreement.

17. Benefit of Agreement; Continuing Security Interest. This Security Agreement and all Obligations shall be binding upon the successors and assigns of Debtor and shall, together with the rights and remedies of Secured Party hereunder, inure to the benefit of Secured Party, its successors, endorsees and assigns. This Agreement shall create a continuing security interest in the Collateral which shall remain in full force and effect until payment in full of the Obligations.

18. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original and all of which shall together constitute one and the same agreement.

19. Captions. The captions of the paragraphs of this Security Agreement have been inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Security Agreement.

IN WITNESS WHEREOF, the undersigned have caused this Security Agreement to be executed as of the date first above set forth, as a sealed instrument.

VIRIDIS MERCHANTS, INC.

Witness

By:

Name: Michelle Robere
Title: CEO

DANA TRANSPORT, INC.

Witness

By:

Name: Michael J. Polselli
Title: New England Regional Mgr.

GRAFTON & UPTON RAILCARE COMPANY, LLC

Witness

By:

Name: Michael J. Polselli
Title: New England Regional Mgr.

Exhibit "A"
to Security Agreement

PERFECTION CERTIFICATE

VIRIDIS MERCHANTS, INC. ("Debtor")

GRAFTON & UPTON RAILCARE COMPANY, INC.

and

DANA TRANSPORT, INC. ("Secured Party")

The undersigned, the CEO of the Debtor, hereby certifies, with reference to a certain Security Agreement dated July 7, 2015 (terms defined in such Security Agreement having the same meanings herein as specified therein), between the Debtor and the Secured Party, to the Secured Party as follows:

1. NAME. The exact legal name of the Debtor as that name appears on its Certificate of Organization is as follows: **VIRIDIS MERCHANTS, INC.**

2. OTHER IDENTIFYING FACTORS.

(a) The following is the mailing address of the Debtor:

(b) If different from its mailing address, the Debtor's place of business or, if more than one, its chief executive office is located at the following address:

500-700 West Pender Street
Vancouver BC V6C 1G9.

(c) The following is the type of organization of the Debtor: corporation

(d) The following is the jurisdiction of the Debtor's organization: Delaware

(e) The following is the Debtor's state issued organizational identification number [state "None" if the state does not issue such a number]:

3. OTHER NAMES, ETC.

- (a) The following is a list of all other names (including trade names or similar appellations) used by the Debtor, or any other business or organization to which the Debtor became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any time during the past five (5) years:
- (b) Attached hereto as Schedule 1 is the information required in Paragraph 2 of this Certificate for any other business or organization to which the Debtor became the successor by merger, consolidation, acquisition, change in form, nature or jurisdiction of organization or otherwise, now or at any time during the past five (5) years: none

4. OTHER CURRENT LOCATIONS.

- (a) The following are all other locations in which the Debtor maintains any books or records relating to any of the Collateral consisting of accounts, instruments, chattel paper, general intangibles or mobile goods:

520 - 700 West Pender Street
Vancouver BC V6C 1A8

- (b) The following are all other places of business of the Debtor:
- (c) The following are all other locations where any of the Collateral consisting of inventory or equipment is located:

- (d) The following are the names and addresses of all persons or entities other than the Debtor, such as lessees, consignees, warehousemen or purchasers of chattel paper, which have possession or are intended to have possession of any of the Collateral consisting of instruments, chattel paper, inventory or equipment:

5. PRIOR LOCATIONS.

- (a) Set forth below is the information required by Paragraphs 4(a) or (b) of this Certificate with respect to each location or place of business previously maintained by the Debtor at any time during the past five (5) years in a state in which the Debtor has previously maintained a location or place of business at any time during the past four (4) months: none
- (b) Set forth below is the information required by Paragraphs 4(c) or (d) of this Certificate with respect to each other location at which, or other person or entity with which, any of the Collateral consisting of inventory or equipment has been previously held at any time during the past twelve (12) months:

6. FIXTURES. Attached hereto as Schedule 2 is the information required by UCC §9-502 or former UCC §9-402(5) of each state in which any of the Collateral consisting of fixtures are or are to be located and the name and address of each real estate recording office where a mortgage on the real estate on which such fixtures are or are to be located would be recorded, together with the name of the owner of the real property on which any such fixtures are located and a reference (by book and page and description of document) of a deed or mortgage which describes such real property in such recording office.

- (a) Name and Address of Recording Office:

- (b) Owner of Real Property:
- (c) Description of Document (with date):
- (d) Book and Page of Document Described in (c):

7. UNUSUAL TRANSACTIONS. Except for those purchases, acquisitions and other transactions described on Schedule 3 attached hereto, all of the Collateral has been originated by the Debtor in the ordinary course of the Debtor's business or consists of goods which have been acquired by the Debtor in the ordinary course from a person in the business of selling goods of that kind.

IN WITNESS WHEREOF, I have hereunto signed this Certificate this 7 day of ^{aug} ~~July~~, 2015. 

Michele Lebiere

(Print Name)

Exhibit "B"
Permitted liens against Collateral

Exhibit “D”

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

DELAWARE DEPARTMENT OF STATE
U.C.C. FILING SECTION
FILED 12:00 PM 08/24/2015
INITIAL FILING # 2015 3766614

SRV: 151217308

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional) dpope@sederlaw.com
C. SEND ACKNOWLEDGMENT TO: (Name and Address) Debra Pope, Paralegal Seder & Chandler, LLP 339 Main Street Worcester, MA 01608

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME VIRIDIS MERCIANTS, INC.					
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
1c. MAILING ADDRESS 4632 E Red Bird Road		CITY Cave Creek	STATE AZ	POSTAL CODE 85331	COUNTRY

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME DANA TRANSPORT, INC.					
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
3c. MAILING ADDRESS 25 Maple Avenue		CITY Upton	STATE MA	POSTAL CODE 01568	COUNTRY

4. COLLATERAL: This financing statement covers the following collateral:

All Debtor's inventory which is located in rail cars owned or leased by the Secured Party and being shipped to Secured Party's Upton, Massachusetts location (the "Site") and all of such inventory at the Site whether in bulk or in bags, and all of such inventory being warehoused at the Site or any location under the control of the Secured Party and the proceeds and insurance proceeds thereof.

5. Check <u>only</u> if applicable and check <u>only</u> one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative					
6a. Check <u>only</u> if applicable and check <u>only</u> one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility			6b. Check <u>only</u> if applicable and check <u>only</u> one box: ☐ Agricultural Lien ☐ Non-UCC Filing		
7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licenser					
8. OPTIONAL FILER REFERENCE DATA:					

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

9. NAME OF FIRST DEBTOR: Same as line 1a or 1b on Financing Statement; if line 1b was left blank because Individual Debtor name did not fit, check here ☐

9a. ORGANIZATION'S NAME

VIRIDIS MERCHANTS, INC

OR

9b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME: Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name, do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c.

10a. ORGANIZATION'S NAME

OR

10b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

10c. MAILING ADDRESS

CITY

STATE

POSTAL CODE

COUNTRY

11. ☒ ADDITIONAL SECURED PARTY'S NAME or ☐ ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME

GRAFTON & UPTON RAILCARE, LLC

OR

11b. INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

11c. MAILING ADDRESS

25 Maple Avenue

CITY

Upton

STATE

MA

POSTAL CODE

01568

COUNTRY

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

13. ☐ This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS (if applicable)

14. This FINANCING STATEMENT:

☐ covers timber to be cut

☐ covers as-extracted collateral

☐ is filed as a fixture filing

15. Name and address of 2 RECORD OWNER of real estate described in Item 16 (if Debtor does not have a record interest):

16. Description of real estate:

17. MISCELLANEOUS:

Exhibit “E”



J. Robert Seder
jrseder@sederlaw.com
facsimile: (508) 831-0955

FILE COPY

September 6, 2016

Via: Certified Mail, Return Receipt Requested :
#7015 1730 0001 4734 0511

Viridis Energy, Inc.
520-700 West Pender Street
Vancouver, British Columbia
Canada
V6C1G8

ATTN: Michele Rebiere

Via: Certified Mail, Return Receipt Requested :
#7015 1730 0001 4734 0504

Viridis Merchants, Inc.
4632 East Red Bird Road
Cave Creek, AZ 85331

Via: Certified Mail, Return Receipt Requested :
7015 1730 0001 4734 0740

Viridis Merchants, Inc.
850 New Burton Road, Suite 201
Dover, DE 19904

RE: Dana Transport, Inc. and Grafton & Upton Railcare, LLC

Ladies and Gentlemen:

We represent Dana Transport, Inc. and Grafton & Upton Railcare, LLC (collectively, the "Secured Party").

Reference is made to that certain (a) Line of Credit Agreement dated August 7, 2015 between Viridis Merchants, Inc. ("Viridis") and the Secured Party; (ii) Line of Credit Note dated August 7, 2015 in the original sum of \$3,000,000.00 (the "Note") executed and delivered to the Secured Party by Viridis; and (iii) Security Agreement dated August 7, 2015 (the "Security Agreement") between Viridis and the Secured Party. The Line of Credit Agreement, Note and the Security Agreement are collectively, the "Financial Documents".

Be advised that a default exists in the payment of interest on the Note and as a result of that default, default exists pursuant to the Line of Credit Agreement. As of September 6, 2016, the outstanding and unpaid amount under the Line of Credit Agreement and the Note is: \$2,295,455.33. As a result of such default, all amounts due under the Financial Documents are due and payable.

Be further advised that pursuant to the Security Agreement, and pursuant to the Uniform Commercial Code of the Commonwealth of Massachusetts (the "Uniform Commercial Code"), the Secured Party has taken possession of all Viridis' inventory located in the rail cars owned or leased by Dana Transport, Inc. and/or Grafton & Upton Railcare, Inc. and being shipped to the Secured Party's Upton, Massachusetts rail yard (the "Rail Yard") and all of such inventory at the Rail Yard, whether in bulk or in bags and all of



SEDER & CHANDLER^{LLP}

ATTORNEYS AT LAW

Viridis Energy, Inc.
Viridis Merchants, Inc.
September 6, 2016

Page -2-

such inventory being warehoused at the Rail Yard or any location under the control of Dana Transport, Inc. and/or Grafton & Upton Railcare, LLC (the "Collateral").

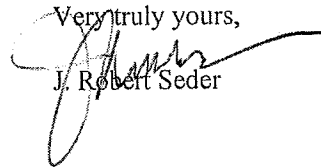
Pursuant to the Uniform Commercial Code, you are hereby notified that on and after September 20, 2016, the Collateral will be sold by the Secured Party in a series of private sales, the proceeds of which will be credited against all amounts due to the Secured Party under the Financial Documents. Viridis is entitled to an accounting of the proceeds thereof and the unpaid indebtedness remaining after disposition of the Collateral.

Secured Party hereby reserves all of its rights and remedies contained in or relating to the Financial Documents. All costs, charges and expenses, including attorneys' and paralegals' reasonable fees, incurred by the Secured Party in connection with the enforcement of the Viridis' obligations and in connection with the exercise of the rights and remedies of the Secured Party under the Financial Documents, shall become additional indebtedness owed by Viridis to the Secured Party.

Reference in this letter to certain breaches, conditions and defaults is not intended as a waiver of any other breach, condition or default. Any failure by the Secured Party in exercising any right, remedy, power or privilege under the Financial Documents, or under any statute or at law or in equity, is not intended to and shall not impair or operate as a waiver of any such right, remedy, power or privilege or be construed as a waiver of any default or any acquiescence therein.

ANY PARTIAL PAYMENT(S) ON AMOUNTS DUE UNDER THE FINANCIAL DOCUMENTS MADE BY VIRIDIS OR ANY PARTY ON VIRIDIS' BEHALF AND ACCEPTED BY SECURED PARTY WILL NOT CONSTITUTE A WAIVER OF DEFAULT, A WAIVER OF ACCELERATION, OR A WAIVER OF ANY OTHER RIGHT HELD BY THE SECURED PARTY UNDER THE FINANCIAL DOCUMENTS.

Very truly yours,



J. Robert Seder

JRS/dp

cc: Bear Mountain Forest Products, Inc.
5 NE Cramblett Way
Cascade Locks, OR 97014
Via: Certified Mail: 7015 1730 0001 4734 0757

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

BECKER LLC

Eisenhower Plaza II
354 Eisenhower Parkway, Suite 1500
Livingston, New Jersey 07039
Telephone number: (973) 422-1100
Fax number (973) 422-9122
Attorneys for Secured Creditors, Dana Transport,
Inc. and Grafton & Upton Railcare, LLC
ALLEN J. UNDERWOOD, II, ESQ.
E-mail address: ajunderwood@becker.legal
J. ALEX KRESS, ESQ.
E-mail address: akress@becker.legal

In re:

VIRIDIS MERCHANTS INC.,

Debtors.

Case No. 16-27792 (CMG)

Chapter 7

Judge: Honorable Christine M. Gravelle

Hearing Date: Oct. __, 2016
at __: __ . m.

**MEMORANDUM OF LAW OF DANA TRANSPORT, INC. AND
GRAFTON & UPTON RAILCARE, LLC IN SUPPORT OF MOTION
FOR AN ORDER: (1) GRANTING RELIEF FROM THE
AUTOMATIC STAY PURSUANT TO 11 U.S.C. § 362(d) TO
PERMIT ENFORCEMENT OF SECURITY INTERESTS AGAINST
INVENTORY AND RAW MATERIALS LOCATED AT UPTON, MA
AND (2) FOR OTHER FURTHER RELATED RELIEF**

DANA TRANSPORT, INC. (“**Dana Transport**”) and GRAFTON & UPTON RAILCARE, LLC (“**G&U Railcare**”) by and through their attorneys, Becker LLC, in support of their motion for the entry of an Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief (the “**Dana Stay Relief Motion**”), respectfully states as follows:

PRELIMINARY STATEMENT

1. This is a Chapter 7 case. The Debtor is not operating. The total value of the scheduled assets is less than the total claims. In fact, the scheduled assets are less than the movant's claims. Moreover, the value of the movant's collateral is deteriorating. Neither the debtor nor the trustee has offered any "adequate protection" to the movants. Given the lack of adequate protection, the lack of equity and the lack of any business to be reorganized, this Court must lift the automatic stay imposed by 11 U.S.C. § 362(a) as provided in 11 U.S.C. § 362(d).

FACTUAL BACKGROUND

A. The Bankruptcy Cases

2. Viridis Merchants, Inc., the debtor herein ("**Viridis**" or the "**Debtor**"), filed a voluntary petition (the "**Petition**") for liquidation under Chapter 7 of the Bankruptcy Code, 11 U.S.C. § 101, *et seq.* (the "**Bankruptcy Code**") on September 16, 2016 (the "**Commencement Date**"), in the United States Bankruptcy Court for the District of New Jersey (the "**Bankruptcy Court**").

3. Bunce D. Atkinson has been appointed as the Chapter 7 Trustee (the "**Chapter 7 Trustee**") for the Debtor.

4. The Debtor is a Delaware limited liability company. According to the Petition, the Debtor's principal place of business was 80 Cottontail Lane, Suite 210, Somerset, New Jersey 08873. Upon information and belief, the Debtor also maintained business offices at 4632 East Red Bird Road, Cave Creek, Arizona 85331, 850 New Burton Road, Suite 201, Dover DE 19904 and 700 West Pender Street, Suite 520,

Vancouver, BC V6C 1G8. (Certification of Michael Polselli in Support of Motion of Dana Transport, Inc. and Grafton & Upton Railcare, LLC for an Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief (the “**Polselli Cert.**”) at ¶ 5.)

B. The Liens and Claims of Dana Transport and G&U Railcare

5. On or about August 7, 2105, the Debtor entered into the following agreements with Dana Transport and G&U Railcare (together, collectively, the “**Secured Party**”):

- a. a Line of Credit Agreement, dated as of August 7, 2015, a copy of which is attached to the Polselli Cert. as Exhibit “A” (the “**Credit Agreement**”);
- b. a Line of Credit Note, dated August 7, 2015, a copy of which is attached to the Polselli Cert. as Exhibit “B” (the “**Note**”); and
- c. a Security Agreement Dated August 7, 2015, a copy of which is attached to the Polselli Cert. as Exhibit “C” (the “**Security Agreement**”).

6. The Security Agreement granted the Secured Party a lien in the following assets of the Debtor (the “**Dana/G&U Collateral**”):

All Debtor’s inventory which is located in rail cars owned or leased by the Secured Party and being shipped to Secured Party’s Upton Massachusetts location (the “Site”) and all such inventory at the Site whether in bulk or in bags and all such inventory being warehoused at the Site or any location under the control of the Secured Party and the proceeds and insurance proceeds thereof.

Security Agreement at Paragraph 2, pp. 1-2. The Site is a railyard operated by the Secured Party located at 25 Maple Avenue, Upton, Massachusetts. (Polselli Cert. at ¶ 7.)

7. The Secured Party perfected its security interest in the Dana/G&U Collateral by filing a UCC-1 Financing Statement with the Delaware Department of State, U.C.C. Filing Section on August 24, 2015, Filing No. 2015 376614 (the “**Dana/G&U Financing Statement**”). (A copy of the Dana/G&U Financing Statement is attached to the Polselli Cert. as Exhibit “D.”)

C. The Debtor’s Pre-Petition Defaults

8. The Debtor defaulted in its obligations under the Note and the Credit Agreement by, among other things, failing to make the regular monthly payment due under the Note on September 1, 2016. (Polselli Cert. at ¶ 9.)

9. By notice dated September 6, 2016 (the “**Default Notice**”), the Secured Party advised the Debtor of the defaults, accelerated the balance due pursuant to the Note, and advised the Debtor of the Secured Party’s intent to exercise its rights to the Dana/G&U Collateral on or after September 20, 2016. (A copy of the Default Notice attached to the Polselli Cert. as Exhibit “E.”)

10. Upon information and belief, the Default Notice was a principal reason for the Debtor’s bankruptcy filing.

D. The Secured Party’s Claim

11. As of the Petition Date, the Secured Party was owed a total of at least \$2,211,291.13. The elements of the claim are as follows:

Principal invoices	\$1,724,406.37
Interest invoices	\$117,779.51
Additional charges	<u>\$369,105.25</u>
Total	\$2,211,291.13

(Polselli Cert. at ¶ 12.)

E. The Nature and Value of the Dana/G&U Collateral

12. The Dana/G&U Collateral is a mix of organic and inorganic material used to form fuel pellets to be packaged and sold to distributors. The Secured Party currently is in possession and control of approximately 6,760 tons of raw materials forming the Dana/G&U Collateral. (Polselli Cert. at ¶ 13.)

13. The raw materials are diminishing in value because the peak season to sell fuel pellets is the fall season. (Polselli Cert. at ¶ 14.)

14. Additionally, the raw materials are subject to erosion from wind and rain and lose their viability when exposed to sunlight. The raw materials are rapidly at risk of losing some or all of their value if further exposed to the elements. They are further diminishing in value as they sit at the Site. (Polselli Cert. at ¶ 15.)

15. Finally, and perhaps obviously, the raw materials occupy significant space which could otherwise be put to profitable use, at the Dana/G&U Site. (Polselli Cert. at ¶ 16.)

16. Though not an exact science, the Secured Party estimates that the wholesale value of the product, in its current condition, is \$1,641,350.00. (Polselli Cert. at ¶ 17.)

17. The Secured Party is confident that it can package and reship this material within the industry so as to at least reduce the amount that the Debtor owes the Secured Party on a secured basis. The Secured Party, due to its experience within the industry, is the entity in the best position to maximize the value of the material on sale, and has every incentive to do so. (Polselli Cert. at ¶ 18.)

RELIEF REQUESTED AND GROUNDS FOR RELIEF

18. Through this Motion, the Secured Party seeks an Order from this Court pursuant to 11 U.S.C. §§ 362(d)(1) and (d)(2) granting the Secured Party relief from the automatic stay arising pursuant to 11 U.S.C. § 362(a) to continue its pre-petition efforts to enforce its rights in, and remedies against the Dana/G&U Collateral.

19. “Cause” exists to lift the stay pursuant to Bankruptcy Code § 362(d)(1). The Dana/G&U Collateral is deteriorating in value. Neither the Debtor, nor the Trustee, have offered any “adequate protection” to the Secured Party. Moreover, the harm to the Secured Party from continuing the stay exceeds any benefit to the Debtor’s bankruptcy estate given the deterioration of the Dana/G&U Collateral, the existing market conditions and the damage to the Secured Party from the Dana/G&U Collateral remaining on the Secured Party’s Site.

20. Furthermore, there are grounds to lift the stay pursuant to Bankruptcy Code § 362(d)(2). The Secured Party’s claim exceeds the value of the Dana/G&U Collateral. In fact, it exceeds the value of all of the Debtor’s assets. There is no prospect for reorganization as this is a Chapter 7 liquidation.

I. THE SECURED PARTY IS ENTITLED TO RELIEF UNDER 11 U.S.C. § 362(d).

21. The Secured Party submits that it is entitled to relief from the automatic stay under sections 362(d)(1) and(d)(2) of the Bankruptcy Code to continue its pre-petition foreclosure action against the Dana/G&U Collateral.

22. Sections 362(d)(1) and (d)(2) provide:

On the request of a party in interest and after notice and a hearing, the court shall grant relief from the stay provided under subsection (a) of this section, such as terminating, annulling, modifying, or conditioning such stay—

- (1) for cause, including the lack of adequate protection of an interest in property of such party in interest; [or]
- (2) with respect to a stay of an act against property under subsection (a) of this section, if—
 - (A) the debtor does not have equity in such property; and
 - (B) such property is not necessary to an effective reorganization

11 U.S.C. § 362(d)(1) and (d)(2).

A. The Secured Party is Entitled to Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d)(1) Because the Debtor Cannot Provide Adequate Protection.

23. “Cause” under section 362(d)(1) is determined on a case-by-case basis. In re Henry, 173 B.R. 878, 882 (Bankr. D.N.J. 1993). “Cause” requiring the Court to lift the automatic stay includes lack of adequate protection of an interest in property. 11 U.S.C. § 362(g); see also In re Rosen, 208 B.R. 345, 356 (D.N.J. 1997) (lack of adequate protection is a basis for relief from the automatic stay).

24. The purpose of granting adequate protecting is to insure that the secured creditor receives the benefit of its bargain even though a debtor continues to use the collateral during the pendency of a bankruptcy case. The legislative history of Section 361 of the Bankruptcy Code provides:

Secured creditors should not be deprived of the benefit of their bargain. There may be situations in bankruptcy where giving a secured creditors an absolute right to his bargain may be impossible or seriously detrimental to the bankruptcy

laws. Thus, this section recognizes the availability of alternative means of protecting a secured creditor's interest. Though the creditor may not receive his bargain in kind, the purpose of the section is to insure that the secured creditor receives in value essentially what he bargained for.

H.R. Rep. No. 595, 95th Cong., 1st Sess. 399 (1977).

25. It has long been well established that, under the Bankruptcy Code, a secured creditor must be protected against decreases in the value of such secured creditor's interest in collateral due to the imposition of the automatic stay. United Sav. Ass'n of Texas v. Timbers of Inwood Forest Assocs., Ltd., 484 U.S. 365, 370 (1988) (interest is not adequately protected if the security is depreciating during the term of the stay) Rosen, 208 B.R. at 356 ("A basis for lack of adequate protection may arise from the threat of decline due to the 'failure to maintain property insurance' or the failure to 'provide for real property taxes'"); In re Domestic Fuel Corp. 70 B.R. 455, 463 (Bankr. S.D.N.Y. 1987) (a secured creditor is entitled to adequate protection for any decline in value the collateral may suffer after the automatic stay is in effect); Barclays Bank of N.Y. v. Saypol (In re Saypol), 31 B.R. 796, 800 (Bankr. S.D.N.Y. 1983) (Congress believed a decline in collateral value to be the decisive factor in determining the need for adequate protection).¹

26. The burden of proving whether the moving party's interests are adequately protected is on the party opposing relief from the stay. See In re Swedeland

¹ In fact, the Fifth Amendment to the United States Constitution guarantees protection against any taking of private property without just compensation. The scope of the Fifth Amendment reaches material impairment of collateral both in and outside of bankruptcy proceedings. Chem. Bank v. Am. Kitchen Foods, Inc. (In re Am. Kitchen Foods, Inc.), Nos. BK75-294-302ND, 1976 Bankr. LEXIS 6, at *16 (Bankr. D. Me. June 8, 1976). Thus, the Bankruptcy Code recognizes that, in its attempt to allow a debtor to rehabilitate itself, a secured creditor cannot be inequitably deprived of its property rights. Louisville Joint Stock Land Bank v. Radford, 295 U.S. 555, 589 (1935); In re Penn Cent. Transp. Co., 454 F.2d 9, 13 n.10 (3d Cir. 1972).

Development Group, Inc., 16 F.3d 552, 564 (3d Cir. 1994). As a result, here, the Debtor has the burden of demonstrating that the Secured Party's interest in the Dana/G&U Collateral is adequately protected, and if the Debtor cannot do so, then the stay must be lifted. See In re XB-1 Associates, 27 B.R. 827, 832 (Bankr. S.D.N.Y. 1983).

27. Ample cause exists to terminate the automatic stay in this case because the Trustee is not making operating and neither the Debtor nor the Trustee has made any adequate protection payments to the Secured Party and the nature of the Dana/G&U Collateral and current market conditions are causing the value of the Dana/G&U Collateral to depreciate substantially. (Polselli Cert. at ¶¶ 14-15.)

28. First, it is beyond dispute that neither the Trustee nor the Debtor has provided the Secured Party with adequate protection for its interests in the Dana/G&U Collateral. Indeed, the Debtor's petition and schedules filed in this case indicate that the Debtor is likely unable to make such payments to the Secured Party. The Debtor's petition and schedules reveal that the Debtor's scheduled liabilities (\$3,587,253.07) exceed its scheduled assets (\$2,041,635.81). In fact, the scheduled secured claims (\$2,709,540.72) exceed the value of the Debtor's assets. Additionally, there is no evidence that the Dana/G&U Collateral itself generates income from which adequate protection payments could be made. Based on these facts, it is highly unlikely that the Debtor or the Trustee has the necessary resources to make adequate protection payments to the Secured Party.

29. Second, the nature of the Dana/G&U Collateral is such that it is diminishing in value. The raw materials are subject to erosion from wind and rain and lose their viability when exposed to sunlight. They are at risk of losing some or all of their value if

further exposed to the elements. (Polselli Cert. at ¶ 15.) Moreover, the peak season for fuel pellets, like the Dana/G&U Collateral is the fall season. (Polselli Cert. at ¶ 14.) Further, the raw materials occupy significant space at the Site that could be put to more profitable use by the Secured Party. (Polselli Cert. at ¶ 16.)

30. Based on the foregoing reasons, the Secured Party submits that sufficient cause exists to grant it relief from the automatic stay pursuant to 11 U.S.C. § 362(d)(1) because the value of the Dana/G&U Collateral is diminishing and the Debtor has not provided (and likely cannot provide) adequate protection for the Secured Party's interests in the Dana/G&U Collateral. See Rosen, 208 B.R. at 356.

B. Other “Cause” Exists to Grant the Secured Party Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d)(1).

31. The Bankruptcy Court must terminate the automatic stay where the movant establishes “cause:”

On request of a party in interest and after notice and a hearing, the court shall grant relief from the stay provided under subsection (a) of this section, such as by terminating, annulling, modifying, or conditioning such stay ... for cause, including the lack of adequate protection of an interest in property of such party in interest...

11 U.S.C. § 362(d)(1).

32. “Cause” is a flexible concept:

“Cause” as used in § 362(d)(1) has no clear and limited definition and, therefore, is determined on a case by case basis. ... “Cause” is an intentionally broad and flexible concept that permits the Bankruptcy Court, as a court of equity, to respond to inherently fact-sensitive situations.

In re Texas State Optical, Inc., 188 B.R. 552, 556 (Bankr. E.D. Tex. 1995) (citing In re MacDonald, 755 F.2d 715, 717 (9th Cir.1986) and In re Sentry Park, Ltd., 87 B.R. 427, 430 (Bankr.W.D.Tex.1988)).

33. In determining whether “cause” exists, courts generally balance the equities between the interest of the movant and those of the affected debtor:

Factors generally looked to in determining whether to modify the stay for cause include interference with the bankruptcy, good or bad faith of the debtor, injury to the debtor and other creditors if the stay is modified, injury to the movant if the stay is not modified, and the proportionality of the harms from modifying or continuing the stay.

In re Milne, 185 B.R. 280, 283 (N.D. Ill. 1995)

34. Here, as noted above, the value of the Dana/G&U Collateral is diminishing due to a combination of market conditions and its intrinsic nature. If the Dana/G&U Collateral is not disposed of promptly, the Secured Party and the Debtor’s bankruptcy estate will be damaged. The Secured Party also is being harmed because the raw materials occupy significant space at the Site that could be put to more profitable use by the Secured Party. (Polselli Cert. at ¶¶ 14-16.)

35. In contrast, it is in the interest of the Secured Party and the Debtor’s bankruptcy estate to reduce the Dana/G&U Collateral to cash. Once this occurs, the Secured Party’s debt will be reduced. To the extent the sale of the Dana/G&U Collateral brings more than the Secured Party is due, the Secured Party will remit the excess to the Trustee for the benefit of the Debtor’s bankruptcy estate. Accordingly, there is no harm

to the Debtor's bankruptcy estate from lifting the automatic stay and authorizing the Secured Party to dispose of the Dana/G&U Collateral.

36. The Secured Party intends to dispose of the Dana/G&U Collateral in accordance with the provisions of the Uniform Commercial Code as adopted in Massachusetts, whose statutes govern the Security Agreement. The requirement of the Uniform Commercial Code as applicable to the sale adequately protect the interests of the Debtor, the Trustee and the Debtor's bankruptcy estate with respect to the disposition of the Dana/G&U Collateral.

37. For the foregoing reasons, the Secured Party respectfully submits that there is "cause" to grant the Secured Party relief from the automatic stay to dispose of the Dana/G&U Collateral.

C. The Secured Party is Entitled to Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d)(2).

38. Bankruptcy Code § 362(d)(2) establishes a two-pronged test with respect to a secured party's entitlement to relief from the automatic stay, stating that the bankruptcy court must lift the automatic stay with respect to collateral if (i) the debtor does not have equity in such property and (ii) such property is not necessary to an effective reorganization. 11 U.S.C. § 362(d)(2).

39. The mandatory language of § 362(d)(2) is repeated in the legislative history, which states that "[t]he court shall grant relief from the stay if there is no equity and it is not necessary to an effective reorganization." 124 Cong. Rec. H. 11092-3 (September 28, 1978) (emphasis added).

40. In Nantucket Investors II v. California Fed. Bank (In re Indian Palms Associates, LTD.), 61 F.3d 197 (3d Cir. 1995), the Third Circuit, consistent with the legislative intent of § 362(d)(2), narrowly construed this section as mandatory, stating, we note that the language of section 362(d)(2) is mandatory, when both factors are met ‘the court shall grant relief.’” Id. at 208.

41. As is set forth below, the Debtor lacks equity in the Dana/G&U Collateral and, especially inasmuch as this is a Chapter 7 case, the Dana/G&U Collateral is not necessary for an effective reorganization.

(i) The Debtor Has No Equity in the Dana/G&U Collateral.

42. For purposes of Bankruptcy Code § 362(d)(2)(A), a debtor lacks equity in property when the value of liens and encumbrances upon the property is greater than the value of the property itself. See In re Askew, 312 B.R. 274, 282 (Bankr. D.N.J. 2004) (finding that debtor had negative equity in property where lien of mortgage and tax sale certificate were \$37,000.00 greater than the value of the property in question).

43. Here, it is clear that the Debtor has no equity in the Dana/G&U Collateral. The Secured Party’s claim is \$2,211,291.13. (Polselli Cert. at ¶ 12.) The Dana/G&U Collateral is worth significantly less. As set forth in the Polselli Cert., the wholesale value of the Dana/G&U Collateral is only \$1,641,350.00. Based on the Debtor’s own bankruptcy filings, the Debtor admits the Dana/G&U Collateral is worth not more than \$1,884,080.00. (See Petition, Schedule A/B, Part 5 at p. 9.) In fact, the total assets listed by the Debtor are only \$2,041,635.81. (Petition, Schedule A/B, Part 12 at p. 12.) In either case, the indebtedness secured by the Dana/G&U Collateral is in excess of the

value attributed to the Dana/G&U Collateral by the both the Debtor and the Secured Party. Thus, the Debtor has no equity in the property.

(ii) The Dana/G&U Collateral is not Necessary to an Effective Reorganization.

44. Once the moving party establishes that a debtor has no equity in the property, the burden shifts to the debtor to prove that the property is necessary for an effective reorganization. See 11 U.S.C. § 362(g); see also Timbers, 484 U.S. at 376. A debtor must show that “the property is essential for an effective reorganization that is in prospect. This means . . . that there must be a reasonable possibility of a successful reorganization within a reasonable time.” FGH Realty Credit Corp. v Newark Airport/Hotel Ltd. Partnership, 155 B.R. 93, 98 (D.N.J. 1993) (quoting Timbers, 484 U.S. at 375-76). The debtor must show a “realistic chance” of reorganizing. See John Hancock Mut. Life Ins. Co. v. Rote 37 Bus. Park Assoc., 987 F.2d 154, 157 (3d Cir. 1993).

45. Here, it is beyond dispute that the Dana/G&U Collateral is not necessary for an effective reorganization as this is a Chapter 7 case and there will be no reorganization of the Debtor. See In re Diplomat Electronics Corp., 82 B.R. 688, 693 (Bankr. S.D.N.Y. 1988) (stating that “[i]n a chapter 7 case if there is no equity in the property sought to be foreclosed, the stay should be lifted because there can be no question that the property is not necessary for an effective reorganization.”); In re Hersperger, 2008 WL 2201455, at *2 (W.D. Pa. 2008) (stating that “[b]ecause a Chapter 7 proceeding does not involve a reorganization, it is generally presumed that the second condition under 11 U.S.C.

§ 362(d)(2)(B) is met in a Chapter 7 proceeding.”) In re Aulicino, 400 B.R. 175, 179 (Bankr. E.D. Pa. 2008) (holding that 11 U.S.C. § 362(d)(2)(B) not met by debtor because bankruptcy case was filed under Chapter 7).

46. As a result, the Secured Party should be granted relief from the automatic stay to enforce its rights in and remedies against the Dana/G&U Collateral.

II. THE ORDER GRANTING THE DANA STAY RELIEF MOTION SHOULD BE IMMEDIATELY EFFECTIVE NOTWITHSTANDING FED. R. BANKR. P. 4001(a)(3).

47. In addition to granting the Secured Party relief from the automatic stay, the Secured Party also seeks a waiver of the stay of the Court’s stay relief order pursuant to *Fed. R. Bankr. P.* 4001(a)(3). The market conditions and potential deterioration of the Dana/G&U Collateral also support this relief.

48. Generally, an order granting relief from the automatic stay is not effective until the running of the applicable, fourteen day appeal period, but this provision can be waived for cause shown. *Fed. R. Bankr. P.* 4001(a)(3)(“An order granting a motion for relief from an automatic stay made in accordance with Rule 4001(a)(1) is stayed until the expiration of 14 days after the entry of the order, ***unless the court orders otherwise.***”)(emphasis added).

49. Here the approaching end of the peak selling season for the Dana/G&U Collateral and the significant risk of deterioration of the Dana/G&U Collateral due to exposure to the weather and sunlight provide an adequate basis for waiving the application of *Fed. R. Bank. P.* 4001(a)(3).

CONCLUSION

WHEREFORE, the Secured Party respectfully requests that the Court enter the form of Order submitted herewith (1) granting the Secured Party relief from the automatic stay to enforce its liens against the Dana/G&U Collateral, including but not limited to noticing and conducting a sale of the Dana/G&U Collateral and (2) for such other and further relief as the Court deems equitable and just.

BECKER LLC
Attorneys for Dana Transport, Inc. and
Grafton & Upton Railcare LLC

By: /s/ J. Alex Kress
Allen J. Underwood II, Esq.
J. Alex Kress, Esq.

Dated: October 3, 2016

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

BECKER LLC

Eisenhower Plaza II

354 Eisenhower Parkway, Suite 1500

Livingston, New Jersey 07039

Telephone number: (973) 422-1100

Fax number (973) 422-9122

Attorneys for Secured Creditors, Dana Transport,
Inc. and Grafton & Upton Railcare, LLC

ALLEN J. UNDERWOOD, II, ESQ.

E-mail address: ajunderwood@becker.legal

J. ALEX KRESS, ESQ.

E-mail address: akress@becker.legal

In re:

VIRIDIS MERCHANTS INC.,

Debtors.

Case No. 16-27792 (CMG)

Chapter 7

Judge: Honorable Christine M. Gravelle

Hearing Date: Oct. __, 2016
at __: __ .m.

ORDER: (1) GRANTING RELIEF FROM THE AUTOMATIC STAY PURSUANT TO 11 U.S.C. § 362(d) TO PERMIT ENFORCEMENT OF SECURITY INTERESTS AGAINST INVENTORY AND RAW MATERIALS LOCATED AT UPTON, MA AND (2) FOR OTHER FURTHER RELATED RELIEF

The relief set forth on the following pages numbered two (2) through six (6)
is hereby **ORDERED**.

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Debtor: Viridis Merchants, Inc.

Case No. 16-27792 (CMG)

Caption: *Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief*

THIS MATTER having come before this Court by way of motion filed by Becker LLC, as attorneys for Dana Transport, Inc. (“**Dana Transport**”) and Grafton & Upton Railcare, LLC (“**G&U Railcare**” and, together with Dana Transport, collectively, the “**Secured Party**”), seeking the entry of an Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief (the “**Dana Stay Relief Motion**”); and the Court having reviewed the papers submitted in support of the Dana Stay Relief Motion, the objections to it, if any;

IT IS HEREBY FOUND AND DETERMINED AS FOLLOWS:

A. The debtor herein, Viridis Merchants, Inc. (“**Viridis**” or the “**Debtor**”) filed a voluntary petition for liquidation under chapter 7 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”) on September 16, 2016 (the “**Petition Date**”) in the United States Bankruptcy Court for the District of New Jersey (the “**Bankruptcy Court**”).

B. Bunce D. Atkinson has been appointed as the Chapter 7 Trustee (the “**Chapter 7 Trustee**”) for the Debtor.

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Debtor: Viridis Merchants, Inc.

Case No. 16-27792 (CMG)

Caption: *Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief*

C. Prior to the Petition Date, the Debtor and the Secured Party entered into various agreements, including but not limited to, (i) a Line of Credit Note, dated August 7, 2015 (the “**Note**”); and (ii) a Security Agreement Dated August 7, 2015 (the “**Security Agreement**”).

D. The Security Agreement granted the Secured Party a lien in the following assets of the Debtor (the “**Dana/G&U Collateral**”):

All Debtor’s inventory which is located in rail cars owned or leased by the Secured Party and being shipped to Secured Party’s Upton Massachusetts location (the “Site”) and all such inventory at the Site whether in bulk or in bags and all such inventory being warehoused at the Site or any location under the control of the Secured Party and the proceeds and insurance proceeds thereof.

Security Agreement at Paragraph 2, pp. 1-2. The Site is a railyard operated by the Secured Party located at 25 Maple Avenue, Upton, Massachusetts.

E. The Secured Party perfected its security interest in the Dana/G&U Collateral by filing a UCC-1 Financing Statement with the Delaware Department of State, U.C.C. Filing Section on August 24, 2015, Filing No. 2015 376614 (the “**Dana/G&U Financing Statement**”).

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Debtor: Viridis Merchants, Inc.

Case No. 16-27792 (CMG)

Caption: *Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief*

F. As of the Petition Date, the Secured Party was owed a total of at least \$2,211,291.13, consisting principal of \$1,724,406.37, interest of \$117,779.51, and additional charges of \$369,105.25.

G. The Dana/G&U Collateral is a mix of organic and inorganic material used to form fuel pellets to be packaged and sold to distributors. The Secured Party currently is in possession and control of approximately 6,760 tons of raw materials forming the Dana/G&U Collateral.

H. The raw materials are diminishing in value because the peak season to sell fuel pellets is the fall season. Additionally, the raw materials are subject to erosion from wind and rain and lose their viability when exposed to sunlight. So, they are at risk of losing some or all of their value if further exposed to the elements. Accordingly, they are further diminishing in value as they sit at the Site.

I. Further, the raw materials occupy significant space at the Dana/G&U Site which could otherwise be put to more profitable use by the Secured Party.

J. The value of the Dana/G&U Collateral is less than the amount due to the Secured Party.

K. Good cause appears for the making of this Order.

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Debtor: Viridis Merchants, Inc.

Case No. 16-27792 (CMG)

Caption: ***Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief***

IT IS hereby ORDERED as follows:

1. The Dana Stay Relief Motion, be and hereby is, GRANTED.
2. Pursuant to 11 U.S.C. §§ 362(d)(1) and (d)(2), the automatic stay provided by 11 U.S.C. § 362(a) be, and hereby is, TERMINATED, MODIFIED and ANNULLED to permit the Secured Party to take any and all actions necessary to exercise its rights in and against the Dana/G&U Collateral, including, but not limited to, selling the Dana/G&U Collateral at one or more public or private sales. The Secured Party shall give notice of such sales to the Trustee and the Debtor in accordance with the applicable provisions of the Uniform Commercial Code as adopted in the Commonwealth of Massachusetts.
3. The fourteen (14) day stay under *Fed. R. Bankr. P.* 4001(a)(3) is hereby waived and this Order shall be deemed effective immediately.
4. The findings set forth above and the conclusions of law stated herein constitute this Court's findings of fact and conclusions of law pursuant to *Fed. R. Bankr. P.* 7052, made applicable to the Dana Stay Relief Motion pursuant to *Fed R. Bankr. P.* 9014. To the extent that any finding of fact shall later be determined to be a conclusion of law, it shall be so deemed, and to the extent that any conclusion of law shall later be determined to be a finding of fact, it shall be so deemed.

Page: 6 of 6

Debtor: Viridis Merchants, Inc.

Case No. 16-27792 (CMG)

Caption: *Order: (1) Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Permit Enforcement of Security Interests Against Inventory and Raw Materials Located at Upton, MA and (2) for Other Further Related Relief*

5. The Secured Party shall serve a copy of this Order on counsel to the Debtor, the Trustee, and all parties requesting notice in this bankruptcy case within seven (7) days of the date hereof.

EXHIBIT 2

Fill in this information to identify your case:

United States Bankruptcy Court for the:

DISTRICT OF NEW JERSEY

Case number (if known) Chapter 7

☐ Check if this an amended filing

Official Form 201

Voluntary Petition for Non-Individuals Filing for Bankruptcy

4/16

If more space is needed, attach a separate sheet to this form. On the top of any additional pages, write the debtor's name and case number (if known). For more information, a separate document, *Instructions for Bankruptcy Forms for Non-Individuals*, is available.

1. Debtor's name	Viridis Merchants Inc.	
2. All other names debtor used in the last 8 years Include any assumed names, trade names and doing business as names		
3. Debtor's federal Employer Identification Number (EIN)	46-4712539	
4. Debtor's address	Principal place of business 80 Cottontail Lane, Suite 210 Somerset, NJ 08873 Number, Street, City, State & ZIP Code Somerset County	Mailing address, if different from principal place of business 700 West Pender Street, Suite 520 Vancouver, BC V6C 1G8 CANADA P.O. Box, Number, Street, City, State & ZIP Code Location of principal assets, if different from principal place of business 25 Maple Ave. Upton, MA 01568 Number, Street, City, State & ZIP Code
5. Debtor's website (URL)		
6. Type of debtor	☒ Corporation (including Limited Liability Company (LLC) and Limited Liability Partnership (LLP)) ☐ Partnership (excluding LLP) ☐ Other. Specify:	

Debtor **Viridis Merchants Inc.**
Name

Case number (if known)

7. Describe debtor's business

A. Check one:

- ☐ Health Care Business (as defined in 11 U.S.C. § 101(27A))
- ☐ Single Asset Real Estate (as defined in 11 U.S.C. § 101(51B))
- ☐ Railroad (as defined in 11 U.S.C. § 101(44))
- ☐ Stockbroker (as defined in 11 U.S.C. § 101(53A))
- ☐ Commodity Broker (as defined in 11 U.S.C. § 101(6))
- ☐ Clearing Bank (as defined in 11 U.S.C. § 781(3))
- ☒ None of the above

B. Check all that apply

- ☐ Tax-exempt entity (as described in 26 U.S.C. §501)
- ☐ Investment company, including hedge fund or pooled investment vehicle (as defined in 15 U.S.C. §80a-3)
- ☐ Investment advisor (as defined in 15 U.S.C. §80b-2(a)(11))

C. NAICS (North American Industry Classification System) 4-digit code that best describes debtor.

See <http://www.uscourts.gov/four-digit-national-association-naics-codes>.4233**8. Under which chapter of the Bankruptcy Code is the debtor filing?**

Check one:

☒ Chapter 7☐ Chapter 9☐ Chapter 11. Check all that apply:

- ☐ Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,566,050 (amount subject to adjustment on 4/01/19 and every 3 years after that).
- ☐ The debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). If the debtor is a small business debtor, attach the most recent balance sheet, statement of operations, cash-flow statement, and federal income tax return or if all of these documents do not exist, follow the procedure in 11 U.S.C. § 1116(1)(B).
- ☐ A plan is being filed with this petition.
- ☐ Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).
- ☐ The debtor is required to file periodic reports (for example, 10K and 10Q) with the Securities and Exchange Commission according to § 13 or 15(d) of the Securities Exchange Act of 1934. File the attachment to Voluntary Petition for Non-Individuals Filing for Bankruptcy under Chapter 11 (Official Form 201A) with this form.
- ☐ The debtor is a shell company as defined in the Securities Exchange Act of 1934 Rule 12b-2.

☐ Chapter 12**9. Were prior bankruptcy cases filed by or against the debtor within the last 8 years?**☒ No.☐ Yes.

If more than 2 cases, attach a separate list.

District	_____	When	_____	Case number	_____
District	_____	When	_____	Case number	_____

10. Are any bankruptcy cases pending or being filed by a business partner or an affiliate of the debtor?☒ No☐ Yes.

List all cases. If more than 1, attach a separate list

Debtor	_____	Relationship	_____
District	_____	When	_____
		Case number, if known	_____

Debtor **Viridis Merchants Inc.** Case number (if known) _____
Name

11. Why is the case filed in this district? *Check all that apply:*

☒ Debtor has had its domicile, principal place of business, or principal assets in this district for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other district.

☐ A bankruptcy case concerning debtor's affiliate, general partner, or partnership is pending in this district.

12. Does the debtor own or have possession of any real property or personal property that needs immediate attention?

☒ No

☐ Yes. Answer below for each property that needs immediate attention. Attach additional sheets if needed.

Why does the property need immediate attention? (Check all that apply.)

☐ It poses or is alleged to pose a threat of imminent and identifiable hazard to public health or safety.
What is the hazard? _____

☐ It needs to be physically secured or protected from the weather.

☐ It includes perishable goods or assets that could quickly deteriorate or lose value without attention (for example, livestock, seasonal goods, meat, dairy, produce, or securities-related assets or other options).

☐ Other _____

Where is the property? _____
Number, Street, City, State & ZIP Code

Is the property insured?

☐ No

☐ Yes. Insurance agency _____
Contact name _____
Phone _____

Statistical and administrative information

13. Debtor's estimation of available funds *Check one:*

☐ Funds will be available for distribution to unsecured creditors.

☒ After any administrative expenses are paid, no funds will be available to unsecured creditors.

14. Estimated number of creditors

☒ 1-49	☐ 1,000-5,000	☐ 25,001-50,000
☐ 50-99	☐ 5001-10,000	☐ 50,001-100,000
☐ 100-199	☐ 10,001-25,000	☐ More than 100,000
☐ 200-999		

15. Estimated Assets

☐ \$0 - \$50,000	☒ \$1,000,001 - \$10 million	☐ \$500,000,001 - \$1 billion
☐ \$50,001 - \$100,000	☐ \$10,000,001 - \$50 million	☐ \$1,000,000,001 - \$10 billion
☐ \$100,001 - \$500,000	☐ \$50,000,001 - \$100 million	☐ \$10,000,000,001 - \$50 billion
☐ \$500,001 - \$1 million	☐ \$100,000,001 - \$500 million	☐ More than \$50 billion

16. Estimated liabilities

☐ \$0 - \$50,000	☒ \$1,000,001 - \$10 million	☐ \$500,000,001 - \$1 billion
☐ \$50,001 - \$100,000	☐ \$10,000,001 - \$50 million	☐ \$1,000,000,001 - \$10 billion
☐ \$100,001 - \$500,000	☐ \$50,000,001 - \$100 million	☐ \$10,000,000,001 - \$50 billion
☐ \$500,001 - \$1 million	☐ \$100,000,001 - \$500 million	☐ More than \$50 billion

Debtor **Viridis Merchants Inc.**
Name

Case number (if known)

Request for Relief, Declaration, and Signatures

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 152, 1341, 1519, and 3571.

**17. Declaration and signature
of authorized
representative of debtor**

The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

I have been authorized to file this petition on behalf of the debtor.

I have examined the information in this petition and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on **September 16, 2016**
MM / DD / YYYY

X /s/ Christopher Robertson
Signature of authorized representative of debtor

Title **CEO**

Christopher Robertson
Printed name

18. Signature of attorney

X /s/ Richard M. Meth
Signature of attorney for debtor

Date **September 16, 2016**
MM / DD / YYYY

Richard M. Meth
Printed name

Fox Rothschild LLP
Firm name

**75 Eisenhower Parkway
Suite 200
Roseland, NJ 07068**
Number, Street, City, State & ZIP Code

Contact phone **973-992-4800**

Email address **rmeth@foxrothschild.com**

Bar number and State

**RESOLUTION OF SPECIAL MEETING
OF VIRIDIS MERCHANTS, INC.**

I hereby certify that at a duly called and held special meeting of the board of Viridis Merchants, Inc., a Delaware corporation (the "Corporation"), held on the 13th day of September, 2016, the following Resolution was proposed and unanimously adopted:

BE IT RESOLVED, the aforementioned Corporation, in view of its financial condition, be and is hereby authorized and directed to file a petition pursuant to Chapter 7 of the United States Bankruptcy Code and retain the services of counsel for the purposes of preparing, filing, and prosecuting a Petition under Chapter 7 and to take all steps necessary and related thereto, and that Christopher Robertson, as a duly authorized officer of the Corporation, is hereby authorized to execute the Petition and any other pleadings or documents deemed necessary in connection with the Chapter 7 case of the Corporation; and it is further

RESOLVED, that Christopher Robertson be and hereby is authorized and directed, in the name and on behalf of the Corporation, to prepare, execute, issue, deliver and/or file any and all such further agreements, certificates, instruments, letters and pleadings and other documents to perform any and all such acts as deemed necessary or desirable to effectuate fully the foregoing Resolution; and it is further

RESOLVED, that the Corporation is authorized to retain the law firm of Fox Rothschild LLP to represent the Corporation in connection with the Chapter 7 filing.

In certification hereof, I do set my hand and seal this 13th day of September, 2016.

VIRIDIS MERCHANTS, INC.

By: _____

CHRISTOPHER ROBERTSON

Fill in this information to identify the case:

Debtor name Viridis Merchants Inc.

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 202

Declaration Under Penalty of Perjury for Non-Individual Debtors

12/15

An individual who is authorized to act on behalf of a non-individual debtor, such as a corporation or partnership, must sign and submit this form for the schedules of assets and liabilities, any other document that requires a declaration that is not included in the document, and any amendments of those documents. This form must state the individual's position or relationship to the debtor, the identity of the document, and the date. Bankruptcy Rules 1008 and 9011.

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 152, 1341, 1519, and 3571.

Declaration and signature

I am the president, another officer, or an authorized agent of the corporation; a member or an authorized agent of the partnership; or another individual serving as a representative of the debtor in this case.

I have examined the information in the documents checked below and I have a reasonable belief that the information is true and correct:

- ☒ *Schedule A/B: Assets—Real and Personal Property* (Official Form 206A/B)
- ☒ *Schedule D: Creditors Who Have Claims Secured by Property* (Official Form 206D)
- ☒ *Schedule E/F: Creditors Who Have Unsecured Claims* (Official Form 206E/F)
- ☒ *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G)
- ☐ *Schedule H: Codebtors* (Official Form 206H)
- ☒ *Summary of Assets and Liabilities for Non-Individuals* (Official Form 206Sum)
- ☐ *Amended Schedule* _____
- ☐ *Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders* (Official Form 204)
- ☐ Other document that requires a declaration _____

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 16, 2016

X /s/ Christopher Robertson

Signature of individual signing on behalf of debtor

Christopher Robertson

Printed name

CEO

Position or relationship to debtor

Fill in this information to identify the case:

Debtor name Viridis Merchants Inc.

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206Sum
Summary of Assets and Liabilities for Non-Individuals

12/15

Part 1: Summary of Assets

1. **Schedule A/B: Assets-Real and Personal Property** (Official Form 206A/B)

1a. **Real property:**

Copy line 88 from *Schedule A/B*..... \$ 0.00

1b. **Total personal property:**

Copy line 91A from *Schedule A/B*..... \$ 2,041,635.81

1c. **Total of all property:**

Copy line 92 from *Schedule A/B*..... \$ 2,041,635.81

Part 2: Summary of Liabilities

2. **Schedule D: Creditors Who Have Claims Secured by Property** (Official Form 206D)

Copy the total dollar amount listed in Column A, *Amount of claim*, from line 3 of *Schedule D*..... \$ 2,709,540.72

3. **Schedule E/F: Creditors Who Have Unsecured Claims** (Official Form 206E/F)

3a. **Total claim amounts of priority unsecured claims:**

Copy the total claims from Part 1 from line 5a of *Schedule E/F*..... \$ 0.00

3b. **Total amount of claims of nonpriority amount of unsecured claims:**

Copy the total of the amount of claims from Part 2 from line 5b of *Schedule E/F*..... +\$ 877,712.35

4. **Total liabilities**
Lines 2 + 3a + 3b

\$ 3,587,253.07

Fill in this information to identify the case:

Debtor name Viridis Merchants Inc.

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206A/B

Schedule A/B: Assets - Real and Personal Property

12/15

Disclose all property, real and personal, which the debtor owns or in which the debtor has any other legal, equitable, or future interest. Include all property in which the debtor holds rights and powers exercisable for the debtor's own benefit. Also include assets and properties which have no book value, such as fully depreciated assets or assets that were not capitalized. In Schedule A/B, list any executory contracts or unexpired leases. Also list them on *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G).

Be as complete and accurate as possible. If more space is needed, attach a separate sheet to this form. At the top of any pages added, write the debtor's name and case number (if known). Also identify the form and line number to which the additional information applies. If an additional sheet is attached, include the amounts from the attachment in the total for the pertinent part.

For Part 1 through Part 11, list each asset under the appropriate category or attach separate supporting schedules, such as a fixed asset schedule or depreciation schedule, that gives the details for each asset in a particular category. List each asset only once. In valuing the debtor's interest, do not deduct the value of secured claims. See the instructions to understand the terms used in this form.

Part 1: Cash and cash equivalents

1. Does the debtor have any cash or cash equivalents?

- ☐ No. Go to Part 2.
- ☒ Yes Fill in the information below.

All cash or cash equivalents owned or controlled by the debtor

Current value of debtor's interest

3. Checking, savings, money market, or financial brokerage accounts (Identify all)

Name of institution (bank or brokerage firm)	Type of account	Last 4 digits of account number	
3.1. <u>Royal Bank of Canada</u>	<u>USD</u>	<u>4302</u>	<u>\$56,460.52</u>
3.2. <u>Royal Bank of Canada</u>	<u>CAD</u>	<u>5373</u>	<u>\$5,465.29</u>

4. Other cash equivalents (Identify all)

5. Total of Part 1.

Add lines 2 through 4 (including amounts on any additional sheets). Copy the total to line 80.

\$61,925.81

Part 2: Deposits and Prepayments

6. Does the debtor have any deposits or prepayments?

- ☒ No. Go to Part 3.
- ☐ Yes Fill in the information below.

Part 3: Accounts receivable

10. Does the debtor have any accounts receivable?

- ☐ No. Go to Part 4.
- ☒ Yes Fill in the information below.

11. Accounts receivable

Debtor Viridis Merchants Inc. Case number (if known) _____
Name

11a. 90 days old or less: 10,200.00 - 0.00 = \$10,200.00
face amount doubtful or uncollectible accounts

11b. Over 90 days old: 85,430.00 - 0.00 = \$85,430.00
face amount doubtful or uncollectible accounts

12. **Total of Part 3.**

Current value on lines 11a + 11b = line 12. Copy the total to line 82.

\$95,630.00

Part 4: Investments

13. Does the debtor own any investments?

- ☒ No. Go to Part 5.
☐ Yes Fill in the information below.

Part 5: Inventory, excluding agriculture assets

18. Does the debtor own any inventory (excluding agriculture assets)?

- ☐ No. Go to Part 6.
☒ Yes Fill in the information below.

	General description	Date of the last physical inventory	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
19.	Raw materials See Attached Schedule	July 29, 2016	\$193,135.38	N/A	\$470,890.00
20.	Work in progress				
21.	Finished goods, including goods held for resale See Attached Schedule	7/29/16	\$1,413,190.00		\$1,413,190.00

22. Other inventory or supplies

23. **Total of Part 5.**

Add lines 19 through 22. Copy the total to line 84.

\$1,884,080.00

24. Is any of the property listed in Part 5 perishable?

- ☒ No
☐ Yes

25. Has any of the property listed in Part 5 been purchased within 20 days before the bankruptcy was filed?

- ☒ No
☐ Yes. Book value _____ Valuation method _____ Current Value _____

26. Has any of the property listed in Part 5 been appraised by a professional within the last year?

- ☒ No
☐ Yes

Part 6: Farming and fishing-related assets (other than titled motor vehicles and land)

27. Does the debtor own or lease any farming and fishing-related assets (other than titled motor vehicles and land)?

Debtor Viridis Merchants Inc. Case number (if known) _____
Name

- ☐ No. Go to Part 7.
☐ Yes Fill in the information below.

Part 7: Office furniture, fixtures, and equipment; and collectibles

38. Does the debtor own or lease any office furniture, fixtures, equipment, or collectibles?

- ☐ No. Go to Part 8.
☐ Yes Fill in the information below.

Part 8: Machinery, equipment, and vehicles

46. Does the debtor own or lease any machinery, equipment, or vehicles?

- ☐ No. Go to Part 9.
☐ Yes Fill in the information below.

Part 9: Real property

54. Does the debtor own or lease any real property?

- ☐ No. Go to Part 10.
☐ Yes Fill in the information below.

Part 10: Intangibles and intellectual property

59. Does the debtor have any interests in intangibles or intellectual property?

- ☐ No. Go to Part 11.
☐ Yes Fill in the information below.

Part 11: All other assets

70. Does the debtor own any other assets that have not yet been reported on this form?

Include all interests in executory contracts and unexpired leases not previously reported on this form.

- ☐ No. Go to Part 12.
☒ Yes Fill in the information below.

Current value of
debtor's interest

71. **Notes receivable**
Description (include name of obligor)

72. **Tax refunds and unused net operating losses (NOLs)**
Description (for example, federal, state, local)

2016: To be determined (estimated at \$1.7 Million)

Tax year **2016**

Unknown

73. **Interests in insurance policies or annuities**

74. **Causes of action against third parties (whether or not a lawsuit has been filed)**

75. **Other contingent and unliquidated claims or causes of action of every nature, including counterclaims of the debtor and rights to set off claims**

76. **Trusts, equitable or future interests in property**

77. **Other property of any kind not already listed** Examples: Season tickets,

Debtor Viridis Merchants Inc. Case number (if known) _____
Name

country club membership

78. **Total of Part 11.**

Add lines 71 through 77. Copy the total to line 90.

\$0.00

79. **Has any of the property listed in Part 11 been appraised by a professional within the last year?**

☒ No

☐ Yes

Debtor Viridis Merchants Inc. Case number (if known) _____
Name

Part 12: Summary

In Part 12 copy all of the totals from the earlier parts of the form

Type of property	Current value of personal property	Current value of real property
80. Cash, cash equivalents, and financial assets. <i>Copy line 5, Part 1</i>	<u>\$61,925.81</u>	
81. Deposits and prepayments. <i>Copy line 9, Part 2.</i>	<u>\$0.00</u>	
82. Accounts receivable. <i>Copy line 12, Part 3.</i>	<u>\$95,630.00</u>	
83. Investments. <i>Copy line 17, Part 4.</i>	<u>\$0.00</u>	
84. Inventory. <i>Copy line 23, Part 5.</i>	<u>\$1,884,080.00</u>	
85. Farming and fishing-related assets. <i>Copy line 33, Part 6.</i>	<u>\$0.00</u>	
86. Office furniture, fixtures, and equipment; and collectibles. <i>Copy line 43, Part 7.</i>	<u>\$0.00</u>	
87. Machinery, equipment, and vehicles. <i>Copy line 51, Part 8.</i>	<u>\$0.00</u>	
88. Real property. <i>Copy line 56, Part 9.....></i>		<u>\$0.00</u>
89. Intangibles and intellectual property. <i>Copy line 66, Part 10.</i>	<u>\$0.00</u>	
90. All other assets. <i>Copy line 78, Part 11.</i>	+ <u>\$0.00</u>	
91. Total. Add lines 80 through 90 for each column	<u>\$2,041,635.81</u>	+ 91b. <u>\$0.00</u>
92. Total of all property on Schedule A/B. Add lines 91a+91b=92		<u>\$2,041,635.81</u>

Section 2 Part 3
Accounts Receivable

Customer	Current	7/1/2016 - 7/30/2016 (30)	6/1/2016 - 6/30/2016 (60)	5/2/2016 - 5/31/2016 (90)	Before 5/2/2016 (>90)	Total
C337 Royal Fireside Hearth & Patio LLC	\$ -	\$ 4,200.00	\$ -	\$ -	\$ -	\$ 4,200.00
C338 Roger's Farm Supply	\$ -	\$ -	\$ -	\$ -	\$ 31,440.00	\$ 31,440.00
C339 Squier Lumber Co.	\$6,020.00	\$ -	\$ -	\$ -	\$ -	\$ 6,020.00
C349 Cape Ann Chimney & Hearth	\$ -	\$ -	\$ -	\$ -	\$ 430.00	\$ 430.00
C359 Fireside Supply Inc.	\$ -	\$ -	\$ -	\$ -	\$ 6,590.00	\$ 6,590.00
C366 Kirley Masonry Supplies	\$ -	\$ -	\$ -	\$ -	\$ 10,080.00	\$ 10,080.00
C369 Mainline Heating & Supply Inc	\$ -	\$ -	\$ -	\$ -	\$ 14,430.00	\$ 14,430.00
C373 South Shore Wood Pellets	\$ -	\$ -	\$ -	\$ -	\$ 22,760.00	\$ 22,760.00
C455 J Triple S, Inc.	\$ -	\$ -	\$ -	\$ -	\$ 300.00	\$ 300.00
Total	\$6,020.00	\$ 4,200.00	\$ -	\$ -	\$ 85,430.00	\$95,650.00



Notes

This customer is in financial difficulty. Douglas Middleton recommends enrolling them in a payment program
This outstanding balance was paid in August, 2016
This outstanding balance relates to a shipping charge. Andy Zhou has resent the invoice. The customer is likely to pay it soon.
This customer is in financial difficulty. Douglas Middleton recommends enrolling them in a payment program
This customer is in financial difficulty. Douglas Middleton recommends enrolling them in a payment program
Currently in a payment Program. They have promised to make a weekly payment of \$1803.75
This customer has officially declared bankruptcy. VMI has already sent them to collections. The funds are likely to be uncollectible.

Section 2 Part 5
Supporting Calculations for Inventory

Net Book Value	
Raw Materials	(17 Railcars of Platinum*98 tons/railcar*\$127 CAD/1.3 exchange rate)+(2 Railcars of Low Country product*98 tons/railcar*\$155 USD)=\$193,135.40 USD
Finished Goods	(907 tons of Platinum * \$255 USD) + (1,791 tons of Douglas Fir * \$300 USD) + (2,743 tons of Gold * \$235 USD)= \$1,413,190.00 USD

Current Value

(17 Railcars of Platinum*98 tons/railcar*\$255 USD)+(2 Railcars of Low Country product*98 tons/railcar*\$235 USD)=\$470,890 USD
(907 tons of Platinum * \$255 USD) + (1,791 tons of Douglas Fir * \$300 USD) + (2,743 tons of Gold * \$235 USD) = \$1,413,190.00 USD

Debtor name **Viridis Merchants Inc.**

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

12/15

Best Case Bankruptcy

Debtor Viridis Merchants Inc. Case number (if know) _____
Name

Date debt was incurred

2015-2016

Last 4 digits of account number

☒ No

☐ Yes. Fill out *Schedule H: Codebtors* (Official Form 206H)

Do multiple creditors have an interest in the same property?

☒ No

☐ Yes. Specify each creditor, including this creditor and its relative priority.

As of the petition filing date, the claim is:

Check all that apply

☐ Contingent

☐ Unliquidated

☒ Disputed

3. Total of the dollar amounts from Part 1, Column A, including the amounts from the Additional Page, if any.

\$2,709,540.7
2

Part 2: List Others to Be Notified for a Debt Already Listed in Part 1

List in alphabetical order any others who must be notified for a debt already listed in Part 1. Examples of entities that may be listed are collection agencies, assignees of claims listed above, and attorneys for secured creditors.

If no others need to be notified for the debts listed in Part 1, do not fill out or submit this page. If additional pages are needed, copy this page.

Name and address

On which line in Part 1 did you enter the related creditor?

Last 4 digits of account number for this entity

Fill in this information to identify the case:

Debtor name Viridis Merchants Inc.

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206E/F

Schedule E/F: Creditors Who Have Unsecured Claims

12/15

Be as complete and accurate as possible. Use Part 1 for creditors with **PRIORITY** unsecured claims and Part 2 for creditors with **NONPRIORITY** unsecured claims. List the other party to any executory contracts or unexpired leases that could result in a claim. Also list executory contracts on *Schedule A/B: Assets - Real and Personal Property* (Official Form 206A/B) and on *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G). Number the entries in Parts 1 and 2 in the boxes on the left. If more space is needed for Part 1 or Part 2, fill out and attach the Additional Page of that Part included in this form.

Part 1: List All Creditors with PRIORITY Unsecured Claims

1. Do any creditors have priority unsecured claims? (See 11 U.S.C. § 507).

- ☒ No. Go to Part 2.
- ☐ Yes. Go to line 2.

Part 2: List All Creditors with NONPRIORITY Unsecured Claims

3. List in alphabetical order all of the creditors with nonpriority unsecured claims. If the debtor has more than 6 creditors with nonpriority unsecured claims, fill out and attach the Additional Page of Part 2.

		Amount of claim
3.1	Nonpriority creditor's name and mailing address Crow & Cushing 100 Canal Point Blvd Suite 214 Princeton, NJ 08540 Date(s) debt was incurred ____ Last 4 digits of account number ____	As of the petition filing date, the claim is: Check all that apply. ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: Legal Services Is the claim subject to offset? ☒ No ☐ Yes \$1,230.00
3.2	Nonpriority creditor's name and mailing address Diacarbon Energy Inc. 1700 - 1075 West Georgia Street Vancouver BC V6E 3C9 CANADA Date(s) debt was incurred ____ Last 4 digits of account number ____	As of the petition filing date, the claim is: Check all that apply. ☐ Contingent ☐ Unliquidated ☒ Disputed Basis for the claim: Trade debt Is the claim subject to offset? ☒ No ☐ Yes \$349,123.00
3.3	Nonpriority creditor's name and mailing address Georgia Biomass LLC 12 East Bay Street Savannah, GA 31401 Date(s) debt was incurred ____ Last 4 digits of account number ____	As of the petition filing date, the claim is: Check all that apply. ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: Trade debt Is the claim subject to offset? ☒ No ☐ Yes \$267,743.60
3.4	Nonpriority creditor's name and mailing address La Crete Sawmills Ltd. Hwy 697 South PO Box 1090 La Crete, AB T0H 2H0 CANADA Date(s) debt was incurred ____ Last 4 digits of account number ____	As of the petition filing date, the claim is: Check all that apply. ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: Trade debt Is the claim subject to offset? ☒ No ☐ Yes \$92,400.00

Debtor **Viridis Merchants Inc.** Case number (if known) _____
Name

3.5	Nonpriority creditor's name and mailing address Liaison Technologies Inc. Dept AT 952956 Atlanta, GA 31192-2956 Date(s) debt was incurred _____ Last 4 digits of account number _____	As of the petition filing date, the claim is: <i>Check all that apply.</i> ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: <u>Trade debt</u> Is the claim subject to offset? ☒ No ☐ Yes	\$28.05
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3.6	Nonpriority creditor's name and mailing address LowCountry BioMass LLC PO Box 1956 Ridgeland, SC 29936 Date(s) debt was incurred _____ Last 4 digits of account number _____	As of the petition filing date, the claim is: <i>Check all that apply.</i> ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: <u>Trade debt</u> Is the claim subject to offset? ☒ No ☐ Yes	\$127,760.30
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3.7	Nonpriority creditor's name and mailing address Manke Lumber Company Inc. 1717 Marine View Drive Tacoma, WA 98422 Date(s) debt was incurred _____ Last 4 digits of account number _____	As of the petition filing date, the claim is: <i>Check all that apply.</i> ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: <u>Trade debt</u> Is the claim subject to offset? ☒ No ☐ Yes	\$33,408.00
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3.8	Nonpriority creditor's name and mailing address Nexsen Pruet LLC 55 E. Camperdown Way, Suite 400 PO Box 10648 Greenville, SC 29601 Date(s) debt was incurred _____ Last 4 digits of account number _____	As of the petition filing date, the claim is: <i>Check all that apply.</i> ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: <u>Trade debt</u> Is the claim subject to offset? ☒ No ☐ Yes	\$4,008.50
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3.9	Nonpriority creditor's name and mailing address SGS North America Inc 236 32nd Ave Brookings, SD 57006 Date(s) debt was incurred _____ Last 4 digits of account number _____	As of the petition filing date, the claim is: <i>Check all that apply.</i> ☐ Contingent ☐ Unliquidated ☐ Disputed Basis for the claim: <u>Trade debt</u> Is the claim subject to offset? ☒ No ☐ Yes	\$166.00
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3.10	Nonpriority creditor's name and mailing address Trae Fuels PO Box 5512 Denver, CO 80217 Date(s) debt was incurred _____ Last 4 digits of account number _____	As of the petition filing date, the claim is: <i>Check all that apply.</i> ☐ Contingent ☐ Unliquidated ☒ Disputed Basis for the claim: <u>Trade debt</u> Is the claim subject to offset? ☒ No ☐ Yes	\$1,844.90
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Part 3: List Others to Be Notified About Unsecured Claims

4. List in alphabetical order any others who must be notified for claims listed in Parts 1 and 2. Examples of entities that may be listed are collection agencies, assignees of claims listed above, and attorneys for unsecured creditors.

If no others need to be notified for the debts listed in Parts 1 and 2, do not fill out or submit this page. If additional pages are needed, copy the next page.

Name and mailing address

On which line in Part1 or Part 2 is the related creditor (if any) listed?

Last 4 digits of account number, if any

Part 4: Total Amounts of the Priority and Nonpriority Unsecured Claims

5. Add the amounts of priority and nonpriority unsecured claims.

Total of claim amounts

Debtor **Viridis Merchants Inc.**
Name

Case number (if known)

5a. Total claims from Part 1

5a. \$ 0.00

5b. Total claims from Part 2

5b. + \$ 877,712.35

5c. Total of Parts 1 and 2

Lines 5a + 5b = 5c.

5c. \$ 877,712.35

Fill in this information to identify the case:

Debtor name Viridis Merchants Inc.

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206G

Schedule G: Executory Contracts and Unexpired Leases

12/15

Be as complete and accurate as possible. If more space is needed, copy and attach the additional page, number the entries consecutively.

1. Does the debtor have any executory contracts or unexpired leases?

☐ No. Check this box and file this form with the debtor's other schedules. There is nothing else to report on this form.

☒ Yes. Fill in all of the information below even if the contacts of leases are listed on *Schedule A/B: Assets - Real and Personal* (Official Form 206A/B). *Property*

2. List all contracts and unexpired leases

State the name and mailing address for all other parties with whom the debtor has an executory contract or unexpired lease

2.1. State what the contract or lease is for and the nature of the debtor's interest **Supplier Agreement**

State the term remaining

List the contract number of any government contract _____

**Bear Mountain Forest Products Inc.
5 NE Cramblett Way
Cascade Locks, OR 97014**

2.2. State what the contract or lease is for and the nature of the debtor's interest **Supplier Agreement**

State the term remaining

List the contract number of any government contract _____

**Diacarbon Energy Inc.
1700 - 1075 West Georgia Street
Vancouver, BC V6E 369
CANADA**

2.3. State what the contract or lease is for and the nature of the debtor's interest **Supplier Agreement**

State the term remaining

List the contract number of any government contract _____

**Georgia Biomass LLC
12 East Bay Street
Savannah, GA 31401**

2.4. State what the contract or lease is for and the nature of the debtor's interest **Shipping Rates/Fuel Charges**

State the term remaining

List the contract number of any government contract _____

**R.C.P
239 Chemin Lavoie
C.P. 218
Coaticook, Quebec J1A 2T7
CANADA**

Fill in this information to identify the case:

Debtor name Viridis Merchants Inc.

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206H Schedule H: Your Codebtors

12/15

Be as complete and accurate as possible. If more space is needed, copy the Additional Page, numbering the entries consecutively. Attach the Additional Page to this page.

1. Do you have any codebtors?

- ☒ No. Check this box and submit this form to the court with the debtor's other schedules. Nothing else needs to be reported on this form.
- ☐ Yes

2. In Column 1, list as codebtors all of the people or entities who are also liable for any debts listed by the debtor in the schedules of creditors, Schedules D-G. Include all guarantors and co-obligors. In Column 2, identify the creditor to whom the debt is owed and each schedule on which the creditor is listed. If the codebtor is liable on a debt to more than one creditor, list each creditor separately in Column 2.

Column 1: Codebtor

Column 2: Creditor

Name	Mailing Address	Name	Check all schedules that apply:
2.1 _____	Street _____ _____ City _____ State _____ Zip Code _____	_____	☐ D ☐ E/F ☐ G
2.2 _____	Street _____ _____ City _____ State _____ Zip Code _____	_____	☐ D ☐ E/F ☐ G
2.3 _____	Street _____ _____ City _____ State _____ Zip Code _____	_____	☐ D ☐ E/F ☐ G
2.4 _____	Street _____ _____ City _____ State _____ Zip Code _____	_____	☐ D ☐ E/F ☐ G

Fill in this information to identify the case:

Debtor name Viridis Merchants Inc.

United States Bankruptcy Court for the: DISTRICT OF NEW JERSEY

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 207

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

04/16

The debtor must answer every question. If more space is needed, attach a separate sheet to this form. On the top of any additional pages, write the debtor's name and case number (if known).

Part 1: Income

1. Gross revenue from business

☐ None.

Identify the beginning and ending dates of the debtor's fiscal year, which may be a calendar year

From the beginning of the fiscal year to filing date:
From **1/01/2016** to **Filing Date**

Sources of revenue
Check all that apply

☒ Operating a business
☐ Other _____

Gross revenue
(before deductions and exclusions)

\$1,128,526.12

For prior year:
From **1/01/2015** to **12/31/2015**

☒ Operating a business
☐ Other _____

\$11,723,712.68

2. Non-business revenue

Include revenue regardless of whether that revenue is taxable. *Non-business income* may include interest, dividends, money collected from lawsuits, and royalties. List each source and the gross revenue for each separately. Do not include revenue listed in line 1.

☒ None.

Description of sources of revenue

Gross revenue from each source
(before deductions and exclusions)

Part 2: List Certain Transfers Made Before Filing for Bankruptcy

3. Certain payments or transfers to creditors within 90 days before filing this case

List payments or transfers--including expense reimbursements--to any creditor, other than regular employee compensation, within 90 days before filing this case unless the aggregate value of all property transferred to that creditor is less than \$6,425. (This amount may be adjusted on 4/01/19 and every 3 years after that with respect to cases filed on or after the date of adjustment.)

☐ None.

Creditor's Name and Address

Dates

Total amount of value

Reasons for payment or transfer
Check all that apply

3.1. **See Attached Schedule**

\$0.00

☐ Secured debt
☐ Unsecured loan repayments
☒ Suppliers or vendors
☐ Services
☐ Other _____

Debtor **Viridis Merchants Inc.**

Case number (if known) _____

4. Payments or other transfers of property made within 1 year before filing this case that benefited any insider

List payments or transfers, including expense reimbursements, made within 1 year before filing this case on debts owed to an insider or guaranteed or cosigned by an insider unless the aggregate value of all property transferred to or for the benefit of the insider is less than \$6,425. (This amount may be adjusted on 4/01/19 and every 3 years after that with respect to cases filed on or after the date of adjustment.) Do not include any payments listed in line 3. *Insiders* include officers, directors, and anyone in control of a corporate debtor and their relatives; general partners of a partnership debtor and their relatives; affiliates of the debtor and insiders of such affiliates; and any managing agent of the debtor. 11 U.S.C. § 101(31).

☐ None.

Insider's name and address Relationship to debtor	Dates	Total amount of value	Reasons for payment or transfer
4.1. See Attached Schedule		\$0.00	

5. Repossessions, foreclosures, and returns

List all property of the debtor that was obtained by a creditor within 1 year before filing this case, including property repossessed by a creditor, sold at a foreclosure sale, transferred by a deed in lieu of foreclosure, or returned to the seller. Do not include property listed in line 6.

☒ None

Creditor's name and address	Describe of the Property	Date	Value of property
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6. Setoffs

List any creditor, including a bank or financial institution, that within 90 days before filing this case set off or otherwise took anything from an account of the debtor without permission or refused to make a payment at the debtor's direction from an account of the debtor because the debtor owed a debt.

☐ None

Creditor's name and address	Description of the action creditor took	Date action was taken	Amount
See Attached Schedule			\$0.00
Last 4 digits of account number: _____			

Part 3: Legal Actions or Assignments**7. Legal actions, administrative proceedings, court actions, executions, attachments, or governmental audits**

List the legal actions, proceedings, investigations, arbitrations, mediations, and audits by federal or state agencies in which the debtor was involved in any capacity—within 1 year before filing this case.

☐ None.

	Case title Case number	Nature of case	Court or agency's name and address	Status of case
7.1.	Bear Mountain Forest Products Inc. v Viridis Merchants, Inc. 16CV14017		Circuit Court State of Oregon Multnomah County	☒ Pending ☐ On appeal ☐ Concluded
7.2.	Trae Fuels CI15-372		Circuit Court of the County of Louisa	☒ Pending ☐ On appeal ☐ Concluded
7.3.	Diacarbon Energy Inc. v. Viridis Merchants (Canada) Ltd. S-164515		Supreme Court of British Columbia	☒ Pending ☐ On appeal ☐ Concluded

8. Assignments and receivership

List any property in the hands of an assignee for the benefit of creditors during the 120 days before filing this case and any property in the hands of a receiver, custodian, or other court-appointed officer within 1 year before filing this case.

Debtor **Viridis Merchants Inc.**

Case number (if known) _____

☒ None**Part 4: Certain Gifts and Charitable Contributions**

9. List all gifts or charitable contributions the debtor gave to a recipient within 2 years before filing this case unless the aggregate value of the gifts to that recipient is less than \$1,000

☒ None

Recipient's name and address	Description of the gifts or contributions	Dates given	Value
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Part 5: Certain Losses

10. All losses from fire, theft, or other casualty within 1 year before filing this case.

☒ None

Description of the property lost and how the loss occurred	Amount of payments received for the loss If you have received payments to cover the loss, for example, from insurance, government compensation, or tort liability, list the total received. List unpaid claims on Official Form 106A/B (Schedule A/B: Assets – Real and Personal Property).	Dates of loss	Value of property lost
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Part 6: Certain Payments or Transfers

11. Payments related to bankruptcy

List any payments of money or other transfers of property made by the debtor or person acting on behalf of the debtor within 1 year before the filing of this case to another person or entity, including attorneys, that the debtor consulted about debt consolidation or restructuring, seeking bankruptcy relief, or filing a bankruptcy case.

☐ None.

Who was paid or who received the transfer? Address	If not money, describe any property transferred	Dates	Total amount or value
11.1. Fox Rothschild LLP 75 Eisenhower Parkway Suite 200 Roseland, NJ 07068		August 4, 2016 - \$19,980.00 September 15, 2016 - \$7,000.00 September 16, 2016 - \$980.00	\$27,960.00
Email or website address rmeth@foxrothschild.com			
Who made the payment, if not debtor? Viridis Energy Inc.			

12. Self-settled trusts of which the debtor is a beneficiary

List any payments or transfers of property made by the debtor or a person acting on behalf of the debtor within 10 years before the filing of this case to a self-settled trust or similar device.

Do not include transfers already listed on this statement.

☒ None.

Name of trust or device	Describe any property transferred	Dates transfers were made	Total amount or value
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Debtor **Viridis Merchants Inc.**

Case number (if known) _____

13. Transfers not already listed on this statement

List any transfers of money or other property by sale, trade, or any other means made by the debtor or a person acting on behalf of the debtor within 2 years before the filing of this case to another person, other than property transferred in the ordinary course of business or financial affairs. Include both outright transfers and transfers made as security. Do not include gifts or transfers previously listed on this statement.

☐ None.

Who received transfer?
Address

Description of property transferred or
payments received or debts paid in exchange

Date transfer
was made

Total amount or
value

Part 7: Previous Locations**14. Previous addresses**

List all previous addresses used by the debtor within 3 years before filing this case and the dates the addresses were used.

☐ Does not apply

Address

Dates of occupancy
From-To

Part 8: Health Care Bankruptcies**15. Health Care bankruptcies**

Is the debtor primarily engaged in offering services and facilities for:

- diagnosing or treating injury, deformity, or disease, or
- providing any surgical, psychiatric, drug treatment, or obstetric care?

☐ No. Go to Part 9.

☐ Yes. Fill in the information below.

Facility name and address

Nature of the business operation, including type of services
the debtor provides

If debtor provides meals
and housing, number of
patients in debtor's care

Part 9: Personally Identifiable Information**16. Does the debtor collect and retain personally identifiable information of customers?**

☐ No.

☐ Yes. State the nature of the information collected and retained.

17. Within 6 years before filing this case, have any employees of the debtor been participants in any ERISA, 401(k), 403(b), or other pension or profit-sharing plan made available by the debtor as an employee benefit?

☐ No. Go to Part 10.

☐ Yes. Does the debtor serve as plan administrator?

Part 10: Certain Financial Accounts, Safe Deposit Boxes, and Storage Units**18. Closed financial accounts**

Within 1 year before filing this case, were any financial accounts or instruments held in the debtor's name, or for the debtor's benefit, closed, sold, moved, or transferred?

Include checking, savings, money market, or other financial accounts; certificates of deposit; and shares in banks, credit unions, brokerage houses, cooperatives, associations, and other financial institutions.

☐ None

Financial Institution name and
Address

Last 4 digits of
account number

Type of account or
instrument

Date account was
closed, sold,
moved, or
transferred

Last balance
before closing or
transfer

19. Safe deposit boxes

List any safe deposit box or other depository for securities, cash, or other valuables the debtor now has or did have within 1 year before filing this case.

Debtor **Viridis Merchants Inc.**

Case number (if known) _____

☐ None

Depository institution name and address	Names of anyone with access to it Address	Description of the contents	Do you still have it?
RBC Royal Bank 685 W Hastings St. Vancouver, BC V6B 1N9 CANADA	Andy Zhou Michele Rebiere Chris Robertson 529-700 West Pender Street Vancouver, BC Canada V6C 1G8 685 W Hastings St. Vancouver, BC V6B 1N9 CANADA		☐ No ☒ Yes

20. Off-premises storage

List any property kept in storage units or warehouses within 1 year before filing this case. Do not include facilities that are in a part of a building in which the debtor does business.

☐ None

Facility name and address	Names of anyone with access to it	Description of the contents	Do you still have it?
Grafton Upton RailCare LLC 25 Maple Avenue Upton, MA 01568	Grafton Staff	Unpackaged bulk pellets and packaged pellets	☒ No ☐ Yes
R.C.P. Transit Inc. 239 Ch Lavoie Coaticook, QC J1A 2S2 CANADA	R.C.P. Staff	Packaged Pellets	☐ No ☒ Yes

Part 11: Property the Debtor Holds or Controls That the Debtor Does Not Own**21. Property held for another**

List any property that the debtor holds or controls that another entity owns. Include any property borrowed from, being stored for, or held in trust. Do not list leased or rented property.

☒ None**Part 12: Details About Environment Information**

For the purpose of Part 12, the following definitions apply:

Environmental law means any statute or governmental regulation that concerns pollution, contamination, or hazardous material, regardless of the medium affected (air, land, water, or any other medium).

Site means any location, facility, or property, including disposal sites, that the debtor now owns, operates, or utilizes or that the debtor formerly owned, operated, or utilized.

Hazardous material means anything that an environmental law defines as hazardous or toxic, or describes as a pollutant, contaminant, or a similarly harmful substance.

Report all notices, releases, and proceedings known, regardless of when they occurred.

22. Has the debtor been a party in any judicial or administrative proceeding under any environmental law? Include settlements and orders.

- ☒ No.
☐ Yes. Provide details below.

Debtor **Viridis Merchants Inc.**

Case number (if known) _____

Case title Case number	Court or agency name and address	Nature of the case	Status of case
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23. Has any governmental unit otherwise notified the debtor that the debtor may be liable or potentially liable under or in violation of an environmental law?

- ☒ No.
☐ Yes. Provide details below.

Site name and address	Governmental unit name and address	Environmental law, if known	Date of notice
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24. Has the debtor notified any governmental unit of any release of hazardous material?

- ☒ No.
☐ Yes. Provide details below.

Site name and address	Governmental unit name and address	Environmental law, if known	Date of notice
-----------------------	---------------------------------------	-----------------------------	----------------

Part 13: Details About the Debtor's Business or Connections to Any Business

25. Other businesses in which the debtor has or has had an interest

List any business for which the debtor was an owner, partner, member, or otherwise a person in control within 6 years before filing this case. Include this information even if already listed in the Schedules.

- ☒ None

Business name address	Describe the nature of the business	Employer Identification number Do not include Social Security number or ITIN. Dates business existed
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26. Books, records, and financial statements

26a. List all accountants and bookkeepers who maintained the debtor's books and records within 2 years before filing this case.

- ☐ None

Name and address	Date of service From-To
26a.1. Michael Chernawsky 520 - 700 West Pender St. Vancouver, BC V6C 1G8 CANADA	August, 2014 - February 2016
26a.2. Andy Zhou 520 - 700 West Pender St. VANCOUVER, BC V6C 1G8 CANADA	January, 2015 - August 2016

26b. List all firms or individuals who have audited, compiled, or reviewed debtor's books of account and records or prepared a financial statement within 2 years before filing this case.

- ☐ None

Name and address	Date of service From-To
26b.1. MNP 1021 West Hastings St. Suite 2200, MNP Tower Vancouver, BC V6E 0C3 CANADA	2015

26c. List all firms or individuals who were in possession of the debtor's books of account and records when this case is filed.

- ☐ None

Debtor **Viridis Merchants Inc.**

Case number (if known) _____

Name and address**If any books of account and records are unavailable, explain why**

26c.1. **Viridis Merchants Inc.**
700 West Pender Street
Suite 520
Vancouver, BC V6C 1G8
CANADA

VMI's records are stored on NetSuite accounting software and on server

26c.2. **Francis G. Tanczos**
Crow & Cushing
100 Canal Pointe Blvd. Ste 214
Princeton, NJ 08540

26c.3. **Viridis Energy Inc.**
529-700 West Pender Street
Vancouver, BC V6B 1N9
CANADA

26c.4. **Douglas Middleton**
4632 E. Red Bird Road
Cave Creek, AZ 85331

26d. List all financial institutions, creditors, and other parties, including mercantile and trade agencies, to whom the debtor issued a financial statement within 2 years before filing this case.

☐ None

Name and address

26d.1. **RBC Royal Bank**
685 W Hastings St.
Vancouver, BC V6B 1N9
CANADA

27. Inventories

Have any inventories of the debtor's property been taken within 2 years before filing this case?

☐ No

☒ Yes. Give the details about the two most recent inventories.

Name of the person who supervised the taking of the inventory

Date of inventory

The dollar amount and basis (cost, market, or other basis) of each inventory

27.1 **David Fadden/Kurt Doucet**

Name and address of the person who has possession of inventory records

Dana Companies

28. List the debtor's officers, directors, managing members, general partners, members in control, controlling shareholders, or other people in control of the debtor at the time of the filing of this case.

Name	Address	Position and nature of any interest	% of interest, if any
Christopher Robertson	520 - 700 West Pender St. Vancouver, BC V6C1G8 CANADA	CEO	0
Michele Rebiere	520 - 700 West Pender St. Vancouver, BC V6C 1G8 CANADA	CFO	0

Debtor Viridis Merchants Inc.

Case number (if known) _____

29. Within 1 year before the filing of this case, did the debtor have officers, directors, managing members, general partners, members in control of the debtor, or shareholders in control of the debtor who no longer hold these positions?

- ☐ No
☒ Yes. Identify below.

Name	Address	Position and nature of any interest	Period during which position or interest was held
Robert Aaron		Director	Resigned August, 2016

30. Payments, distributions, or withdrawals credited or given to insiders

Within 1 year before filing this case, did the debtor provide an insider with value in any form, including salary, other compensation, draws, bonuses, loans, credits on loans, stock redemptions, and options exercised?

- ☒ No
☐ Yes. Identify below.

Name and address of recipient	Amount of money or description and value of property	Dates	Reason for providing the value
-------------------------------	--	-------	--------------------------------

31. Within 6 years before filing this case, has the debtor been a member of any consolidated group for tax purposes?

- ☒ No
☐ Yes. Identify below.

Name of the parent corporation	Employer Identification number of the parent corporation
--------------------------------	--

32. Within 6 years before filing this case, has the debtor as an employer been responsible for contributing to a pension fund?

- ☒ No
☐ Yes. Identify below.

Name of the parent corporation	Employer Identification number of the parent corporation
--------------------------------	--

Part 14: Signature and Declaration

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both.
18 U.S.C. §§ 152, 1341, 1519, and 3571.

I have examined the information in this *Statement of Financial Affairs* and any attachments and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 16, 2016

/s/ Christopher Robertson
Signature of individual signing on behalf of the debtor

Christopher Robertson
Printed name

Position or relationship to debtor CEO

Are additional pages to *Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy* (Official Form 207) attached?

- ☐ No
☒ Yes

Section 5.4
Payments or other Transfers to Insiders

Name	Address	Relationship to Debtor	Dates of Payments	Amount Paid	Currency	Reasons for Payment
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	02/17/2016	\$ 22,100.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	02/19/2016	\$ 28,574.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	02/25/2016	\$ 1,400.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/3/2016	\$ 41,500.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	9/3/2016	\$ 6,500.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	03/14/2016	\$ 48,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	03/15/2016	\$ 2,800.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	03/15/2016	\$ 10,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	03/16/2016	\$ 2,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	03/29/2016	\$ 15,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	12/4/2016	\$ 5,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	05/19/2016	\$ 1,500.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/6/2016	\$ 1,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	04/18/2016	\$ 6,000.00	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	05/19/2016	\$ 300.00	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	7/6/2016	\$ 2,000.00	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	12/8/2015	\$ 2,776.68	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	08/19/2015	\$ 40,176.16	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	08/31/2015	\$ 17,810.13	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/9/2015	\$ 25,361.21	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	09/15/2015	\$ 58,130.64	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	09/24/2015	\$ 1,500.00	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	09/29/2015	\$ 42,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	6/10/2015	\$ 2,360.16	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	10/14/2015	\$ 66,200.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	10/28/2015	\$ 18,617.64	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/11/2015	\$ 668.06	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/11/2015	\$ 5,500.00	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/11/2015	\$ 13,700.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	3/11/2015	\$ 5,500.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	5/11/2015	\$ 2,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	6/11/2015	\$ 6,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	9/11/2015	\$ 19,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	12/11/2015	\$ 10,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	11/19/2015	\$ 24,328.84	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	11/20/2015	\$ 387.75	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	11/24/2015	\$ 930.59	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	11/25/2015	\$ 24,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/12/2015	\$ 1,600.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/12/2015	\$ 2,309.29	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	3/12/2015	\$ 12,500.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	7/12/2015	\$ 500.00	USD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	8/12/2015	\$ 33,600.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	12/14/2015	-\$ 120,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	12/21/2015	\$ 26,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	12/22/2015	\$ 32,000.00	CAD	
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/4/2016	\$ 9,960.16	USD	Transfer from VMI USD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/5/2016	\$ 34,000.00	CAD	Transfer from VMI CAD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/7/2016	\$ 500.00	CAD	Transfer from VMI CAD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/8/2016	\$ 1,456.98	USD	Transfer from VMI USD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/15/2016	\$ 9,500.00	CAD	Transfer from VMI CAD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/15/2016	\$ 12,200.00	USD	Transfer from VMI USD to VRD USD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/19/2016	\$ 19,000.00	CAD	Transfer from VMI CAD to VRD CAD

Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	1/20/2016	\$ 17,445.92	USD	Transfer from VMI USD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/1/2016	\$ 1,476.12	USD	Transfer from VMI USD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/2/2016	\$ 33,000.00	CAD	Transfer from VMI CAD to VRD CAD
Viridis Energy Inc.	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Parent Company	2/4/2016	\$ 6,500.00	CAD	Transfer from VMI CAD to VRD CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	8/14/2015	\$ 38,977.24	USD	Transfer from VMI USD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	8/28/2015	\$ 76,569.68	USD	Transfer from VMI USD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	9/4/2015	\$ 38,452.66	USD	Transfer from VMI USD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	9/11/2015	\$ 5,200.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	9/15/2015	\$ 38,431.98	USD	Transfer from VMI USD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	9/21/2015	\$ 4,824.15	USD	Transfer from VMI USD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	9/25/2015	\$ 50,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	10/2/2015	\$ 50,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	10/6/2015	\$ 7,490.00	USD	Transfer from VMI USD to OPC USD for Check #1727 received by VMI on behalf of OPC
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	10/9/2015	\$ 50,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	10/14/2015	\$ 115,000.00	CAD	Transfer from VMI to OPC
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	10/23/2015	\$ 100,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/2/2015	\$ 5,670.00	USD	Transfer from VMI USD to OPC USD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/2/2015	\$ 50,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/5/2015	\$ 7,070.40	USD	Transfer from VMI USD to OPC for check #1754
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/6/2015	\$ 10,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/6/2015	\$ 40,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/10/2015	\$ 14,937.80	USD	Transfer from VMI USD to OPC USD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/12/2015	\$ 4,875.00	USD	Transfer from VMI USD to OPC USD. Check #397918 from ACE
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/12/2015	\$ 50,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/16/2015	\$ 43,500.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/18/2015	\$ 1,465.26	USD	Transfer from VMI USD to OPC CAPEX
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/19/2015	\$ 385.60	USD	Transfer from VMI USD to OPC USD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/24/2015	\$ 50,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/25/2015	\$ 50,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	11/30/2015	\$ 600.00	USD	Transfer from VMI USD to OPC USD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	12/3/2015	\$ 85,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	12/8/2015	\$ 35,000.00	CAD	Transfer from VMI CAD to OPC CAD
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	12/10/2015	\$ 4,875.00	USD	Check #398490 from Ace Hardware received by VMI instead of OPC on Dec 9 for INOPC8226
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	12/17/2015	\$ 1,915.14	USD	Transfer from VMI USD to OPC CAPEX
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	6/1/2016	\$ 76,000.00	CAD	
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	01/15/2016	\$ 40,000.00	CAD	
Okanagan Pellet Company	2677 Kyle Rd, West Kelowna, BC V1Z 2M9	Another Subsidiary	01/22/2016	\$ 140,000.00	CAD	
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	04/18/2016	\$ 1,500.00	CAD	Based on Bank Infor
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	06/13/2016	\$ 20.00	USD	Based on Bank Infor
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	4/8/2015	\$ 468.86	USD	Transfer from VMI USD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	12/8/2015	\$ 15,748.03	USD	Transfer from VMI USD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	09/30/2015	\$ 1,539.52	USD	VMI - Q3 - Foreign Currency Tanslation Adjustments (U.S. Functional Currency)
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	10/16/2015	\$ 1,000.00	CAD	Transfer from VMI CAD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	6/11/2015	\$ 31,000.00	CAD	Transfer from VMI CAD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	11/17/2015	\$ 5,024.35	USD	Transfer from VMI USD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	11/18/2015	\$ 540.42	USD	Transfer from VMI USD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	3/12/2015	\$ 269.21	USD	Transfer from VMI USD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	12/21/2015	\$ 550.00	USD	Transfer from VMI USD to CPM USD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	5/1/2016	\$ 220.73	USD	Transfer from VMI USD to VMC CAD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	6/1/2016	\$ 250.00	USD	Transfer from VMI USD to VMC USD
Viridis Merchants Canada	520 - 700 West Pender St. Vancouver, BC Canada V6C 1G8	Another Subsidiary	01/19/2016	\$ 1,100.00	CAD	Transfer from VMI CAD to VMC CAD

Section 5.3
Payments to Creditors

Name	Address	Dates of Payments	Amount Paid	Reasons for Payment
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	3/5/2016	\$ 37,273.90	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	4/5/2016	\$ 6,350.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/5/2016	\$ 37,040.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	9/5/2016	\$ 6,030.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	11/5/2016	\$ 2,270.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	12/5/2016	\$ 2,820.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	5/16/2016	\$ 8,165.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	5/16/2016	\$ 11,545.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	5/19/2016	\$ 6,760.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	5/19/2016	\$ 4,200.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	5/25/2016	\$ 9,305.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	1/6/2016	\$ 2,820.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	3/6/2016	\$ 33,480.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	9/6/2016	\$ 11,700.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	10/6/2016	\$ 7,210.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	10/6/2016	\$ 33,170.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/14/2016	\$ 17,830.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/16/2016	\$ 23,640.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/17/2016	\$ 6,615.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/21/2016	\$ 30,280.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/23/2016	\$ 5,400.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/24/2016	\$ 13,620.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/24/2016	\$ 13,800.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/27/2016	\$ 12,840.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/28/2016	\$ 5,640.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	6/29/2016	\$ 7,440.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	5/7/2016	\$ 13,130.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	8/7/2016	\$ 3,470.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	7/13/2016	\$ 5,640.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	7/14/2016	\$ 4,200.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	7/19/2016	\$ 11,420.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	7/20/2016	\$ 28,695.00	Secured Debt
Grafton Upton RailCare LLC	25 Maple Avenue, Upton MA 01568	07/26/2016	\$ 6,020.00	Secured Debt
ADP, LLC	1851 N Resler Drive MS-600 El Paso TX 79912	12/5/2016	\$ 1,537.63	Services
ADP, LLC	1851 N Resler Drive MS-600 El Paso TX 79912	05/25/2016	\$ 1,537.62	Services
ADP, LLC	1851 N Resler Drive MS-600 El Paso TX 79912	06/13/2016	\$ 1,537.63	Services
ADP, LLC	1851 N Resler Drive MS-600 El Paso TX 79912	06/30/2016	\$ 1,537.62	Services
ADP, LLC	1851 N Resler Drive MS-600 El Paso TX 79912	07/15/2016	\$ 1,537.62	Services
ADP, LLC	1851 N Resler Drive MS-600 El Paso TX 79912	07/28/2016	\$ 1,537.63	Services
Sussman Shank LLP	1000 SW Broadway, Suite 1400, Portland, OR 97205	05/27/2016	\$ 10,000.00	Services
Fox Rothschild LLP	75 Eisenhower Parkway, Suite 200, Roseland, NJ 07068-1600	4/8/2016	\$ 20,000.00	Services
CHY Accounting & Tax Inc.		07/13/2016	\$ 8,195.27	Services
		06/21/2016	\$ 8,850.00	Services

Section 5.6
Setoffs

Name	Address	Description of the action creditor took	Date action was taken	Amount	Invoice #	Description
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	10/5/2016	\$ 215,855.25	C04013246	Unused Bags
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	2015 - 2016	\$ 130,075.10		Warehousing Fee
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	2015 - 2016	\$ 1,860.00		Grafton charges \$20 everytime for receiving wire payments
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	9/2/2016	\$ 7,000.00	C03994704	Detention Charges
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	02/15/2016	\$ 5,250.00	C03995649	Jan, 2016 Detention Charges
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	02/15/2016	\$ 62,000.00	C03995650	Feb, 2016 Detention Charges
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	3/3/2016	\$ 69,000.00	C04000044	March, 2016 Detention Charges
Grafton Upton RailCare LLC	25 Maple Avenue, Upton, MA 01568	Invoicing Without VMI's Permission	01/13/2016	\$ 10,000.00	C03989420	Jan, 2016 Storage
				<u>\$ 501,040.35</u>		

**United States Bankruptcy Court
District of New Jersey**

In re **Viridis Merchants Inc.**

Debtor(s)

Case No.

Chapter

7

DISCLOSURE OF COMPENSATION OF ATTORNEY FOR DEBTOR(S)

1. Pursuant to 11 U.S.C. § 329(a) and Fed. Bankr. P. 2016(b), I certify that I am the attorney for the above named debtor(s) and that compensation paid to me within one year before the filing of the petition in bankruptcy, or agreed to be paid to me, for services rendered or to be rendered on behalf of the debtor(s) in contemplation of or in connection with the bankruptcy case is as follows:

For legal services, I have agreed to accept	\$	27,960.00
Prior to the filing of this statement I have received	\$	27,960.00
Balance Due	\$	0.00

2. The source of the compensation paid to me was:

☐ Debtor ☒ Other (specify): **Viridis Energy Inc.**

3. The source of compensation to be paid to me is:

☐ Debtor ☒ Other (specify): **n/a**

4. ☒ I have not agreed to share the above-disclosed compensation with any other person unless they are members and associates of my law firm.

☐ I have agreed to share the above-disclosed compensation with a person or persons who are not members or associates of my law firm. A copy of the agreement, together with a list of the names of the people sharing in the compensation is attached.

5. In return for the above-disclosed fee, I have agreed to render legal service for all aspects of the bankruptcy case, including:

- a. Analysis of the debtor's financial situation, and rendering advice to the debtor in determining whether to file a petition in bankruptcy;
- b. Preparation and filing of any petition, schedules, statement of affairs and plan which may be required;
- c. Representation of the debtor at the meeting of creditors and confirmation hearing, and any adjourned hearings thereof;
- d. [Other provisions as needed]

6. By agreement with the debtor(s), the above-disclosed fee does not include the following service:

CERTIFICATION

I certify that the foregoing is a complete statement of any agreement or arrangement for payment to me for representation of the debtor(s) in this bankruptcy proceeding.

September 16, 2016

Date

/s/ Richard M. Meth

Richard M. Meth

Signature of Attorney

Fox Rothschild LLP

75 Eisenhower Parkway

Suite 200

Roseland, NJ 07068

973-992-4800

rmeth@foxrothschild.com

Name of law firm

**United States Bankruptcy Court
District of New Jersey**

In re **Viridis Merchants Inc.**

Debtor(s)

Case No.

Chapter

7

VERIFICATION OF CREDITOR MATRIX

I, the CEO of the corporation named as the debtor in this case, hereby verify that the attached list of creditors is true and correct to the best of my knowledge.

Date: **September 16, 2016**

/s/ Christopher Robertson

Christopher Robertson/CEO

Signer/Title

Bear Mountain Forest Products Inc.
5 NE Cramblett Way
Cascade Locks, OR 97014

Crow & Cushing
100 Canal Point Blvd
Suite 214
Princeton, NJ 08540

Dana Transport, Inc. & Grafton & Upton
Railcare LLC
25 Maple Avenue
Upton, MA 01568

Diacarbon Energy Inc.
1700 - 1075 West Georgia Street
Vancouver BC V6E 3C9
CANADA

Diacarbon Energy Inc.
1700 - 1075 West Georgia Street
Vancouver, BC V6E 369
CANADA

Georgia Biomass LLC
12 East Bay Street
Savannah, GA 31401

La Crete Sawmills Ltd.
Hwy 697 South
PO Box 1090
La Crete, AB T0H 2H0
CANADA

Liaison Technologies Inc.
Dept AT 952956
Atlanta, GA 31192-2956

LowCountry BioMass LLC
PO Box 1956
Ridgeland, SC 29936

Manke Lumber Company Inc.
1717 Marine View Drive
Tacoma, WA 98422

Nexsen Pruet LLC
55 E. Camperdown Way, Suite 400
PO Box 10648
Greenville, SC 29601

R.C.P
239 Chemin Lavoie
C.P. 218
Coaticook, Quebec J1A 2T7
CANADA

SGS North America Inc
236 32nd Ave
Brookings, SD 57006

Trae Fuels
PO Box 5512
Denver, CO 80217

**United States Bankruptcy Court
District of New Jersey**

In re **Viridis Merchants Inc.**

Debtor(s)

Case No.
Chapter

7

CORPORATE OWNERSHIP STATEMENT (RULE 7007.1)

Pursuant to Federal Rule of Bankruptcy Procedure 7007.1 and to enable the Judges to evaluate possible disqualification or recusal, the undersigned counsel for **Viridis Merchants Inc.** in the above captioned action, certifies that the following is a (are) corporation(s), other than the debtor or a governmental unit, that directly or indirectly own(s) 10% or more of any class of the corporation's(s') equity interests, or states that there are no entities to report under FRBP 7007.1:

Virdis Energy Inc.
Suite 520 - 700 West Pender Street
Vancouver, BC V6C 1G8
CANADA

☐ None [Check if applicable]

September 16, 2016

Date

/s/ Richard M. Meth

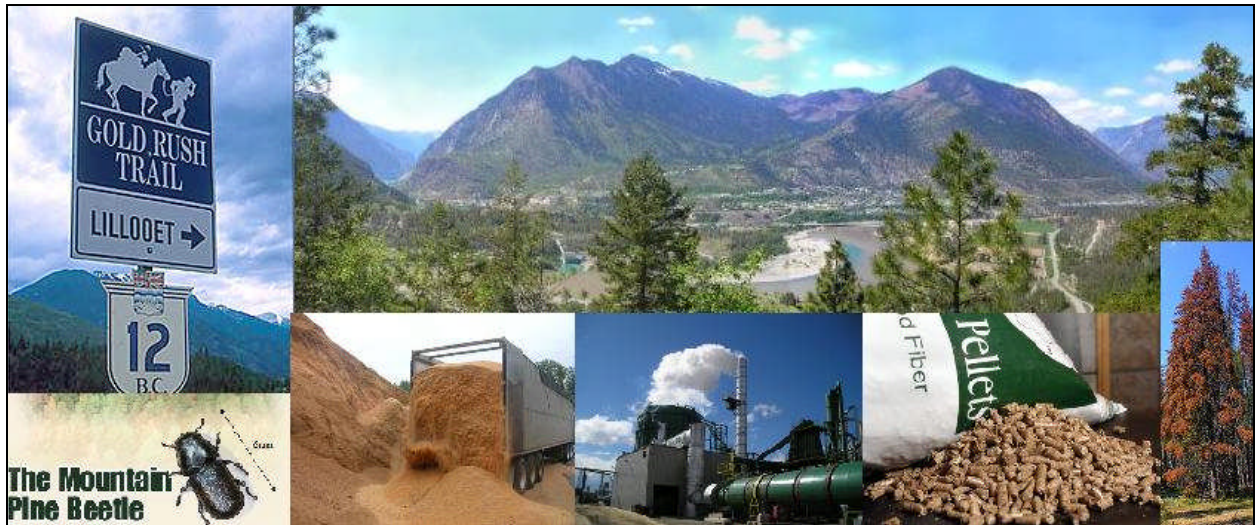
Richard M. Meth

Signature of Attorney or Litigant
Counsel for **Viridis Merchants Inc.**
Fox Rothschild LLP
75 Eisenhower Parkway
Suite 200
Roseland, NJ 07068
973-992-4800
rmeth@foxrothschild.com

EXHIBIT 3

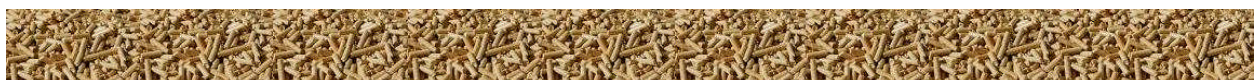


Lillooet Biomass Energy Corporation Business Plan for a Wood Pellet Plant



By Gordon Murray, RPF, CMA
Gordon Murray Corporate Finance Ltd.

April 26, 2010



FORWARD-LOOKING STATEMENTS

This business plan contains certain forward-looking statements which relate to future events or future performance. These forward-looking statements are based upon the Author's expectations and assumptions as to a number of factors, and the Author believes that he has a reasonable basis for making such forward-looking statements. These forward-looking statements are made as of the date of this document and are based upon information then available. If the Author's expectations and assumptions prove to be incorrect, or factors change, then actual results could differ materially from the forward-looking information contained this document. In addition, forward-looking statements, by their nature, involve risks and uncertainties which could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties include those attendant with carrying on a wood pellet manufacturing business and carrying out major capital expenditure projects with respect to construction of a wood pellet plant, risks related to selling prices, shipping costs, foreign exchange rates, and other risks described in this document. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement.

EXECUTIVE SUMMARY

In spring 2009, a group of forest industry managers and members of Lillooet Tribal Council (a council of six Lillooet-area St'at'imc communities) came together as a “Working Group” to pursue a wood pellet plant for Lillooet. The Working Group formed Lillooet Biomass Energy Corporation (“LBEC”) and now plans to construct a \$13.8 million wood pellet plant that will produce 100,000 tonnes of wood pellets per year while providing jobs and economic development. Capital financing from three sources is anticipated: (1) a \$ 4 million loan from the Government of Canada’s Community Adjustment Fund; (2) \$5.8 million from private equity; and (3) \$4 million from a bank term loan.

Global wood pellet consumption has increased from less than two million tonnes in 2000 to more than ten million tonnes in 2010. Wood pellets from Lillooet will be sold internationally for co-firing with coal in electrical power plants. Wood pellets are a renewable source of fuel. To get more wood, you simply grow more trees. When trees grow, they use energy from the sun to convert CO₂ into wood. When wood is burned, the CO₂ emitted is the same CO₂ that was taken out of the atmosphere by the growing plant. This means that overall there is no change in the levels of atmospheric CO₂. Even allowing for CO₂ emissions produced by fossil fuels used to make the energy needed for planting, harvesting, processing and transporting the fuel, replacing fossil fuel with wood pellets will typically reduce net CO₂ emissions by over 90%. It is because of these qualities that European power plants currently import about 800,000 tonnes of wood pellets per year from British Columbia. Europe presently consumes 8 million tonnes of wood pellets annually, a figure that is expected to rise to 25 million tonnes by 2020.

As of April 2010, the wood pellet price (CIF Rotterdam) is approximately €125, down from a recent peak of €141. This price drop is due to a UK situation where a cap on co-firing has been reduced under the UK *Renewables Obligation* system. This situation is expected to be remedied soon due to the April 1, 2010 enactment of a strict new UK law limiting CO₂ emissions. Moreover, markets are continuing to grow in other European countries. While it is difficult to predict with certainty, it is likely that the price CIF Rotterdam will recover to at least the recent peak within the next 18 months.

As part of the Working Group, Lillooet Tribal Council (“LTC”), has made significant progress in two areas. First, LTC has negotiated an economic development agreement with the Province of British Columbia that provides for a licence to harvest 200,000 cubic metres per year from the forest surrounding Lillooet. Second, LTC has received confirmation that a \$4 million loan from the Community Adjustment Fund has been approved by the Government of Canada as part of the stimulus package in Canada’s Economic Action Plan.

This business plan includes a financial model with a sensitivity analysis, indicating that to obtain a 15% internal rate of return for the project, at least one of the following will be necessary:

- A sustainable selling price of €160 by 2012 assuming the current Canadian dollar-euro exchange rate of 1.4; or
- Increase in dollar-euro dollar exchange rate to 1.6 with a more modest sustainable price of €140 by 2012.

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INTRODUCTION

Lillooet is a small community on the Fraser River in southern British Columbia, 325 kilometres northeast of Vancouver. Population of the town proper is about 2,800, with another 4,500 in the surrounding region for which Lillooet serves as the commercial and social centre.

Approximately 53% of the population are St'at'imc people from the communities of Ts'kw'aylaxw (Pavilion), Xaxli'p (Fountain), Xwisten (Bridge River), T'it'q'et (Lillooet), Sekw'el'was (Cayoose Creek), and Tsal'alh (Seton Lake).

Until recently, Lillooet was the centre of a thriving forest industry that directly employed 500 people. With the recent forest industry downturn, all the local mills have closed and the jobs were lost.

In spring 2009, a group of forest industry executives, local forestry experts, and representatives of local First Nations began looking for ways to improve Lillooet's prospects and came together as a "Working Group" under the direction of Lillooet Tribal Council ("LTC"). The Working Group decided to explore the feasibility of building a wood pellet plant in Lillooet utilizing primarily beetle-killed lodgepole pine. The Working Group felt that a local wood pellet plant could replace many of the lost jobs, restore some prosperity, and utilize the surrounding dead forests that have been killed by mountain pine beetle. Consequently, Lillooet Biomass Energy Corporation (LBEC) was formed.

In 2009, LBEC applied to the Government of Canada's ("GOC") Community Adjustment Fund for financing for a wood pellet plant. LTC began negotiating an Economic Development Agreement ("EDA") with the Province of British Columbia (the "Province"). The results are that GOC has now confirmed a \$4 million loan for the pellet plant and the Province has agreed to an EDA which, among other things, provides for a 15-year licence to harvest 200,000 cubic metres per year from pine leading stands – enough fibre for a pellet plant. The EDA does not compromise or prejudice any future process that seeks to define Aboriginal title and rights.

This business plan is intended to guide LBEC in its pursuit of additional financing and construction and operation of a wood pellet plant.

THE WOOD PELLET INDUSTRY

OVERVIEW

Wood pellets are densified biomass fuel typically made from material rejected by wood product manufacturers. By pelletizing residual forest waste, sawdust, planer shavings, and beetle-killed timber, millions of tons of waste can be put to work for the bioenergy economy while enhancing the environment by reducing greenhouse gas emissions.

Wood Pellets can be burned in residential stoves or can be co-fired in industrial, institutional or electric generation boilers that currently burn coal. Wood pellets are readily transportable from forested areas to anywhere in the world.

Global coal consumption is about 6 billion tonnes per year (Figure 1) and is expected to increase to 9 billion tonnes by 2030. Coal-fired power plants provide 41% of global electricity¹. Globally, burning coal causes the release of carbon dioxide and methane, both of which are greenhouse gases, causing climate change and global warming according to the Intergovernmental Panel on Climate Change. Coal is the largest contributor to the human-made increase of CO₂ in the atmosphere². Completely replacing coal with wood pellets has the potential to reduce greenhouse gas emissions by 91 per cent, emissions of nitrous oxides by 40 to 47 per cent, and sulphur oxides by 76 to 81 per cent. Even burning a mix of 10 or 20 per cent wood pellets with coal – known as *co-firing* – carries significant benefits³.

Coal is processed by grinding to improve its efficiency. Wood pellets have several desirable features for co-firing with coal. By removing most of the moisture from the fibre, wood pellets burn much like coal. The pellets are a consistent product, of a specific diameter and a narrow range of lengths. They have a hard outer surface which makes handling them similar to coal. They are also friable like coal, meaning they break into small particles when processed. That means that pellets can be mixed with coal without the need for a separate system.

¹ World Coal Institute webpage: <http://www.worldcoal.org/coal/uses-of-coal/coal-electricity>

² Wikipedia. *Environmental effects of coal*: http://en.wikipedia.org/wiki/Environmental_effects_of_coal

³ Greenbang. *Adding wood pellets to coal fuel could cut electricity's footprint*: http://www.greenbang.com/adding-wood-pellets-to-coal-fuel-could-cut-electricitys-footprint_13555.html

**Figure 1. Ranking of Coal Consuming Countries and Potential Wood Pellet Consumption
Assuming 5% Co-firing (Energy Basis)**

Rank	Countries	Coal consumption (tonnes)	Potential co-firing capacity with 5% wood pellets (tonnes)	Actual co-firing in 2009 (tonnes)
1	China:	1,190,900,000	90,900,000	0
2	United States:	963,600,000	73,500,000	0
3	India:	308,200,000	23,500,000	0
4	Russia:	270,900,000	20,700,000	0
5	Germany:	240,900,000	18,400,000	0
6	South Africa:	155,000,000	11,800,000	0
7	Japan:	135,900,000	10,400,000	0
8	Australia:	131,100,000	10,000,000	0
9	Korea, North:	94,200,000	7,200,000	0
10	Ukraine:	88,400,000	6,700,000	0
11	Turkey:	73,700,000	5,600,000	0
12	Korea, South:	65,200,000	5,000,000	0
13	Greece:	64,100,000	4,900,000	0
14	Canada:	60,900,000	4,600,000	0
15	United Kingdom:	60,100,000	4,600,000	176,000
16	Taiwan:	48,100,000	3,700,000	0
17	Spain:	41,100,000	3,100,000	0
18	Thailand:	22,600,000	1,700,000	0
19	Brazil:	21,400,000	1,600,000	0
20	Italy:	20,400,000	1,600,000	0
21	France:	19,000,000	1,500,000	0
22	Netherlands	13,600,000	1,000,000	913,500
23	Mexico:	12,200,000	900,000	0
24	Denmark	9,349,000	700,000	1,060,000
25	Belgium	8,175,000	600,000	920,000
26	Sweden	3,800,000	300,000	300,000
27	All other countries	1,190,900,000	90,900,000	0
Note:		6,000,000,000	405,400,000	3,369,500
Coal energy value (anthracite) - GJ per tonne		29		
Wood pellet energy value - GJ per tonne		19		
Ratio wood pellets to coal		1.5:1		
Source: US Energy Information Administration				

Depending upon the type of coal boiler, wood pellets can be fed in a couple of ways. In a fluidized bed boiler, the wood pellets can be fed with coal through the same feeder system. For stoker coal boilers, a separate storage and injection system is required.

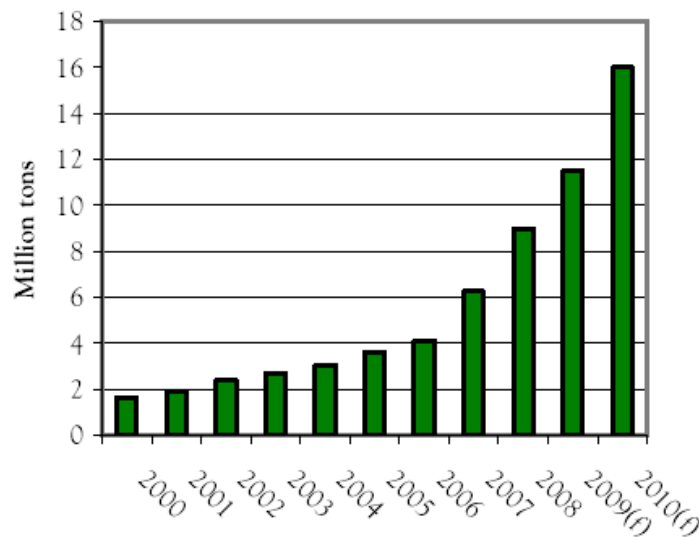
Today, wood pellets are the largest traded solid biomass commodity used specifically for energy purposes. Wood pellets have favourable properties for transportation: low moisture

content and high energy density (about 19 GJ/tonne). While handling of wood pellets requires care (including dry storage), the advantages over other solid biomass types such as wood chips or agricultural residues are storability, easy handling, and typically lower transport costs for distances longer than 50 to 100 km.

The first long-distance transport of wood pellets was in 1998 from Canada to Sweden. Since then, the international trade in wood pellets by truck, train, and ship has grown exponentially. The main rationale behind long-distance trade is abundant availability of cheap feedstock in some world regions, high demand in other (resource-scarce) regions and the presence of cost- and energy-efficient logistics.

Since year 2000, global production of pellets has increased eight-fold (Figure 2).

Figure 2. Global production of wood pellets, 2000 – 2010



Source: FAO and UNECE

ENVIRONMENTAL ADVANTAGES

A particular advantage of pellet use is the low environmental impact during the production process, during transport (zero environmental damage in case of spillage) and in use. Modern pellet combustion equipment produces extremely low air pollution. Pellets contain much lower amounts of sulphur than fossil fuels. While pellets do contain nitrogen which

leads to slightly higher NO_x emissions, it must be kept in mind, that NO_x is recycled in the same way as carbon: plants take up nitrogen from the soil as a nutrient; it is stored in the biomass and released during combustion to be returned to the soil by rain again. Due to perfect combustion control, the small amount of dust that is emitted is composed of inorganic salts, most of which are water soluble and pose a lower health risk than other types of fine dust.⁴

Pellets are also a very effective way to reduce CO₂ emissions. The combustion in modern pellet boilers can reach more than 90 % efficiency which allows for the replacement of a high amount of fossil fuels. High greenhouse gas savings also apply when using pellets in dedicated CHP plants where they replace coal.

POLICY DRIVERS AFFECTING GLOBAL WOOD PELLET MARKETS

Currently, wood pellets compete with fossil fuels. In many parts of the world, pellet energy is cheaper than heating oil, but more expensive than coal and natural gas. Thus, in situations where heating oil is the only viable alternative, many consumers will choose wood pellets. However, if natural gas or coal is available, consumers will only choose pellets if there are policy incentives such as subsidies for renewable energy or caps on carbon emissions.

In 1997, members of the United Nations collectively agreed to reduce greenhouse gas emissions and adopted the Kyoto Protocol, which finally came into force in 2005. To date, only the member countries of the European Union have implemented climate change policies. Canada, the US, and the rest of the world have not yet acted in a meaningful way to reduce greenhouse gas emissions.

Currently the European Union (EU) meets about 4% of its energy needs from biomass. In March 2007 the European Union member states agreed to a 20% binding target for renewable energy (including 10% from biomass) by 2020 as well as a 20% reduction in greenhouse gas emissions. Since wood pellets are the most available biomass form to most European countries, they will play a crucial role in achieving the 2020 objective.

⁴ European Biomass Association. *A Pellet Road Map for Europe*. 2008

The regulatory framework of the European Union towards biomass is not new. In 2001, the European Commission put forward the directive on the promotion of electricity from renewable energy sources, followed by the directive on promotion on biofuels in transport in 2003 and continued in 2005 by a comprehensive EU *Biomass Action Plan*.

Renewable electricity, including bioelectricity, is promoted by *Directive 2001/77/EC* requiring all EU Member States to adopt national targets for the proportion of electricity consumption from renewable energy sources. Electricity from solid biomass is generated based on the combustion of forestry and agricultural products and residues in thermal power stations. As with the progress of total biomass, the development of solid biomass accelerated significantly in 2004 and 2005. Annual growth rates in recent years amounted at EU-25 level to 20% in 2002, 13% in 2003, and 25% in 2004, reflecting the impetus those legislations gave to the markets.

An additional support instrument has been provided through the January 2005 European Emission Trading Scheme (“ETS”). The main objective of the ETS is to mitigate EU CO₂ emissions. Since large parts of European electricity generation take place in fossil-fuelled power plants, the emissions trading scheme has had, and will continue to have a profound effect on the European energy sector. In many countries co-firing with wood pellets is the most economic means of achieving CO₂ reduction targets⁵.

WORLD PRODUCTION AND TRADE

Global trade of wood pellets is still small compared to trade of oil, coal, natural gas and other commodities. Global pellet standards are under development, but not yet in place. Most pellet producers are privately owned and protective of trade statistics. Transactions are generally negotiated between producers and wholesalers or end users. Unlike other widely traded commodities, wood pellets are not traded through commodity exchanges, so public pricing and volume data is unavailable. Most industry statistics are generated by

⁵ Peksa-Blanchard, M., Dolzan, P., Grassi, A., Heinimo, J., Junginer, M., Ranta, T., Walter, A. *Global Wood Pellets Markets and Industry: Policy Drivers, Market Status and Raw Material Potential*. IEA Bioenergy Task 40. November 2007.

polling individual producers, traders, and consumers and are difficult to verify. Figure 3 shows a best estimate of global wood pellet production and consumption by country for 2009.

Figure 3. Estimated Global Wood Pellet Production and Consumption 2009

Countries	Number Producers	Production	Consumption	Export (Import)	Nature of Markets
Region: Europe					
Austria	25	626,000	509,000	117,000	Heating
Belgium	10	325,000	920,000	(595,000)	Power/heating
Bulgaria	17	27,200	3,000	24,200	Heating
Cyprus	0	0	0	0	
Czech Rep	12	27,000	3,000	24,000	Heating
Denmark	12	134,000	1,060,000	(926,000)	Power/heating
Estonia	6	338,000	0	338,000	
Finland	19	373,000	149,200	223,800	Heating
France	0	240,000	200,000	40,000	Heating
Germany	50	1,460,000	900,000	560,000	Power/heating
Greece	5	27,800	11,100	16,700	Heating
Hungary	7	5,000	10,000	(5,000)	Heating
Ireland	2	17,000	30,000	(13,000)	Heating
Italy	75	650,000	850,000	(200,000)	Heating
Latvia	15	379,000	39,000	340,000	Heating
Lithuania	6	120,000	20,000	100,000	Heating
Luxemburg	0	0	5,000	(5,000)	Heating
Malta	0	0	0	0	
Netherlands	2	120,000	913,500	(793,500)	Power/heating
Norway	8	35,100	39,800	(4,700)	Heating
Poland	21	340,200	120,000	220,200	Heating
Portugal	6	100,000	10,000	90,000	Heating
Romania	21	114,000	25,000	89,000	Heating
Slovakia	14	117,000	17,550	99,450	Heating
Slovenia	4	154,000	112,000	42,000	Heating
Spain	17	100,000	10,000	90,000	Heating
Switzerland	14	70,000	90,000	(20,000)	Heating
Sweden	94	1,405,000	1,850,000	(445,000)	Power/heating
UK	15	125,000	176,000	(51,000)	Power/heating
	477	7,429,300	8,073,150	(643,850)	
Region: North America					
Canada	31	1,200,000	200,000	1,000,000	Heating
USA	97	1,800,000	2,096,150	(296,150)	Heating
	128	3,000,000	2,296,150	703,850	
Region: Latin America and Asia					
Brazil	1	25,000	25,000	0	Heating
Argentina	1	7,000	7,000	0	Heating
Chile	1	20,000	20,000	0	Heating
China	1	50,000	50,000	0	Power/heating
India	0	0	0	0	

Countries	Number Producers	Production	Consumption	Export (Import)	Nature of Markets
Japan	55	60,000	109,000	(49,000)	Power/heating
Korea	1	10,000	10,000	0	
New Zealand	5	20,000	20,000	0	Heating
	65	192,000	241,000	(49,000)	
	670	10,621,300	10,610,300	11,000	

Sources: pellet@las, IEA Bioenergy, FA/UNECE, USDA

North American Production and Consumption

North American wood pellet production in 2009 was estimated at 3 million tonnes, split between Canada at 1.2 million and US at 1.8 million. Canadian plants reported operating at about 75% of capacity while US plants reported operating at 66%. This means that total North American capacity is in the range of 4.3 million tonnes and in 2009 there was 1.3 million tonnes of unused capacity.

In Canada, various investors in British Columbia, Quebec, New Brunswick, and Newfoundland and Labrador have announced plans for new capacity totalling 600,000 tonnes. In the US south, investors have announced several new plants totalling 1.8 million tonnes capacity. If all announced projects are completed by the end of 2010, resultant North American capacity will be in the range of 6.7 million tonnes.

Total North American consumption in 2009 was estimated at 2.3 million tonnes, split between Canada at 200,000 and US at 2.1 million. Approximately 700,000 tonnes were exported from North America, with about 640,000 tonnes sent to Europe and 60,000 tonnes to Japan.

The North American domestic wood pellet market is presently limited to residential heating, primarily in Eastern Canada and Northeast US where there is no natural gas distribution system and the next best alternative is heating oil. Wood pellets are cheaper than heating oil.

The use of wood pellets for power generation is still virtually non-existent in North America. With the exception of Ontario, neither Canada, nor the US has implemented policies to reduce greenhouse gas generation from coal burning power plants. Canada's

21 coal plants consume some 61 million tonnes of coal annually. If just 10% of this coal could be replaced with wood pellets (at a 1.5:1 ratio), they would consume nearly 10 million tonnes of wood pellets each year – equal to the entire global consumption in 2009! The Wood Pellet Association of Canada has made it a top priority to develop this market.

Ontario is one province that has taken greenhouse gas reduction seriously. Ontario Power Generation is working on converting four power plants from coal to wood pellets. This initiative is expected to create demand for 2 million tonnes of wood pellets per year starting in 2012.

There are 31 wood pellet plants in Canada. British Columbia has five pellet companies with nine plants (Figure 4). Annual production is approximately 1 million tonnes.

Figure 4. British Columbia Wood Pellet Plants

Company	Plant
1. Pacific BioEnergy	Prince George
2. Pinnacle Pellet	Armstrong
3. Pinnacle Pellet	Houston (in partnership with Canfor)
4. Pinnacle Pellet	Meadowbank (near Prince George)
5. Pinnacle Pellet	Quesnel
6. Pinnacle Pellet	Williams Lake
7. Premium Pellet	Vanderhoof
8. Princeton Co-gen	Princeton
9. Westwood Fibre	Westbank

European Production and Consumption

The success of the Canadian wood pellet industry is largely linked to the growing demand for pellets in Europe, particularly Sweden, Netherlands, Belgium, Denmark, and UK. Europe is the largest market for wood pellets. Its continued growth will be driven by the EU commitment to 20% renewable energy and 20% greenhouse gas reduction by 2020.

European wood pellet production in 2009 was estimated at 7.4 million tonnes while consumption was 8.1 million tonnes, necessitating imports of approximately 700,000 tonnes from Canada and US. The European Market is projected to be 25 million tonnes per year by 2020.

The European pellet market can be segmented as follows⁶:

- Small scale residential users with demand less than 10 tonnes of pellets per year. They consume pellets for home heating using pellet stoves or pellet boilers, or pellets boilers for warm water heating systems. Delivery is organized using bags (for pellet stoves) or in bulk (for boilers), where trucks blow the quantity needed for up to a year into a pellet storage room or container.
- Small to medium scale users demanding between 10 and 1,000 tonnes pellets in bulk per year. Typical users are commercial buildings, hotels, and multi-family residences. The size of this segment is growing rapidly as a result of high European heating oil prices.
- Medium and large scale users demanding more than 1,000 tonnes per year. Power plants, industries and large district heating companies can consume several hundred thousand tonnes or more per year in a single plant.

Most European countries using pellets exclusively for heating are self sufficient and some export surplus pellets to other EU countries. The only countries with substantial import requirements are those using pellets for co-firing with coal in power plants. This includes five countries: Belgium Denmark, Netherlands, Sweden, and UK.

Belgium currently imports 600,000 tonnes of wood pellets annually, primarily for electricity generation. Belgium uses a *Green Certificate Scheme* to stimulate biomass co-firing in coal plants. Electrabel is the major consumer of industrial wood pellets in Belgium with a large demand in Les Awirs (80 MW, 100 % biomass), 4 co-firing facilities and a number of smaller units.

⁶ Sikkema, R., Steiner, M., Junginger, M., Hiegl, W. *Final report on producers, traders and consumers of wood pellets*. HFA Holzforschung Austria. December 2009

Denmark currently imports 926,000 tonnes of wood pellets annually. Wood pellets are used in small boilers in single family houses; medium sized district heating plants; and large power plants producing power and heat for large district heating systems. More than half of the residential heat demand in Denmark is supplied via district heating.

The drivers for wood pellet consumption are a biofuel tax exemption in combination with high taxes on fossil fuels for heating purposes; and a subsidy scheme for wood fired combustion.

Dong Energy is the major industrial purchaser of wood pellets in Denmark.

Netherlands currently imports 800,000 tonnes of wood pellets annually. There is a negligible market for domestic pellet heating and a large demand for wood pellets for co-firing in coal fired power plants.

The main policy driver for wood pellet consumption is the *Milieukwaliteit van de Elektriciteitsproductie* (translated as “environmental quality of electrical production”) feed-in premium, which provides a subsidy of 6 to 7 €ct per kWh electricity produced from clean woody biomass.

Today, more than 95% of all wood pellets consumed in the Netherlands are co-fired in large coal power plants. The largest consumer by far is the utility Essent, which co-fires several hundred thousand tonnes of wood pellets annually at its Amer coal power plant.

Sweden currently imports 445,000 tonnes of wood pellets annually. Strong drivers provide for wood pellet use in single family homes, commercial buildings, district heating systems, and large power plants. The largest consumer is the utility Öresundskraft.

The UK presents a huge opportunity for wood pellets but the market is presently in turmoil. All sixteen major UK power plants are now co-firing a proportion of biomass, at an average level of 3% (energy basis) making use of a range of fuels including wood pellets. Drax Power Station in North Yorkshire is the largest coal-fired power station in the country and has announced plans to convert to co-firing with biomass. Drax had also announced plans to develop three biomass-fired generating plants. Upon completion,

Drax would source 1.5 to 2 million tonnes of pellets a year for co-firing and 1.3 million tonnes a year for each of the biomass-fired plants. However, in February 2010, Drax abruptly threatened to abandon its planned £2bn (\$3.1bn) investment into biomass, accusing the UK government of favouring offshore wind over biomass.

The UK uses a system of *renewables obligations* (“ROs”) to incentivize renewable energy. An RO is an obligation placed on all electricity suppliers to source a proportion of all electricity supplied from renewable sources. For each MWh of renewable electricity generated, a *renewables obligation certificate* (ROC) is issued. These ROCs are used to demonstrate compliance with the RO. If a company has not been issued with a sufficient number of ROCs to cover its obligation from its own production, it may either buy more ROCs from companies that have a surplus, or pay a buy-out price (£33.24 per MWh). However, there is a 12.5% cap in place that limits the number of ROCs from biomass co-firing that electricity suppliers can present in compliance with their obligation. Drax objects to this cap. According to a British newspaper⁷, Drax said,

“The Government's failure to subsidise biomass fuel sufficiently to make it competitive with coal could mean building the plants abroad where subsidies are more favourable. Industry figures show it costs £31 per megawatt to produce energy from coal compared with £40 per megawatt for biomass. A Drax spokeswoman said: "When it comes to dedicated biomass plants if we cannot get a favourable regime in this country we will be forced to look overseas. Our request is for Government to rethink biomass policy.

"There seems to be no will on the part of Government to incentivise us to reduce our carbon footprint by burning biomass rather than coal."

Exporting the £2bn project, which involved three 300MW renewable energy plants, would be a huge blow to the region. One site was expected to be built alongside the existing Drax plant, with the second earmarked for Immingham and a third site yet to be decided. The plants had been due to create about 600 jobs, not to mention the thousands of staff needed for their construction.

Meanwhile, the 400 megawatt biomass co-firing plant is due to come on stream in mid-2010 but will not be used to its full capacity because it remains significantly cheaper to burn coal on its own.

⁷ Collingridge, J. *Drax warns it may have to take its £2bn green energy plans abroad*. Yorkshire Post. April 5, 2010.

The plan had been to burn 1.5 million tonnes of biomass a year in the co-firing unit which is believed to be one of the biggest co-firing plants in the world. Drax has already bought two million tonnes of biomass crops to fuel it.

But the spokeswoman added: "If Government policy continues to stand in our way then the biomass then it may be economical to actually sell the biomass that we have bought to other markets which will be overseas."

Currently, the cap on how many co-firing ROCs suppliers can present as part of their obligation to provide a proportion of their electricity from renewable sources stands at 12.5%. The Government introduced the cap for fear that the ROC market would be flooded by co-firing ROCs because it is a relatively simple and effective transition to renewable generation for power generators to make."

Latin American and Asian Production and Consumption

Brazil, Argentina, and Chile are just starting to develop wood pellet production. The lack of industrial capacity and logistic barriers are serious constraints. At present, all pellet production is used domestically⁸.

China presently has an undeveloped pellet industry. China plans for renewables to meet 10% of total energy consumption by 2020. The potential biomass resources to be used in this country include wood waste, straw, and feed grain that is now too old to use. China plans to produce 50 million tonnes of pellets by 2020. The Chinese government has declared that 50 combined heat and power stations are to be built using straw pellets as fuel.

Japan imported 49,000 tonnes of wood pellets in 2009, up from 41,000 tonnes in 2008⁹. Total domestic production of wood pellets is approximately 60,000 tonnes, produced in 55 pellet plants. Pellet plants are very small in Japan because they are usually incorporated into woodworking plants and use only internally produced residues.

Presently only one utility, Kansai Electric Power Co. Inc., uses wood pellets for co-firing,

⁸ Peksa-Blanchard, M., Dolzan, P., Grassi, A., Heinimo, J., Junginer, M., Ranta, T., Walter, A. *Global Wood Pellets Markets and Industry: Policy Drivers, Market Status and Raw Material Potential*. IEA Bioenergy Task 40. November 2007.

⁹ Asia Biomass Office website: www.asiabiomass.jp/english

although Tokyo Electric Power Co has said that starting in 2012, it also plans to co-fire with wood pellets, using about 70,000 tonnes per year¹⁰. Three other smaller utilities produce electricity by firing domestically produced wood chips.

Japan has a goal of 25% reduction in greenhouse gases from 1990 levels by 2020, although there are not yet any specific policies for electrical power producers to achieve their share.

Fifteen percent of Japanese electricity is produced from coal. The country consumed 117 million tonnes in 2009. At a target of 3% co-firing, this presents a potential wood pellet market of 5 million tonnes per year (at a 1.5:1 ratio of wood pellets to coal). Significant marketing effort will be required to achieve this.

A significant advantage of exporting to Japan over Europe is in the cost of shipping; the distance from Vancouver to Osaka (7,900 km) is far less than Vancouver to Rotterdam (16,500 km).

South Korea's wood pellet consumption is small and generally limited to use in some rural communities and greenhouses. It has only one operational wood pellet facility. Recently, Korea opened its first biomass power plant. The plant uses 53,000 tonnes of wood chips annually and there is potential to supplement this with wood pellets.

South Korea is one of the world's largest greenhouse gas emitters. On November 17, 2009, the South Korean cabinet approved a 4% greenhouse gas emission reduction target by 2020 as a basis for its current and future climate change efforts. The goal is measured from a 2005 baseline and is equivalent to a 30% reduction from "business-as-usual".

South Korea presently obtains 24% of its electricity from coal, consuming some 84 million tonnes per year. If just 3% could be converted to co-firing with wood pellets, this would create a potential market for 4 million tonnes per year (at a 1.5:1 ratio of wood pellets to coal). This will require substantial effort because presently there are no power plants co-firing with wood pellets.

¹⁰ Chan, Y. *Japanese utility eyes wood waste as fuel for coal-burning power plant*. BusinessGreen. Nov 13, 2009.

INDUSTRIAL WOOD PELLET PRICES - EUROPE

From 2007 to December 2008, bulk pellet prices for large scale consumers were obtained from inquiries to power production plants and international traders. Prices varied between 112 €/tonne and 129 €/tonne. Since December 2008, prices have been reported by the Endex energy exchange (www.endex.nl). Since then, bulk prices increased from about 134 €/tonne to about 141 €/tonne in March 2009, but have declined to 125 €/tonne in April 2010, mainly as a result of uncertainty about Drax.

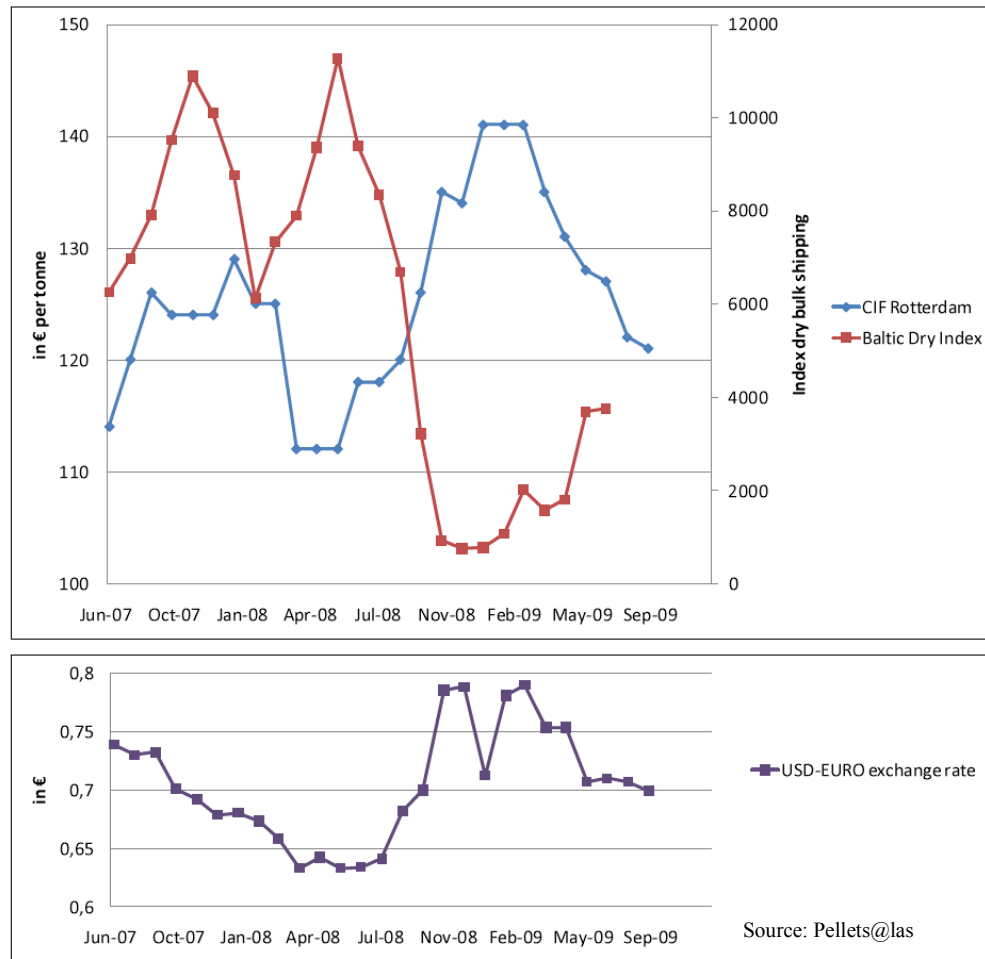
Rotterdam is the major European pellet hub. Pellets are shipped to Rotterdam in ocean vessels and redistributed in smaller vessels, going to countries like United Kingdom and Belgium. Shipping costs are a key factor on the supply side of bulk wood pellets for power production. The Baltic Dry Index (“BDI”) is a key independent barometer for shipping costs of dry bulk commodities including iron ore, coal and grain by sea, and is derived from professional ship broker assessments. Since summer 2008, the BDI has dropped significantly due to the global financial crisis and world shipping overcapacity. However, the strong decline of the BDI does not necessarily affect the current cost of pellet shipping, at least not immediately. The price that an individual buyer might actually pay for wood pellets is closely linked to the size and the length of a contract. Most wood pellets are shipped under long-term contracts, made in euros. The exchange rate of the dollar towards the euro is most relevant for Canadian producers. The drop of the euro against the Canadian dollar has reduced proceeds to Canadian producers by about 25% from January 2009 to April 2010 (Figure 5)¹¹.

In addition to long-term contracts, power companies buy pellets on spot markets. The difference between long term contracts of one year and longer (relative high prices) and short term contracts of spot markets (generally lower prices) could be about 10 €/tonne or

¹¹ Senechal, S., Grassi, G. *Logistic Management of wood pellets: Data collection on transportation, storage and delivery management*. European Biomass Industry Association. October 2009.

more. The largest gap occurs during summer season; market spot prices drop when Northern Europe scarce biomass storage capacity fills up during summer months.

Figure 5. Prices of bulk pellets for large scale power production (CIF Rotterdam) and for comparison the Baltic dry Index (dry bulk shipping) as well as the USD-EURO exchange



The market price of bulk pellets, currently about €120 to €125 per tonne, has dropped substantially since early 2009 for three reasons:

- Weakening of euro against US dollar
- New pellet plant construction in Canada, US, Russia, and Norway temporarily causing pellet production to outpace consumption
- Uncertainty in UK about Drax's intention to follow through with biomass power projects

The UK pellet situation is likely to be resolved soon in favour of Drax. In 2008 the UK adopted the *CRC Energy Efficiency Scheme* as the UK's mandatory climate change and energy saving scheme. It was put in force on April 2010. The scheme is central to the UK's strategy for improving energy efficiency and reducing carbon dioxide emissions, as set out in the UK Climate Change Act 2008. Without Drax's biomass projects, the UK government will not be able to meet its goal of increasing the proportion of electricity produced in the UK from renewable sources from 5.5 per cent to 30 per cent by 2020. There are wider implications, given that a shift towards renewable energy is the cornerstone of the move towards a less carbon intensive economy. The UK is committed under a legally binding target to cut the country's emissions by 34 per cent by 2020 and 80 per cent by 2050.

Considering that the UK situation is likely to be settled soon, it is reasonable to expect that pellet prices will return to the 135-140 €/tonne range within 12 to 18 months.

TRANSPORTATION LINKS: PELLETS FROM SOUTHERN BRITISH COLUMBIA TO EUROPE

The transportation links for pellets manufactured in southern British Columbia to Europe are:

- Truck or rail transportation from pellet plant to Port of Vancouver. The Fibreco Terminal and Kinder Morgan Terminal in North Vancouver have the combined capacity to handle 1 million tonnes of pellets annually and can be expanded to 2 million tonnes.
- Pellets are unloaded and stored at the terminal, usually in silos. Pellets from multiple producers are mixed in the silos. Each terminal is presently configured to handle rail cars only. However, Fibreco and Kinder Morgan are each willing to install truck dumping facilities once a pellet producer commits to regular truck deliveries.
- At the terminal, pellets are loaded on dry bulk cargo ships holding 4,000 to 15,000 tonnes.
- The sea route from Vancouver to Rotterdam is 16,500 km, south to Panama Canal, then northeast across the Atlantic Ocean to Rotterdam.

The charter market for ships is highly competitive. Freight rates can change dramatically over a short period of time. Generally, the cost of shipping is determined by the supply-demand balance of ships and goods¹². A shortage of transport capacity causes freight rates to rise and an oversupply of ships causes freight rates to drop.

A potential opportunity to lower pellet transportation costs from Lillooet is to ship through Squamish rather than North Vancouver. Squamish is just 189 km from Lillooet, while North Vancouver is 321 km. Squamish has a deep sea break-bulk terminal, but would need to add significant infrastructure (truck dumper, conveyors, storage silo and ship loader) to handle bulk wood pellets. The terminal has expressed interest in this opportunity.

EUROPEAN PELLET CUSTOMERS

When selling industrial wood pellets to European customers, producers may choose to sell through wholesalers or directly to the end customers – the power plants.

The advantages of selling to wholesalers are:

- Wholesaler is physically located near the customers. This can save on producer marketing expenses.
- Wholesaler can link the producer to an expanded market base.
- Wholesalers know the markets, customers, and prices.
- Wholesaler can consolidate product from several producers to fill large contracts.
- Wholesaler can help expedite transportation.
- Wholesaler can help in the event of product claims.
- Wholesaler can provide vendor financing.
- Wholesaler can carry inventory.

The disadvantage of selling through a wholesaler is that the wholesaler needs a share of the product value in order to stay in business. Nevertheless, producers that have limited in-house marketing expertise are advised to use the services of a wholesaler.

¹² Bradley, D., Dieseneiter, F., Wild, M., Tromborg, E. *World Biofuel Maritime Shipping Study*. IEA Task 4. July 1, 2009.

Figure 6 shows European wholesalers and consumers of bulk industrial wood pellets.

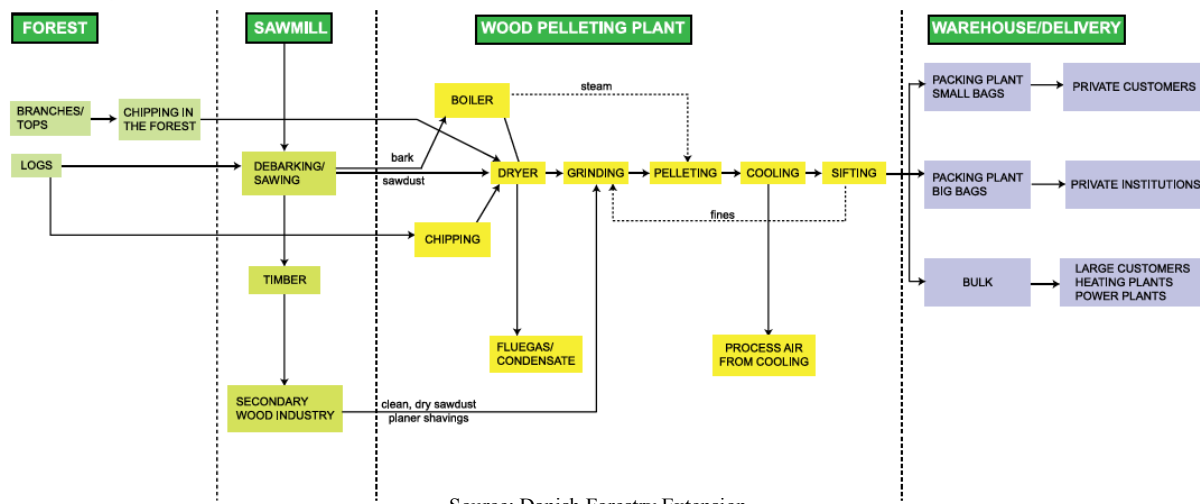
Figure 6. European Wholesalers and Consumers of Bulk Industrial Wood Pellets

Country	Type	Company	Website
Belgium	Consumer	Electrabel	www.electrabel.de
Denmark	Wholesaler	GEE Energy	www.gee-energy.com
Denmark	Consumer	Dong Energy	www.dongenergy.dk
Denmark	Consumer	Vattenfall.dk	www.vattenfall.dk
Netherlands	Wholesaler	GF Energy	www.gfenergy.eu
Netherlands	Wholesaler	Nidera	www.nidera.nl
Netherlands	Wholesaler	The Clean Energy Company	www.thecleanenergycompany.com
Netherlands	Wholesaler	Van Leer Energy BV	www.eduardvanleer.nl
Netherlands	Consumer	Delta Energie	www.delta.nl
Netherlands	Consumer	Electrabel	www.electrabel.nl
Netherlands	Consumer	EoN	www.eon-benelux.com
Netherlands	Consumer	Essent	www.essentradng.com
Netherlands	Consumer	NUON	www.nuon.com
Sweden	Consumer	FORTUM	www.fortum.com
Sweden	Consumer	Oresundskraft	www.oresundskraft.se
UK	Wholesaler	Biomass UK Ltd.	www.biomassuk.com
UK	Wholesaler	International Forest Products (UK)	www.ifpcorp.com
UK	Wholesaler	EDF Trading	www.edftrading.com
UK	Consumer	EDF Energy	www.edfenergy.com
UK	Consumer	RWE nPower	www.rwe.com
UK	Consumer	Scottish Power	www.scottishpower.com
UK	Consumer	EoN	www.eon-uk.com
UK	Consumer	International Power	www.ipplc.com
UK	Consumer	Drax Power	www.draxpower.com
UK	Consumer	British Energy	www.british-energy.com
UK	Consumer	Scottish and Southern Energy	www.scottish-southern.co.uk

WOOD PELLET MANUFACTURING PROCESS

The process of manufacturing wood pellets involves putting ground wood particles under high pressure and forcing them through a round opening called a “die.” When exposed to the appropriate conditions, the particles fuse together, forming a solid pellet. This process is known as “extrusion.” However, the creation of the pellets is only a small step in the overall process of manufacturing wood pellets (Figure 7). These steps include feedstock preparation, drying, hammer-milling, conditioning, pelletizing, cooling, screening, and packaging. Each step must be carried out with care to ensure a final product of acceptable quality.

Figure 7. Pellet Manufacturing Process



Source: Danish Forestry Extension

FEEDSTOCK PREPARATION

Feedstock acquisition is generally the most expensive part of the manufacturing process. Raw materials must be sourced locally because their low bulk density and high moisture content makes them too costly to transport over long distances. Feedstock availability is obviously a limiting factor in the determination of plant capacity. Until recently, most plants consumed only sawdust and shavings. Now plants are increasingly incorporating bark into their production. Bark generally has a slightly higher calorific value than white-wood, but has the disadvantage of producing more ash following the combustion

process. Contamination from dirt can be another issue with bark , causing abrasion in pellet presses. Bark pellets are limited to use in large-scale utilities where ash content does not adversely affect boiler performance.

Feedstock received in log form is debarked, chipped or ground, and stockpiled prior to use. Storage can be in bins, covered buildings, a cement pad or piles on the ground. The cost of a storage system is balanced against the need for a clean and dry feedstock. Keeping the inputs clean minimizes the need for unnecessary maintenance costs. In cases where there is a wide range in the types of raw material being received, some facilities incorporate a blending process. This can be as simple as mixing batches with a front end loader on a cement pad or as advanced as using separate bins for each input material and an automated metering system for the mixing process. Feedstock blending helps to create a more consistent input (i.e., moisture content and lignin content) that requires fewer adjustments in the pelletizing stage¹³.

DRYING

Feedstock – like dry planer shavings – does not need to be dried. Green feedstock usually arrives with moisture content in the range of 25% to 50% which must be reduced to 10% by drying. After drying, heat generated by the remaining pelletizing processes will further reduce moisture to about 5%. It is important not to over-dry the feedstock because a small amount of moisture is required to help bind the wood fibre.

Drying consumes about 4 GJ of energy per tonne of pellet production. This represents only 22% of the wood pellet's energy, leaving pellets with a positive net energy value. However, the drying process accounts for 70% of the energy consumed in the pelletizing process and needs to be carefully managed. Drum driers are the most common type of equipment used in North America (Figure 8). In the past, natural gas was the most common fuel source. However, with rising fossil fuel costs, many producers have switched to bark fuel. In

¹³ Karwandy, J. *Pellet Production from a Saskatchewan Perspective*. Forintek Canada Corp. 2007

contrast to using natural gas, bark is cheaper and provides the opportunity to market environmental benefits associated with green house gas emissions.

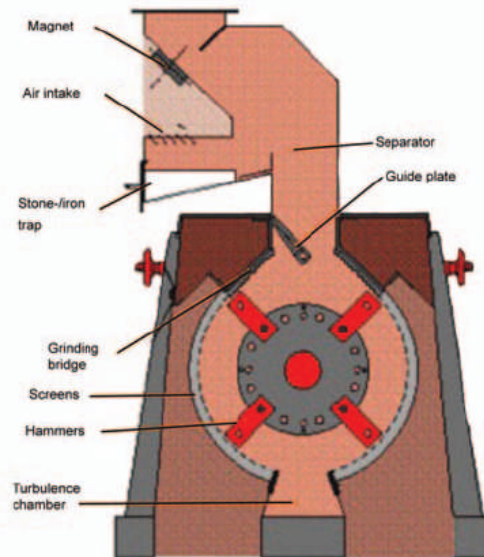
Figure 8. Drum Dryer



HAMMER-MILLING

A hammer mill (Figure 9) is used to grind the dried feedstock to a size no bigger than the diameter of the pellet (~6 mm) producing a substance with a consistency similar to bread crumbs. Raw material is filtered before grinding to remove materials like stone or metal. There is some debate amongst manufacturers whether to grind before or after drying. The arguments are that grinding before drying creates homogeneous fibre making drying more efficient while grinding after drying takes less energy and makes the fibre easier to break up in the hammermilling process.

Figure 9. Hammer-mill



CONDITIONING

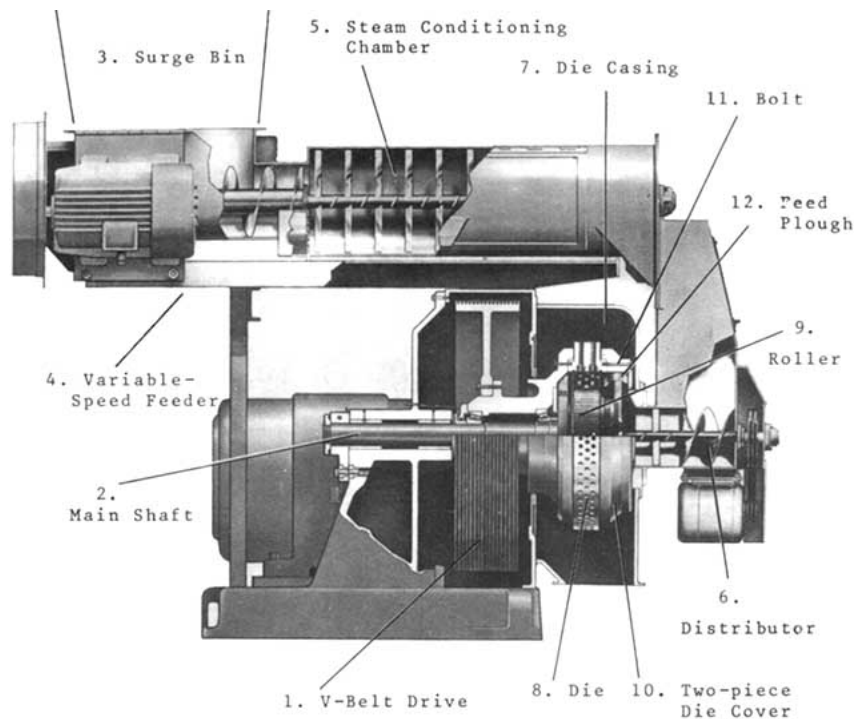
Many pelletizing machines come with a built-in steam conditioning chamber. Super-heated steam, at temperatures above 100⁰ C (212⁰ F), is used to soften the wood before it is compacted. Steam conditioning is not necessary but does make the raw material less abrasive to the pellet presses. This helps reduce maintenance costs.

PELLETIZING

Pellet presses (Figure 10) are available in a range of sizes. Generally, every 100 horsepower provides a capacity of approximately one tonne of pellets per hour.

Pellets are created by applying a great deal of pressure to force the raw material through holes in the die. As pressure and friction increase so does the temperature of the wood. This allows the lignin to soften and the fibre to be reshaped into pellet form.

Figure 10: Cross Section of a Wood Pellet Press



COOLING

The cooling process is critical to the pellets' strength and durability. As pellets leave the extruder they are hot (90 to 95°C) and soft. They are gradually air cooled, which allows the lignin to solidify and strengthen the pellets. In contrast to the drying process, cooling does not involve the addition of any heat.

SCREENING

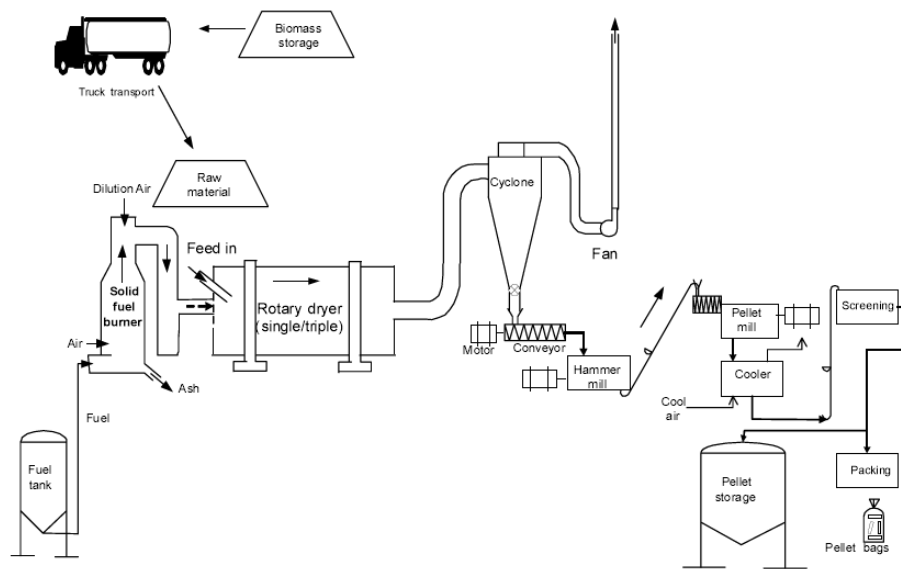
Once the pellets have cooled, they are passed over a vibrating screen to remove any fine material. These 'fines' are augured back into the pelletizing process to ensure that no raw material is wasted. Screening ensures the fuel source is clean and as near to dust free as possible. Once screened, pellets are ready to be packaged for the desired end-use.

DISTRIBUTION

Pellets can be distributed in bulk form, by truck, rail or ship or bagged in 40 lb (18 kg) quantities. Bagged quantities are distributed on pallets, usually with 50 bags on each pallet.

Figure 11 shows a schematic layout of a typical pellet plant.

Figure 11. Schematic Layout of a Typical Pellet Plant



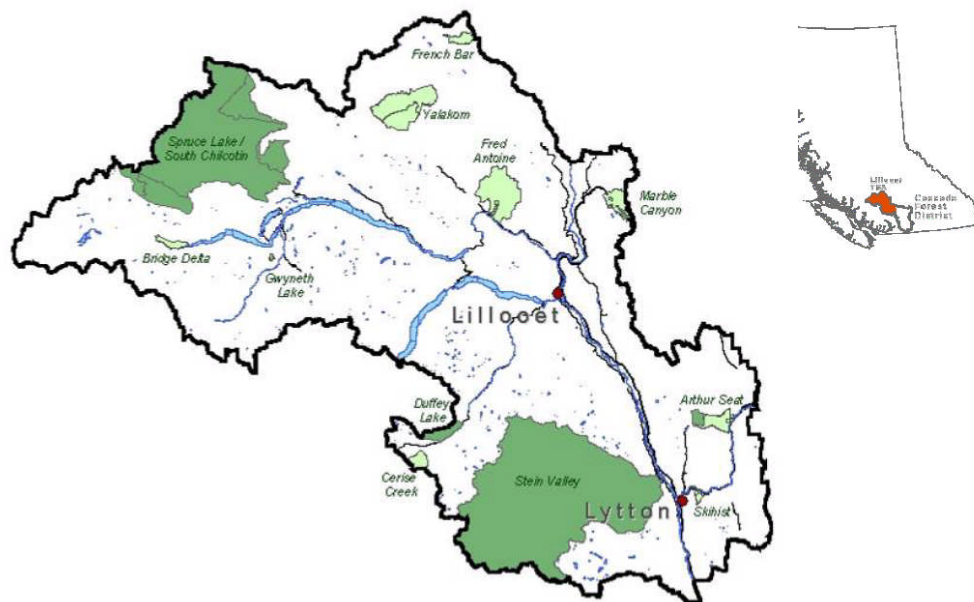
Source: Mani, Sokhansanj, Bi, & Thurhollow, Biomass & Bioenergy Research Group, University of British Columbia

FIBRE SUPPLY

OVERVIEW

The government has organized the forests of BC into administrative units called *timber supply areas*. Forests surrounding Lillooet form the *Lillooet Timber Supply Area* (“TSA”) (Figure 12). The Ministry of Forests and Range (“MOFR”) is the government entity that regulates forestry operations on these lands. Allocation of timber harvesting rights is carried out through a complex system of licence agreements by which harvesting rights are granted in return for specific payments and the performance of certain forest management activities.

Figure 12. Map of Lillooet Timber Supply Area



LILLOOET TSA ANNUAL ALLOWABLE CUT

The AAC of the Lillooet TSA was set in 2009¹⁴ at 570,000 m³. The apportionment of cut exceeds the AAC as shown in Figure 13.

¹⁴ Snetsinger, J. *Lillooet Timber Supply Area Rationale for Annual Allowable Cut Determination*. British Columbia Ministry of Forests and Range. May 1, 2009.

Figure 13. Lillooet TSA Apportionment

	Total m3	%
Forest Licences Replaceable	398,731	62.70
Forest Licences Non-Replaceable	67,320	10.59
BCTS Timber Sale Licence/Licence	138,366	21.76
Community Forest Agreement	25,683	4.04
Woodlot Licence	2,100	0.33
Forest Service Reserve	3,700	0.58
Total	635,900	100.00

Source: MOFR Apportionment System, effective date 2009-06-08

Despite the apportionment exceeding the AAC, harvesting in the Lillooet TSA has been consistently below 60% of the AAC since at least 2000¹⁵. In 2005 the undercut was in the range of 600,000 m³ and as of 2009 likely exceeds 1 million m³.

MOUNTAIN PINE BEETLE INFESTATION

Mountain pine beetle populations have reached a level unprecedented in British Columbia's recorded history. Beetles attack pine trees by laying eggs under the bark. When the eggs hatch, the larvae mine the phloem beneath the bark and eventually cut off the tree's supply of nutrients. Vast areas of pine forests have been killed.

The forests of the Lillooet TSA contain approximately 17.6 million m³ of merchantable lodgepole pine. About 84 % of this volume is found within pine-leading stands and 8% within Douglas-fir-leading stands.

The Mountain Pine Beetle model projections suggest that about 80% of the mature pine will be killed in the Lillooet TSA. This mortality is expected to occur over the next 12 years but the majority will likely occur within 5 years¹⁶. Without a local wood pellet plant, it is certain that that forest tenure holders will not be able to make any meaningful progress in recovering beetle-killed pine and it will go to waste.

¹⁵ Brown, C.G. *Lillooet TSA Timber Supply Review – Analysis Report*. British Columbia Ministry of Forests and Range. March 31, 2005.

¹⁶ *Mountain Pine Beetle Update: Public Discussion Paper*. British Columbia Ministry of Forests and Range. August 2008.

TIMBER SUPPLY FOR THE WOOD PELLET PLANT

Assuming 25% average moisture content in beetle-killed pine, a 100,000 tonne per year wood pellet plant will require some 180,000 m³ of logs.

The six member bands of the bands of Lillooet Tribal Council have negotiated an Economic Development Agreement¹⁷ (“EDA”) with the Province of British Columbia.

Among other things, the EDA provides for:

- LTC to obtain from the Province, a licence to cut up to three million cubic metres from pine stands in the Lillooet TSA over a fifteen year term (200,000 cubic metres per year);
- Continued opportunity for members of LTC to obtain additional timber volume through alternative processes; and
- Support by the Province for the forest industry in the Lillooet area.

Lillooet Tribal Council will hold the licence, but assign the management and operations by contract to Lillooet Biomass Energy Corporation for the benefit of the wood pellet plant.

¹⁷ Province of BC and St’at’imc Community. *Economic Development Agreement*. March 2010.

BUSINESS PLAN

PLANT LOCATION

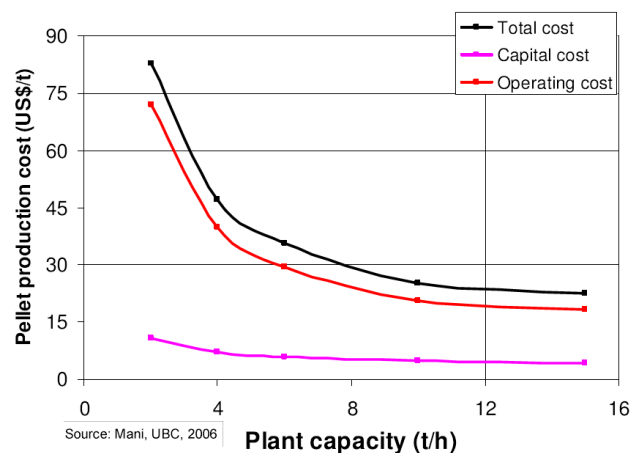
The plant would be located on the Lillooet property presently occupied by Bridgeside Forest Industries (the “Bridgeside Site”). The Bridgeside Site is 23 acres of industrial-zoned land. The topography is more or less flat with a gravel base and good bearing conditions for construction. There are several suitable buildings on site. The property is listed by a realtor for \$1.8 million.

The Aspen Planers veneer plant site in Lillooet was considered as another possible location for the pellet plant. This site has the advantage of being served by rail. However it was rejected because AP’s plans are indefinite; it is uncertain if the veneer plant site will be available and whether room can be made to put the pellet plant adjacent to the veneer plant.

FACILITY CAPITAL COSTS

It is now held by experts that the minimum economic scale for a pellet plant is approximately 100,000 tonnes per year. This would be a plant with three pellet presses, each operating at 4-5 tonnes per hour for a total of 12 to 15 tonnes per hour (Figure 14).

Figure 14. Economy of Scale for a Pellet Plant



Detailed engineering and firm quotes for a 100,000 tonne per year plant will be developed after confirmation of financing. For the purposes of this business plan, budgetary capital costs were estimated with assistance from equipment suppliers and industry experts

including Andritz Inc., M-E-C Company, Energy Unlimited, and Gary Johnston Consulting. The fire protection budget was estimated by John McCabe.

The total cost to install a wood pellet plant is estimated at C\$13.8 million (Appendix – Schedule 4). This includes:

- Purchase of land and buildings
- Planning, engineering and project management
- Site preparation and paving
- Electrical upgrade
- Fire protection
- Barking and chipping line
- Rotary dryer and sawdust furnace
- Pellet presses, hammer-mills, cooler, shaker, screens, and materials handling
- Bulk storage
- Weigh scale
- Electrical system
- Installation
- Mobile equipment

ENVIRONMENTAL PERMITTING

A wood pellet plant will require environmental permits for air discharge and bulk storage of biomass. In British Columbia, such permitting is regulated by the BC Ministry of Environment (“MOE”). The *Environmental Management Act* and the *Waste Discharge Regulation* are the principal pieces of legislation for air quality and other environmental issues in British Columbia¹⁸.

The MOE uses a multi-step process consisting of:

- A pre-application meeting;
- Consultation with the public, agencies and stakeholders;

¹⁸ BC Ministry of Environment website: http://www.env.gov.bc.ca/epd/waste_discharge_auth/intro.htm

- A technical assessment, completed by a qualified professional, of the potential for the discharge to impact human health and the environment;
- Submission of the application including fees; and
- MOE assessment of application and potential approval. If staff does not support the application, an explanation will be provided with a request for comment or changes to the application. An application that cannot be supported as protective of the environment will be refused by the manager.

HUMAN RESOURCES

Plant Management

Five salaried employees are required including a general manager (\$93,000 per year), plant manager, fibre manager, controller/logistics manager (all at \$73,000 per year), and a book keeper/office clerk (\$42,000 per year). The general manager and fibre manager have been identified by the Working Group and are presently participating with the pellet plant planning process. It should be possible to recruit high-quality people for the remaining positions from within Lillooet.

Hourly Workers

Positions will include log scaler (\$25 per hour), weigh master, barker/chipper operator, mobile equipment operators, pellet plant operators (all at \$20 per hour), millwrights, electricians, and mechanics (all at \$30 per hour). Following recent layoffs from the veneer plant and reman plant, skilled workers are available in Lillooet to fill all these positions. Details are set out in Appendix Schedule 5.

WOOD PELLET SALES AND MARKETING

Marketing should be a responsibility of the general manager. The Canadian market is presently undeveloped. Pellets should be sold in bulk to power plants in Europe or Asia through wholesalers based in those markets. The economics of this business plan are based

on the European market because to date, most BC wood pellets are shipped to Europe, and the Asian market has been so small that prices and volumes there are difficult to predict.

When choosing a wholesaler, the following attributes should be sought:

- Located near customers.
- Has exceptional knowledge of pellet market, customers, and prices.
- Sells to multiple power plants.
- Financially strong – can carry inventory and pay promptly.
- Is able to assist with logistics issues.

Current price in Rotterdam is approximately €125. With an expected settlement of the co-firing controversy in the UK, pellet prices should improve to at least €130 in 2011. In 2012 and beyond, it is difficult to predict where prices will be; however, given that European consumption is expected to increase from 8 million to 25 million tonnes per year by 2020, it is reasonable to expect that prices will increase substantially.

On the downside, the euro has lost significant value against the Canadian dollar since November 2009 (Figure 15). To put this in perspective, a price of €130 per tonne in November 2009 would equal \$208, whereas the same €130 price in April would be just \$173, a decline of \$35 due solely to currency exchange. The good news is that the euro is not forecasted to decline any further for at least the next 12 months¹⁹. The bad news is that the euro is expected to remain at its current low value.

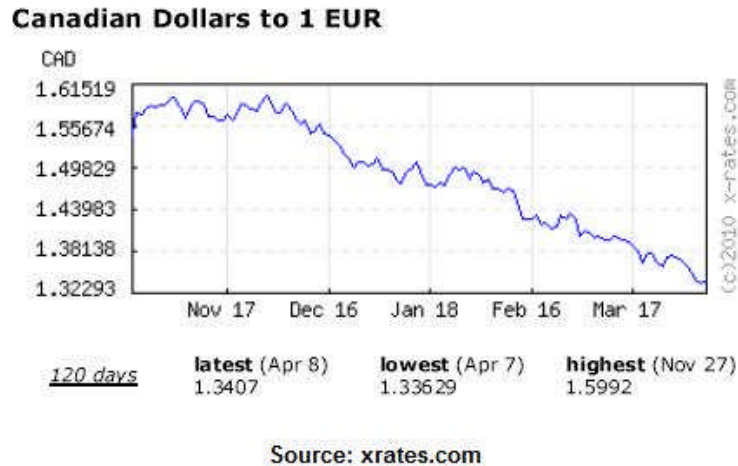
Assuming the pellet plant could be constructed by 2011 and that for the first year the selling price would be €130, then by 2012, selling price would need to increase to €160 per tonne for an investor to achieve a 15% internal rate of return²⁰. A hurdle rate of 15% is likely the least that an investor would expect for a project of this magnitude and risk. So the question

¹⁹ Scotiabank. *Foreign Exchange Outlook*. Global Economic Research. April 2010.

²⁰ The internal rate of return on an investment or potential investment is the *annualized effective compounded return rate* that can be earned on the invested capital. In more familiar terms, the IRR of an investment is the interest rate at which the costs of the investment lead to the benefits of the investment. This means that all gains from the investment are inherent to the time value of money and that the investment has a zero net present at this interest rate.

is really whether an investor can be convinced that by 2012, a sustainable average selling price of €160 CIF Rotterdam can be achieved.

Figure 15. Decline in Euro Against Canadian Dollar Since November 2009



The North American bagged market will remain flooded for the foreseeable future. There is a possibility that the Canadian industrial market can be developed. Alberta alone consumes 25.5 tonnes of coal per year – about 42% of the coal consumed in Canada. If wood pellets could replace just 10% of this coal, it would create a nearby market for about 4 million tonnes of wood pellets (at a 1.5:1 ratio).

TRANSPORTATION TO MARKET

The pellet transportation method chosen is:

- Haul bulk pellets by truck from pellet plant to North Vancouver terminal. Quoted price: \$15 per tonne of pellets.
- Transfer pellets from truck to storage silo, then to ocean vessel. Estimated at \$12 per tonne of pellets.
- Transport by ocean vessel to Rotterdam via Panama Canal. It is to be noted that ocean shipping rates can fluctuate significantly. To minimize risk, shipping rates should be locked in under long-term contracts.

The cost of rail shipping to the North Vancouver terminal compares closely with truck but is logistically more challenging. The rail car rate from Lillooet to North Vancouver is \$1,157 and a car will hold 85 metric tonnes, resulting in rate of \$13.61 per tonne plus unknown demurrage fees. However, to take advantage of rail service, the plant would need to be located adjacent to a rail spur or additional trans-shipping fees would apply. On the other hand, if Canadian bulk pellet markets can be developed, then rail shipping would become necessary due to the long distances involved in reaching Canadian power plants.

OPERATIONS

Fibre Supply

Not long ago, Lillooet had a sawmill, a veneer plant, and a lumber remanufacturing plant, all producing wood residues suitable for wood pellets. The current forest industry crisis and loss of markets caused all these plants to close. Recently Aspen Planers purchased the Lillooet veneer plant and announced plans to renew operations, but have given no definitive start-up date, meaning no wood residuals will be available from that source for the foreseeable future. However, there are several nearby sawmills – including Tolko and Apen Planers in Merritt (168 km); and West Fraser in Chasm (146 km) – that produce substantial volumes of wood residuals which are available for purchase or trade.

Currently, the local log market is depressed. It is planned for the pellet plant to operate using round logs sourced LTC's licence for the first three years. Logging will be carried out by local logging contractors from areas within 60 km from Lillooet. For the purposes of this business plan, the financial model conservatively assumes that the pellet plant will operate on 100% round-wood.

Logging costs were estimated²¹ on a dollar per cubic metre basis, and then converted to dollars per tonne using a ratio of 1.56 cubic metres per tonne²² (Figure 16). It is to be noted that “tonnes” refers to *tonnes of logs*, not *tonnes of pellets*.

²¹ Rennie, D. *Business Plan Information*. Unpublished notes regarding proposed fibre operations for Lillooet wood pellet plant. December 2009.

²² Source of ratio: Timberline Natural Resource Consultants. *SIBAC Fibre use and Supply Study*. 2009.

Figure 16. Estimated Log Costs

	\$/m3	\$/tonne
Logging	20.00	31.20
Log hauling	10.00	15.60
Road construction	2.00	3.12
Road maintenance	0.50	0.78
Stumpage	0.25	0.39
Silviculture	4.00	6.24
Forestry	2.00	3.12
Delivered log cost	38.75	60.45

After the first three years, logging will take place further from Lillooet adding to the transportation cost. When the log market becomes active again, log purchases from other tenure holders will be made. In addition the purchase of residual fibre from established mills (i.e. Tolko, AP- Merritt, and West Fraser) will be pursued. Log sales for residual fibre supply can be made as a means of securing fibre for the pellet plant.

There is an annual three-month period, typically from mid-February to mid-May, when spring melting conditions (known locally as “spring breakup”) make it impossible to deliver logs. Thus sufficient log inventory must be developed by mid February to be able to continue operating through spring breakup. This is modelled in Appendix Schedule 6.

Delivered logs will be processed in a whole log chipping operation, first through a Fuji King or similar style debarker where multiple logs can be debarked simultaneously, and then through a whole log chipper to create quarter-inch minus chips. Bark will be saved for use as dryer fuel. The chipper will process at three times the rate of the pellet plant, so will only be operated on a single shift basis.

Pellet Operation

The following statistics were assumed:

- 319 annual operating days, 24 hours per day, 15% downtime.
- Six months for the plant to ramp up to full production.
- Three pellet presses each producing 4.5 tonnes per hour.
- Bark at 6% of stem weight.

- Dryer efficiency of 65%.
- Energy value of dry (5% mc) wood is 19 gigajoules per tonne.
- Fibre input moisture content of 25%. Output moisture content of 5%.

Other Miscellaneous Costs

Maintenance and Production Supplies. Estimated at \$9.00 per dry tonne of dry pellets produced based on conversations with equipment suppliers and industry experts.

Fuel. Calculated based on \$1.00 per litre rate times three pieces of mobile equipment times average 12 litres per hour fuel consumption per machine times number of operating hours. Resulting estimate: \$0.84 per tonne of dry pellets.

Electricity. Calculated based on \$.06 per kWh rate times 80% load factor times connected power for chipper (475 kW) and connected power for pellet plant (1,425 kW) times number of operating hours for each. Resulting estimate: \$5.58 per tonne of dry pellets.

Administration. Estimated office expenses to be \$20,000 per month.

Property Tax. Estimated at \$36,000 per year. Actual tax in 2009 was \$33,000.

Insurance. Annual insurance premium estimated at 0.6% of replacement cost of machinery and equipment. Resulting estimate: \$71,000 per year.

Depreciation. Calculated depreciation on a straight line basis over ten years to zero residual value. Result: \$1,379,000 per year.

ANNUAL INCOME

A summary of projected annual income before income tax is shown in Figure 17. The first year shows a loss because six months are allowed for the plant to reach full production. See Appendix Schedule 2 for detailed projections of the pellet operation.

Figure 17. Income Summary

	Yr 1	Yr 2
<i>Thousands of Dollars</i>		
Net revenue	\$8,759	\$14,088
Operating expenses	9,693	10,733
EBITDA	(934)	3,355
Depreciation	690	1,379
Interest	247	248
Income before tax	\$(1,870)	\$1,729

INCOME SENSITIVITY

Three factors most difficult to predict are selling price (CIF Rotterdam), Canadian dollar - euro exchange rate, and fibre costs. Sensitivity tests were conducted on six scenarios (Figure 18):

- **Base Case** – Exchange rate of 1.40, price €130 in year one and aggressive price of €160 thereafter. Analysis shows a loss in year one, but profits thereafter. Loss in year one is due to allowance for ramping up production for first six months of operation.
- **Case B** – Exchange rate of 1.40, price €130 in year one and conservative price of €140 thereafter. Analysis shows a continuous loss.
- **Case C** – Exchange rate of 1.60, price €130 in year one and conservative price of €140 thereafter. Analysis shows profit in year and continuous profits thereafter.
- **Case D** – Exchange rate of 1.60, price €130 in year one and aggressive price of €160 thereafter. Analysis shows profit in year and continuous profits thereafter.

Figure 18. Income Sensitivity to Exchange Rate and Selling Price

	Yr 1	Yr 2+
Base Case		
Exchange Rate	1.40	1.40
Selling Price - Euros	€ 130	€ 160
Revenue (x1000)	\$8,759	\$14,088
Income	(\$1,870)	\$1,729
Case B - Lower Price, Same Exchange Rate		
Exchange Rate	1.40	1.40
Selling Price - Euros	€ 130	€ 140
Revenue (x1000)	\$8,759	\$11,405
Income	(\$1,870)	(\$955)
Case C - Lower Price, Increase Exchange Rate		
Exchange Rate	1.60	1.60
Selling Price - Euros	€ 130	€ 140
Revenue (x1000)	\$10,927	\$14,088
Income	\$298	\$1,729
Case D - Base Price, Increase Exchange Rate		
Exchange Rate	1.60	1.60
Selling Price - Euros	€ 130	€ 160
Revenue (x1000)	\$10,927	\$17,155
Income	\$298	\$4,796

The sensitivity analysis shows that at a minimum, the following conditions are required for project success:

- A sustainable selling price of €160 by 2012 assuming the current Canadian dollar-euro exchange rate of 1.4; or
- Increase in dollar-euro dollar exchange rate to 1.6 with a more modest sustainable price of €140 by 2012.

FINANCING

The wood pellet plant is expected to cost \$13,790,000. Anticipated sources of capital financing include: (1) Government of Canada via Community Adjustment Fund – \$4,000,000; (2) Private investment – \$5,790,000; and (3) Bank term loan – \$4,000,000. A commercial revolving operating loan will also be required.

DISCUSSION AND CONCLUSION

It is commonly held that industries go through five distinct stages as they approach eventual maturity and decline. The stages are:

- (1) Pioneering Phase** – this phase is characterized by low demand for the industry's product and large start-up costs. Industries in this phase are typically start-up firms. The wood pellet industry was in this phase until about 2000.
- (2) Growth Phase** – after the pioneering phase, an industry can transfer into the growth phase. The growth phase is characterized by little competition and accelerated sales. Industries in this phase have typically survived the pioneering phase and are beginning to recognize sales growth. The wood pellet industry has been in this phase until just recently.
- (3) Mature Growth Phase** – after the growth phase, an industry will reach the mature growth phase. The mature growth phase is characterized above average growth, but no longer accelerating growth. Industries in this phase now face increasing competition and, as a result, profit margins begin to erode. The wood pellet industry is entering this phase. Since global wood pellet consumption is expected to grow from the current 10 million tonnes per year to about 25 million tonnes per year by 2020, this mature growth phase should continue for at least another decade.
- (4) Stabilization/Maturity Phase** – after the growth phases, an industry will enter in the stabilization/maturity phase. The stabilization/maturity phase is characterized by growth that is now average. Industries in this phase have significant competition and the return

on equity is now more normalized. This is typically the longest phase an industry will go through.

(5) Deceleration/Decline Phase - the deceleration phase follows the growth and maturity phases. The deceleration/decline phase is characterized by declining growth as demand shifts to other substitute (new) products. A good example of this is the global pulp and paper industry.

Since the wood pellet industry growing so rapidly, it is difficult to predict the future with a high degree of certainty. Several factors point to an extremely positive future for wood pellets:

- The international political environment favours all forms of renewable energy – including wood pellets.
- Co-firing wood pellets with coal is a very cost-effective way of reducing greenhouse gas emissions.
- If the ROC caps on co-firing in the UK can be increased or even eliminated, then the UK market for pellets will explode exponentially.
- Canada presently consumes 58 million tonnes of coal per year for energy production. The political environment is ripe for federal and provincial governments and operators of coal fired power plants to be convinced of the benefits of co-firing with wood pellets. The potential Canadian market for wood pellets is larger than existing global consumption. As a first step, Ontario Power Generation is planning to replace coal with wood pellets by 2012, creating new annual demand for at least 2 million tonnes of pellets. Other Canadian utilities are surely watching and will follow once OPG is successful.
- Large European utilities are now building their own wood pellet plants (e.g. RWE Essent's new plant in Georgia, USA) because they are concerned about continuity of pellet supply.

There are additional positive factors specific to Lillooet:

- Lillooet is closer to the Port of Vancouver than any other pellet plant in BC. This means lower transportation costs.
- The commitment by the Province of BC to issue to Lillooet Tribal Council, a licence to harvest 200,000 cubic metres per year.

- The commitment by Government of Canada to loan \$4 million to Lillooet Biomass Energy Corporation.
- When Aspen Planers eventually re-starts the Lillooet veneer plant, there will opportunities to sell high value logs to AP and in turn purchase lower cost low-grade logs and mill residuals. Other significant potential sources of wood residuals are nearby including West Fraser's Chasm Sawmill, Aspen Planers Merritt Sawmill, and Tolko's Merritt Sawmill.

On the other hand, there are several significant risk factors to consider:

- The CIF Rotterdam price recently declined from €141 to €125 due in large part to the ROC co-firing cap in the UK. It is uncertain when this issue will be remedied, when prices will recover, and to what level.
- From November 2009 to April 2010, the Canadian dollar – euro exchange rate declined from 1.6 to 1.4 dollars per euro. It is uncertain if and when this exchange rate will recover.
- Ocean freight rates tend to fluctuate significantly over short periods of time. It is uncertain how long current freight rates can be maintained.
- The Lillooet plant will use a higher proportion of more expensive round-wood fibre than other BC pellet plants.

The financial model which is integral to this business plan assumes a sustainable wood pellet selling price of €160 starting in the second year of operation to earn a 15% internal rate of return. This may be somewhat optimistic. Alternatively, if the euro can regain its November 2009 level, then a sustainable selling price of just €140 euros would provide a satisfactory return.

Wood pellet manufacturing is a key sector of the new bio-economy. World energy consumption is growing and interest in green energy sources is unprecedented. Lillooet's location, secure access to fibre, and stable political environment are attractive. Investors should seriously consider this rare opportunity.

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APPENDIX: FINANCIAL PROJECTIONS

The attached financial projections are an integral part of this report.

Lillooet BioEnergy Corp

Financial Projections

Version: April 26, 2010

Workbook Index:

- Summary Projected Financial Statements - By Year
- Projected Income - By Month
- Projected Balance Sheet - By Month
- Projected Cash Flow - By Month
- Internal Rate of Return
- Schedule 1: Capital Costs
- Schedule 2: Pellet Operation
- Schedule 3: Pellet Price
- Schedule 4: Pellet Plant Statistics
- Schedule 5: Pellet Labour
- Schedule 6: Fibre Costs
- Schedule 7: Financing

Notice to Reader

These prospective financial statements involve anticipated future events. These matters are not susceptible to precise determination. Our calculations generally depend on subjective judgements and uncertainties which increase with the length of the future time period we are examining. Much of the information available to us is based on estimates and assumptions provided by third parties. Accordingly these prospective financial statements should not be relied upon as guaranteeing a specific result, but rather only as a means of assessing the relative desirability of alternative courses of action, a range of price and anticipated income or cash flow, as the case may be.

Gordon Murray Corporate Finance Ltd.

Lillooet BioEnergy Corp
Summary Financial Statements

Projected Income

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Thousands of Dollars					
Net revenue	8,759	14,088	14,088	14,088	14,088
Operating expenses	9,693	10,733	10,733	10,733	10,733
EBITDA	(934)	3,355	3,355	3,355	3,355
Depreciation	690	1,379	1,379	1,379	1,379
Interest	247	248	248	248	248
Income before tax	(1,870)	1,729	1,729	1,729	1,729
Loss carry forward	1,870	(1,870)	0	0	0
Taxable income	0	(142)	1,729	1,729	1,729
Income tax @ 30%	0	(42)	519	519	519
Net Income	0	(99)	1,210	1,210	1,210

Projected Balance Sheet

	Opening	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Thousands of Dollars						
Assets						
Cash	0	33	44	129	214	300
Accounts receivable	0	839	1,174	1,174	1,174	1,174
Inventory	0	242	242	242	242	242
Total current assets	0	1,114	1,460	1,545	1,630	1,715
Business plan	60	60	60	60	60	60
Capital assets	13,790	13,101	11,722	11,243	10,764	10,285
Total assets	13,850	14,274	13,241	12,848	12,454	12,060
Liabilities						
Accounts payable	0	894	894	894	894	894
Operating loan	0	1,400	200	200	200	200
Total current liabilities	0	2,294	1,094	1,094	1,094	1,094
Gov Canada loan	4,000	4,000	3,196	2,392	1,588	784
Bank term loan	4,000	4,000	3,200	2,400	1,600	800
Total liabilities	8,000	10,294	7,490	5,886	4,282	2,678
Equity						
Contribution from LTC	60	60	60	60	60	60
Contribution from investor	5,790	5,790	5,790	5,790	5,790	5,790
Retained earnings	0	(1,870)	(99)	1,111	2,321	3,531
Total equity	5,850	3,980	5,751	6,961	8,171	9,381
Liabilities and Equity	13,850	14,274	13,241	12,848	12,454	12,060

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Projected Cash Flow

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Thousands of Dollars					
Cash flows from operating activities					
Income before tax	(1,870)	1,729	1,729	1,729	1,729
(Less) income tax	0	42	(519)	(519)	(519)
Add back depreciation	690	1,379	1,379	1,379	1,379
Decrease (increase) in receivables	(839)	(335)	0	0	0
Decrease (increase) inventory	(242)	(0)	0	0	0
Increase (decrease) in accounts payable	894	0	0	0	0
	(1,367)	2,815	2,589	2,589	2,589
Cash flows from financing activities					
Borrow (repay) operating loan	1,400	(1,200)	0	0	0
Borrow (repay) Gov Canada loan	0	(804)	(804)	(804)	(804)
Borrow (repay) bank term loan	0	(800)	(800)	(800)	(800)
Borrow (repay) investor loan	0	0	0	0	0
	1,400	(2,804)	(1,604)	(1,604)	(1,604)
Cash flows from investing activities					
Purchase fixed assets	(0)	(0)	(900)	(900)	(900)
Increase (decrease) in cash	33	11	85	85	85
Cash at beginning of period	0	33	44	129	214
Cash at end of period	33	44	129	214	300

Lillooet BioEnergy Corp
Projected Income

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total	
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
<i>Thousands of Dollars</i>														
Net revenue	373	559	559	745	745	745	839	839	839	839	839	839	8,759	
Operating expenses	522	671	671	821	821	821	894	894	894	894	894	894	9,693	
EBITDA	(149)	(112)	(112)	(75)	(75)	(75)	(56)	(56)	(56)	(56)	(56)	(56)	(934)	
Depreciation	0	0	0	0	0	0	115	115	115	115	115	115	690	
Interest	17	20	22	21	20	19	20	21	21	22	22	22	247	
Income before tax	(166)	(132)	(134)	(96)	(96)	(94)	(191)	(192)	(192)	(192)	(193)	(193)	(1,870)	
Loss carry forward													1,870	
Taxable income													0	
Income tax @ 30%													0	
Net Income													0	
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total	Total
	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 3+
<i>Thousands of Dollars</i>														
Net revenue	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	14,088	14,088
Operating expenses	894	894	894	894	894	894	894	894	894	894	894	894	10,733	10,733
EBITDA	280	280	280	280	280	280	280	280	280	280	280	280	3,355	3,355
Depreciation	115	115	115	115	115	115	115	115	115	115	115	115	1,379	1,379
Interest	23	26	29	25	22	19	19	18	18	17	16	15	248	248
Income before tax	142	139	136	139	142	145	146	146	147	148	149	149	1,729	1,729
Loss carry forward													(1,870)	0
Taxable income													(142)	1,729
Income tax @ 30%													(42)	519
Net Income													(99)	1,210

Lillooet BioEnergy Corp
Projected Balance Sheet

	Opening Balance	Month 1 Yr 1	Month 2 Yr 1	Month 3 Yr 1	Month 4 Yr 1	Month 5 Yr 1	Month 6 Yr 1	Month 7 Yr 1	Month 8 Yr 1	Month 9 Yr 1	Month 10 Yr 1	Month 11 Yr 1	Month 12 Yr 1
Thousands of Dollars													
Assets													
Cash	0	4	29	97	37	65	50	20	44	66	89	11	33
Accounts receivable	0	373	559	559	745	745	745	839	839	839	839	839	839
Inventory	0	605	1,209	907	484	60	181	242	242	242	242	242	242
Total current assets	0	981	1,797	1,563	1,266	871	976	1,101	1,124	1,147	1,169	1,091	1,114
Business plan	60	60	60	60	60	60	60	60	60	60	60	60	60
Capital assets	13,790	13,790	13,790	13,790	13,790	13,790	13,790	13,675	13,560	13,445	13,330	13,215	13,101
Total assets	13,850	14,831	15,647	15,413	15,116	14,721	14,826	14,836	14,744	14,652	14,560	14,367	14,274
Liabilities													
Accounts payable	0	447	894	894	894	894	894	894	894	894	894	894	894
Operating loan	0	700	1,200	1,100	900	600	800	1,000	1,100	1,200	1,300	1,300	1,400
Total current liabilities	0	1,147	2,094	1,994	1,794	1,494	1,694	1,894	1,994	2,094	2,194	2,194	2,294
Gov Canada loan	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Bank term loan	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Total liabilities	8,000	9,147	10,094	9,994	9,794	9,494	9,694	9,894	9,994	10,094	10,194	10,194	10,294
Equity													
Contribution from LTC	60	60	60	60	60	60	60	60	60	60	60	60	60
Contribution from investor	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790
Retained earnings	0	(166)	(298)	(432)	(528)	(624)	(718)	(909)	(1,100)	(1,292)	(1,485)	(1,678)	(1,870)
Total equity	5,850	5,684	5,552	5,418	5,322	5,226	5,132	4,941	4,750	4,558	4,365	4,172	3,980
Liabilities and Equity	13,850	14,831	15,647	15,413	15,116	14,721	14,826	14,836	14,744	14,652	14,560	14,367	14,274
<i>x check</i>	0	0	0	0	0	0	0	0	0	0	0	0	0

	Opening	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Balance	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
Thousands of Dollars													
Assets													
Cash	33	56	90	52	16	84	90	56	83	12	41	71	44
Accounts receivable	839	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174
Inventory	242	907	1,693	1,149	605	60	181	242	242	242	242	242	242
Total current assets	1,114	2,137	2,957	2,374	1,795	1,319	1,445	1,472	1,499	1,427	1,457	1,487	1,460
Business plan	60	60	60	60	60	60	60	60	60	60	60	60	60
Capital assets	13,101	12,986	12,871	12,756	12,641	12,526	12,411	12,296	12,181	12,066	11,951	11,836	11,722
Total assets	14,274	15,183	15,888	15,190	14,496	13,904	13,916	13,828	13,740	13,554	13,468	13,383	13,241
Liabilities													
Accounts payable	894	894	894	894	894	894	894	894	894	894	894	894	894
Operating loan	1,400	2,300	3,000	2,300	1,600	1,000	1,000	900	800	600	500	400	200
Total current liabilities	2,294	3,194	3,894	3,194	2,494	1,894	1,894	1,794	1,694	1,494	1,394	1,294	1,094
Gov Canada loan	4,000	3,933	3,866	3,799	3,732	3,665	3,598	3,531	3,464	3,397	3,330	3,263	3,196
Bank term loan	4,000	3,933	3,867	3,800	3,733	3,667	3,600	3,533	3,467	3,400	3,333	3,267	3,200
Total liabilities	10,294	11,061	11,627	10,793	9,960	9,226	9,092	8,859	8,625	8,291	8,058	7,824	7,490
Equity													
Contribution from LTC	60	60	60	60	60	60	60	60	60	60	60	60	60
Contribution from investor	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790
Retained earnings	(1,870)	(1,728)	(1,589)	(1,453)	(1,314)	(1,172)	(1,026)	(881)	(735)	(588)	(440)	(291)	(99)
Total equity	3,980	4,122	4,261	4,397	4,536	4,678	4,824	4,969	5,115	5,262	5,410	5,559	5,751
Liabilities and Equity	14,274	15,183	15,888	15,190	14,496	13,904	13,916	13,828	13,740	13,554	13,468	13,383	13,241
<i>x check</i>	0	0	0	0	0	0	0	0	0	0	0	0	0

Lillooet BioEnergy Corp
Projected Cash Flow

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
Thousands of Dollars													
Cash flows from operating activities													
Income before tax	(166)	(132)	(134)	(96)	(96)	(94)	(191)	(192)	(192)	(192)	(193)	(193)	(1,870)
(Less) income tax	0	0	0	0	0	0	0	0	0	0	0	0	0
Add back depreciation	0	0	0	0	0	0	115	115	115	115	115	115	690
Decrease (increase) in receivables	(373)	(186)	0	(186)	0	0	(93)	0	0	0	0	0	(839)
Decrease (increase) inventory	(605)	(605)	302	423	423	(121)	(60)	0	0	0	0	0	(242)
Increase (decrease) in accounts payable	447	447	0	0	0	0	0	0	0	0	0	0	894
	(696)	(476)	168	140	328	(215)	(229)	(77)	(77)	(77)	(78)	(78)	(1,367)
Cash flows from financing activities													
Borrow (repay) operating loan	700	500	(100)	(200)	(300)	200	200	100	100	100	0	100	1,400
Borrow (repay) Gov Canada loan	0	0	0	0	0	0	0	0	0	0	0	0	0
Borrow (repay) bank term loan	0	0	0	0	0	0	0	0	0	0	0	0	0
Borrow (repay) investor loan	0	0	0	0	0	0	0	0	0	0	0	0	0
	700	500	(100)	(200)	(300)	200	200	100	100	100	0	100	1,400
Cash flows from investing activities													
Purchase fixed assets	0	0	0	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Increase (decrease) in cash	4	24	68	(60)	28	(15)	(29)	23	23	23	(78)	22	33
Cash at beginning of period	0	4	29	97	37	65	50	20	44	66	89	11	0
Cash at end of period	4	29	97	37	65	50	20	44	66	89	11	33	33

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
Thousands of Dollars													
Cash flows from operating activities													
Income before tax	142	139	136	139	142	145	146	146	147	148	149	149	1,729
(Less) income tax	0	0	0	0	0	0	0	0	0	0	0	42	42
Add back depreciation	115	115	115	115	115	115	115	115	115	115	115	115	1,379
Decrease (increase) in receivables	(335)	0	0	0	0	0	0	0	0	0	0	0	(335)
Decrease (increase) inventory	(665)	(786)	544	544	544	(121)	(60)	0	0	0	0	0	(0)
Increase (decrease) in accounts payable	0	0	0	0	0	0	0	0	0	0	0	0	0
	(743)	(532)	795	798	801	139	200	261	262	263	264	307	2,815
Cash flows from financing activities													
Borrow (repay) operating loan	900	700	(700)	(700)	(600)	0	(100)	(100)	(200)	(100)	(100)	(200)	(1,200)
Borrow (repay) Gov Canada loan	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(804)
Borrow (repay) bank term loan	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(67)	(800)
Borrow (repay) investor loan	0	0	0	0	0	0	0	0	0	0	0	0	0
	766	566	(834)	(834)	(734)	(134)	(234)	(234)	(334)	(234)	(234)	(334)	(2,804)
Cash flows from investing activities													
Purchase fixed assets	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Increase (decrease) in cash	23	34	(39)	(35)	68	6	(34)	27	(72)	29	30	(27)	11
Cash at beginning of period	33	56	90	52	16	84	90	56	83	12	41	71	33
Cash at end of period	56	90	52	16	84	90	56	83	12	41	71	44	44

Lillooet BioEnergy Corp
Internal Rate of Return

	Present	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assumptions:											
Investment period - years	10										
Residual value = initial capital	\$ 13,790										
Internal Rate of Return:											
Annual net income		0	(99)	1,210	1,210	1,210	1,210	1,210	1,210	1,210	1,210
Add back depreciation		690	1,379	1,379	1,379	1,379	1,379	1,379	1,379	1,379	1,379
Annual cash flow		690	1,280	2,589	2,589	2,589	2,589	2,589	2,589	2,589	2,589
NPV annual cash flow	10,260	599	964	1,694	1,470	1,276	1,108	962	835	725	629
Plus NPV of residual value	3,350										
Less initial investment	(13,790)										
Net cash flow	\$ (100)										
Internal rate of return *	15.2%										

*Internal rate of return is the discount rate at which net project cash flow equals zero.

Schedule 1
Capital Costs

Thousands of Dollars		100,000 TPY
Project Development		615
Business planning, engineering, project management		200
Land and buildings		1,800
Site preparation and paving		200
Primary power		300
Power correction		250
Fire Protection		
Underground pipe	50	
Reservoir intake	15	
Sprinkler heads (430 @ \$300)	130	
Dry valves (5 @ \$5,000)	25	
PI valves (4 @ \$300)	12	
Hydrants (6 @ \$3,500)	21	
Deluge system	100	
Pumphouse electrical equipment with diesel backup	100	
Reservoir liner	100	
Civil work	75	
Pumphouse and dry valve buildings	50	
Contingency	72	750
Chipping		
Log deck		
Infeed conveyor	65	
Debarker	550	
Outfeed conveyor	65	
Chipper infeed deck and conveyor	75	
Chipper	300	
Swivel conveyor	75	
Waste conveyor	20	
Installation and electrical	250	

Thousands of Dollars		100,000 TPY
Concrete and foundation	100	1,500
Pellet Plant Equipment		
Wet handling - incl. hoppers, conveyors, hammermill, cyclone	450	
Drying - incl. sawdust furnace, drum dryer, cyclone, ductwork, exhaust stack	1,300	
Dry handling - incl. conveyor, hammermill, bag filter, auger feeder, conveyor, bucket elevator, storage bin, air compressor	550	
Pelleting - incl. 3 surge bins, 3 pellet mills, 3 hoists, tools, catwalk, pellet dies and rollers, stainless steel conveyor	1,000	
Cooling and screening - inc. cooler, collector, fan, control panel, spare parts, conveyor, screener, bag house, duct work, blower, auger	350	
Pellet conveying and bulk storage - incl. Pump system, receiver, storage bin, auger, bucket elevator	500	
Spark detection for dryer and dry handling system	100	
Electrical - MCC configuration and PLC control	650	4,900
Weigh scale		75
Mechanical and electrical installation		2,400
Mobile equipment		
Log loader - Volvo L180 High Lift	500	
Front-end wheel loaders - used (2)	300	800
Total (note 1)		13,790
Straight line depreciation - years		10
Annual depreciation		1,379
Replacement cost for insurance (note 2)		11,875
Insurance rate - % of replacement cost (note 3)		0.6%
Annual insurance cost		71

Notes:

1. Source of capital cost estimates - John McCabe, Gary Johnston, Energy Unlimited Inc., Andritz, Buhler
2. Insurance only on buildings, electrical, and equipment.
3. Source of insurance rate: John McCabe based on Bridgeside Forest Products Actual

Schedule 2
Pellet Operation

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
<i>Thousands of Dollars</i>													
Net revenue (FOB Lillooet)	373	559	559	745	745	745	839	839	839	839	839	839	8,759
Variable Costs													
Logs	265	398	398	531	531	531	597	597	597	597	597	597	6,237
Direct wages	105	105	105	105	105	105	105	105	105	105	105	105	1,265
Supplies	32	48	48	64	64	64	72	72	72	72	72	72	751
Fuel	6	7	7	7	7	7	7	7	7	7	7	7	80
Electricity	44	45	45	45	45	45	45	45	45	45	45	45	535
Total Variable Costs	453	603	603	752	752	752	826	826	826	826	826	826	8,868
Contribution Margin	(80)	(44)	(44)	(6)	(6)	(6)	13	13	13	13	13	13	(109)
	-22%	-8%	-8%	-1%	-1%	-1%	2%	2%	2%	2%	2%	2%	-1%
Fixed Costs													
Salaries	49	49	49	49	49	49	49	49	49	49	49	49	585
Administration	20	20	20	20	20	20	20	20	20	20	20	20	240
Property tax	3	3	3	3	3	3	3	3	3	3	3	3	36
Insurance	6	6	6	6	6	6	6	6	6	6	6	6	71
Total Fixed Costs	69	69	69	69	69	69	69	69	69	69	69	69	825
EBITDA	(149)	(112)	(112)	(75)	(75)	(75)	(56)	(56)	(56)	(56)	(56)	(56)	(934)
	-40%	-20%	-20%	-10%	-10%	-10%	-7%	-7%	-7%	-7%	-7%	-7%	-11%
Units													
Pellet sales/production - tonnes	3,550	5,324	5,324	7,099	7,099	7,099	7,987	7,987	7,987	7,987	7,987	7,987	83,416
Pellet recovery from fibre - %	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%
Fibre consumption - green tonnes	4,671	7,006	7,006	9,341	9,341	9,341	10,509	10,509	10,509	10,509	10,509	10,509	109,757

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
<i>Dollars per unit</i>													
Net revenue (FOB Lillooet)	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
Variable Costs													
Logs	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77
Direct wages	29.69	19.80	19.80	14.85	14.85	14.85	13.20	13.20	13.20	13.20	13.20	13.20	15.16
Supplies	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Fuel	1.75	1.26	1.26	0.98	0.98	0.98	0.84	0.84	0.84	0.84	0.84	0.84	0.96
Electricity	12.43	8.37	8.37	6.31	6.31	6.31	5.58	5.58	5.58	5.58	5.58	5.58	6.41
Total Variable Costs	127.64	113.19	113.19	105.90	105.90	105.90	103.38	103.38	103.38	103.38	103.38	103.38	106.31
Contribution Margin	(22.64)	(8.19)	(8.19)	(0.90)	(0.90)	(0.90)	1.62	1.62	1.62	1.62	1.62	1.62	(1.31)
	-22%	-8%	-8%	-1%	-1%	-1%	2%	2%	2%	2%	2%	2%	-1%
Fixed Costs													
Salaries	13.73	9.16	9.16	6.87	6.87	6.87	6.10	6.10	6.10	6.10	6.10	6.10	7.01
Administration	5.63	3.76	3.76	2.82	2.82	2.82	2.50	2.50	2.50	2.50	2.50	2.50	2.88
Property tax	0.85	0.56	0.56	0.42	0.42	0.42	0.38	0.38	0.38	0.38	0.38	0.38	0.43
Insurance	1.67	1.12	1.12	0.84	0.84	0.84	0.74	0.74	0.74	0.74	0.74	0.74	0.85
Total Fixed Costs	21.89	14.59	14.59	10.94	10.94	10.94	9.73	9.73	9.73	9.73	9.73	9.73	11.18
EBITDA	(42.01)	(21.10)	(21.10)	(10.58)	(10.58)	(10.58)	(6.99)	(6.99)	(6.99)	(6.99)	(6.99)	(6.99)	(11.20)
	-40%	-20%	-20%	-10%	-10%	-10%	-7%	-7%	-7%	-7%	-7%	-7%	-11%

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
<i>Thousands of Dollars</i>													
Net revenue (FOB Lillooet)	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	1,174	14,088
Variable Costs													
Logs	597	597	597	597	597	597	597	597	597	597	597	597	7,166
Direct wages	105	105	105	105	105	105	105	105	105	105	105	105	1,265
Supplies	72	72	72	72	72	72	72	72	72	72	72	72	863
Fuel	7	7	7	7	7	7	7	7	7	7	7	7	80
Electricity	45	45	45	45	45	45	45	45	45	45	45	45	535
Total Variable Costs	826	826	826	826	826	826	826	826	826	826	826	826	9,908
Contribution Margin	348	348	348	348	348	348	348	348	348	348	348	348	4,180
	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Fixed Costs													
Salaries	49	49	49	49	49	49	49	49	49	49	49	49	585
Administration	20	20	20	20	20	20	20	20	20	20	20	20	240
Property tax	3	3	3	3	3	3	3	3	3	3	3	3	36
Insurance	6	6	6	6	6	6	6	6	6	6	6	6	71
Total Fixed Costs	69	69	69	69	69	69	69	69	69	69	69	69	825
EBITDA	280	280	280	280	280	280	280	280	280	280	280	280	3,355
	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Units													
Pellet sales/production - tonnes	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	95,839
Pellet recovery from fibre - %	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%
Fibre consumption - green tonnes	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	126,104

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
<i>Dollars per unit</i>													
Net revenue (FOB Lillooet)	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00
Variable Costs													
Logs	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77	74.77
Direct wages	13.20	13.20	13.20	13.20	13.20	13.20	13.20	13.20	13.20	13.20	13.20	13.20	13.20
Supplies	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Fuel	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84	0.84
Electricity	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58	5.58
Total Variable Costs	103.38	103.38	103.38	103.38	103.38	103.38	103.38	103.38	103.38	103.38	103.38	103.38	103.38
Contribution Margin	43.62	43.62	43.62	43.62	43.62	43.62	43.62	43.62	43.62	43.62	43.62	43.62	43.62
	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Fixed Costs													
Salaries	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10	6.10
Administration	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Property tax	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38
Insurance	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74	0.74
Total Fixed Costs	9.73	9.73	9.73	9.73	9.73	9.73	9.73	9.73	9.73	9.73	9.73	9.73	9.73
EBITDA	35.01	35.01	35.01	35.01	35.01	35.01	35.01	35.01	35.01	35.01	35.01	35.01	35.01
	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%

Schedule 3
Pellet Price

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
<i>Dollars per unit</i>												
Bulk Sales												
Pellet sales (FOB Rotterdam - Euros)	130.00	130.00	130.00	130.00	130.00	130.00	130.00	130.00	130.00	130.00	130.00	130.00
Exchange rate	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Pellet sales (FOB Rotterdam - \$CDN)	182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00	182.00
Less ocean freight	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)
Less port transfer, storage and handling	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)
Less hauling from mill to port	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)
Bulk net revenue (FOB Lillooet)	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
<i>Dollars per unit</i>												
Bulk Sales												
Pellet sales (FOB Rotterdam - Euros)	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00	160.00
Exchange rate	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Pellet sales (FOB Rotterdam - \$CDN)	224.00	224.00	224.00	224.00	224.00	224.00	224.00	224.00	224.00	224.00	224.00	224.00
Less ocean freight	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)	(50.00)
Less port transfer, storage and handling	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)	(12.00)
Less hauling from mill to port	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)	(15.00)
Bulk net revenue (FOB Lillooet)	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00	147.00

Schedule 4
Pellet Plant Statistics

	FORMULA	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
Pelleting		Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
Operating days pellet plant	A	29	29	29	29	29	29	29	29	29	29	29	29	319
Operating shifts/day pellet plant	B	3	3	3	3	3	3	3	3	3	3	3	3	3
Operating shifts/month pellet plant	C =AxB	87	87	87	87	87	87	87	87	87	87	87	87	1,044
Total hours per shift	D	8	8	8	8	8	8	8	8	8	8	8	8	8
Operating hours per month pellet plant	E =CxD	696	696	696	696	696	696	696	696	696	696	696	696	8,352
Efficiency	F	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Producing hours per month pellet plant	G =ExF	592	592	592	592	592	592	592	592	592	592	592	592	7,099
Production - tonnes per hour per press	H	2.0	3.0	3.0	4.0	4.0	4.0	4.5	4.5	4.5	4.5	4.5	4.5	3.9
Presses - #	I	3	3	3	3	3	3	3	3	3	3	3	3	3
Production - tonnes per month	J =GxHxI	3,550	5,324	5,324	7,099	7,099	7,099	7,987	7,987	7,987	7,987	7,987	7,987	83,416
Dryer Operation														
Input moisture content	K	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	
Output moisture content	L	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Tonnes of water per tonne of green fibre	M =K-L	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
Evaporation energy required - GJ/tonne water	N	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	
Production equivalent tonnes green fibre	O =J/(1-(K-L))	4,437	6,656	6,656	8,874	8,874	8,874	9,983	9,983	9,983	9,983	9,983	9,983	104,270
Energy to remove water from pellet fibre - GJ	P =MxNxO	2,307	3,461	3,461	4,614	4,614	4,614	5,191	5,191	5,191	5,191	5,191	5,191	54,220
Dryer energy efficiency	Q	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
Dryer energy input - GJ	R =P/Q	3,550	5,324	5,324	7,099	7,099	7,099	7,987	7,987	7,987	7,987	7,987	7,987	
Energy value of dry wood (5% mc) - GJ/tonne	S	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	
Dry fibre required for drying - tonnes	T =R/S	187	280	280	374	374	374	420	420	420	420	420	420	4,390
Green fibre required for drying - tonnes	U =T/(1-(K-L))	234	350	350	467	467	467	525	525	525	525	525	525	5,488
Gross green fibre required (incl bark) - tonnes	V =O+U	4,671	7,006	7,006	9,341	9,341	9,341	10,509	10,509	10,509	10,509	10,509	10,509	109,757
Less bark @6% - tonnes	W =Vx10%	280	420	420	560	560	560	631	631	631	631	631	631	6,585
Net green green fibre required - tonnes	X =V-W	4,390	6,585	6,585	8,781	8,781	8,781	9,878	9,878	9,878	9,878	9,878	9,878	103,172
Drying fibre as percentage of gross fibre	Y =U/V	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Drying fibre as percentage of net fibre	Z =U/X	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Chipper Operation														
Gross green fibre required (incl bark) - tonnes	AA =V	4,671	7,006	7,006	9,341	9,341	9,341	10,509	10,509	10,509	10,509	10,509	10,509	109,757
Chipper production - green tonnes per hour	BB	30	40	40	50	50	50	60	60	60	60	60	60	
Chipping hours per month	CC =AA/BB	160	180	180	190	190	190	180	180	180	180	180	180	2,170
Chipping shifts per month	DD =CC/D	20	23	23	24	24	24	23	23	23	23	23	23	271
Mobile Equipment Fuel Cost														
Average fuel consumption per machine - litres/hr	EE	12	12	12	12	12	12	12	12	12	12	12	12	
Fuel price - \$/litre	FF	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
Chipper mobile equipment - # machines	GG	2	2	2	2	2	2	2	2	2	2	2	2	
Pellet mobile equipment - # machines	HH	1	1	1	1	1	1	1	1	1	1	1	1	
Chipping hours per month	II =CC	160	180	180	190	190	190	180	180	180	180	180	180	2,170
Pellet hours per month	JJ =G/G	197	197	197	197	197	197	197	197	197	197	197	197	2,366
Fuel cost chipper - \$	KK =EExFFxGGxII	3,840	4,320	4,320	4,560	4,560	4,560	4,320	4,320	4,320	4,320	4,320	4,320	52,080
Fuel cost pelleting - \$	LL =EExFFxHHxJJ	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	28,397
Fuel cost total - \$	MM =KK+LL	6,206	6,686	6,686	6,926	6,926	6,926	6,686	6,686	6,686	6,686	6,686	6,686	80,477
Electricity Cost														
Electricity price - \$/kWh	NN	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	
Load factor - %	OO	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	
Chipping connected power - kW	PP	475	475	475	475	475	475	475	475	475	475	475	475	
Pellet connected power - kW	QQ	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	
Chipping hours per month	RR =CC	160	180	180	190	190	190	180	180	180	180	180	180	2,170
Pellet hours per month	SS =G	592	592	592	592	592	592	592	592	592	592	592	592	7,099
Electricity cost chipper - \$	TT =NNxOOxPPxRR	3,648	4,104	4,104	4,332	4,332	4,332	4,104	4,104	4,104	4,104	4,104	4,104	49,476
Electricity cost pelleting - \$	UU =NNxOOxQQxSS	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	485,585
Electricity cost total - \$	VV =TT+UU	44,113	44,569	44,569	44,797	44,797	44,797	44,569	44,569	44,569	44,569	44,569	44,569	535,061

	FORMULA	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	TOTAL
		Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
Pelleting														
Operating days pellet plant	A	29	29	29	29	29	29	29	29	29	29	29	29	319
Operating shifts/day pellet plant	B	3	3	3	3	3	3	3	3	3	3	3	3	3
Operating shifts/month pellet plant	C =AxB	87	87	87	87	87	87	87	87	87	87	87	87	1,044
Total hours per shift	D	8	8	8	8	8	8	8	8	8	8	8	8	8
Operating hours per month pellet plant	E =CxD	696	696	696	696	696	696	696	696	696	696	696	696	8,352
Efficiency	F	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Producing hours per month pellet plant	G =ExF	592	592	592	592	592	592	592	592	592	592	592	592	7,099
Production - tonnes per hour per press	H	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Presses - #	I	3	3	3	3	3	3	3	3	3	3	3	3	3
Production - tonnes per month	J =GxHxI	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	95,839
Dryer Operation														
Input moisture content	K	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	
Output moisture content	L	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Tonnes of water per tonne of green fibre	M =K-L	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
Evaporation energy required - GJ/tonne water	N	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	
Production equivalent tonnes green fibre	O =J/(1-(K-L))	9,983	9,983	9,983	9,983	9,983	9,983	9,983	9,983	9,983	9,983	9,983	9,983	119,799
Energy to remove water from pellet fibre - GJ	P =MxNxO	5,191	5,191	5,191	5,191	5,191	5,191	5,191	5,191	5,191	5,191	5,191	5,191	62,295
Dryer energy efficiency	Q	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
Dryer energy input - GJ	R =P/Q	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	7,987	
Energy value of dry wood (5% mc) - GJ/tonne	S	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	
Dry fibre required for drying - tonnes	T =R/S	420	420	420	420	420	420	420	420	420	420	420	420	5,044
Green fibre required for drying - tonnes	U =T/(1-(K-L))	525	525	525	525	525	525	525	525	525	525	525	525	6,305
Gross green fibre required (incl bark) - tonnes	V =O+U	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	126,104
Less bark @6% - tonnes	W =Vx10%	631	631	631	631	631	631	631	631	631	631	631	631	7,566
Net green green fibre required - tonnes	X =V-W	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	118,538
Drying fibre as percentage of gross fibre	Y =U/V	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Drying fibre as percentage of net fibre	Z =U/X	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Chipper Operation														
Gross green fibre required (incl bark) - tonnes	AA =V	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	10,509	126,104
Chipper production - green tonnes per hour	BB	60	60	60	60	60	60	60	60	60	60	60	60	
Chipping hours per month	CC =AA/BB	180	180	180	180	180	180	180	180	180	180	180	180	2,160
Chipping shifts per month	DD =CC/D	23	23	23	23	23	23	23	23	23	23	23	23	270
Mobile Equipment Fuel Cost														
Average fuel consumption per machine - litres/hr	EE	12	12	12	12	12	12	12	12	12	12	12	12	
Fuel price - \$/litre	FF	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
Chipper mobile equipment - # machines	GG	2	2	2	2	2	2	2	2	2	2	2	2	
Pellet mobile equipment - # machines	HH	1	1	1	1	1	1	1	1	1	1	1	1	
Chipping hours per month	II =CC	180	180	180	180	180	180	180	180	180	180	180	180	2,160
Pellet hours per month	JJ =G/3	197	197	197	197	197	197	197	197	197	197	197	197	2,366
Fuel cost chipper - \$	KK =EExFFxGGxII	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	51,840
Fuel cost pelleting - \$	LL =EExFFxHHxJJ	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	2,366	28,397
Fuel cost total - \$	MM =KK+LL	6,686	6,686	6,686	6,686	6,686	6,686	6,686	6,686	6,686	6,686	6,686	6,686	80,237
Electricity Cost														
Electricity price - \$/kWh	NN	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	
Load factor - %	OO	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	
Chipping connected power - kW	PP	475	475	475	475	475	475	475	475	475	475	475	475	
Pellet connected power - kW	QQ	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	
Chipping hours per month	RR =CC	180	180	180	180	180	180	180	180	180	180	180	180	2,160
Pellet hours per month	SS =G	592	592	592	592	592	592	592	592	592	592	592	592	7,099
Electricity cost chipper - \$	TT =NNxOOxPPxRR	4,104	4,104	4,104	4,104	4,104	4,104	4,104	4,104	4,104	4,104	4,104	4,104	49,248
Electricity cost pelleting - \$	UU =NNxOOxQQxSS	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	40,465	485,585
Electricity cost total - \$	VV =TT+UU	44,569	44,569	44,569	44,569	44,569	44,569	44,569	44,569	44,569	44,569	44,569	44,569	534,833

Schedule 5
Pellet Labour Cost

	Staff per shift	Days per week	Hours per day	Shifts per day	Rate per hour	Loading	Total per month
	A	B	C	D	E	F	G=
							$A*B*C*D*E*(1+F)*52/12$
Pellet Direct Labour							
Log scaler	1	5	10	1	25	30%	\$7,042
Weigh master	1	5	10	1	20	30%	5,633
Mobile equipment - log yard	2	5	10	1	25	30%	14,083
Pellet plant operator	1	7	8	3	20	30%	18,928
Mobile equipment - feed plant	1	7	8	1	25	30%	7,887
Barker/chipper	1	5	8	1	20	30%	4,507
Millwright	1	7	8	3	30	30%	28,392
Mechanic	1	7	8	1	30	30%	9,464
Electrician	1	7	8	1	30	30%	9,464
							105,400
Salaried Positions							
General manager	1	5	8	1	45	25%	9,750
Plant manager	1	5	8	1	35	25%	7,583
Fibre manager	1	5	8	1	35	25%	7,583
Forester	1	5	8	1	35	25%	7,583
Controller/logistics manager	1	5	8	1	35	25%	7,583
Bookkeeper/clerk	2	5	8	1	20	25%	8,667
							\$48,750

Schedule 6
Fibre Costs

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
Thousands of Dollars													
Logging	449	517	49	56	56	336	339	308	308	308	308	308	3,344
Log hauling	224	259	25	28	28	168	170	154	154	154	154	154	1,672
Road construction	45	52	5	6	6	34	34	31	31	31	31	31	334
Road maintenance	11	13	1	1	1	8	8	8	8	8	8	8	84
Stumpage	6	6	1	1	1	4	4	4	4	4	4	4	42
Silviculture	90	103	10	11	11	67	68	62	62	62	62	62	669
Forestry	45	52	5	6	6	34	34	31	31	31	31	31	334
Delivered log cost	870	1,003	96	108	108	652	658	597	597	597	597	597	6,479
Opening log inventory	0	605	1,209	907	484	60	181	242	242	242	242	242	0
Closing log inventory	605	1,209	907	484	60	181	242	242	242	242	242	242	242
Net log consumption	265	398	398	531	531	531	597	597	597	597	597	597	6,237
Units													
Log deliveries - m3	22,449	25,873	2,473	2,778	2,778	16,818	16,970	15,410	15,410	15,410	15,410	15,410	167,188
Vol/weight ratio	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
Log deliveries - tonnes	14,390	16,585	1,585	1,781	1,781	10,781	10,878	9,878	9,878	9,878	9,878	9,878	107,172
Opening log inventory - tonnes	0	10,000	20,000	15,000	8,000	1,000	3,000	4,000	4,000	4,000	4,000	4,000	0
Closing log inventory - tonnes	10,000	20,000	15,000	8,000	1,000	3,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Logs consumed - tonnes	4,390	6,585	6,585	8,781	8,781	8,781	9,878	9,878	9,878	9,878	9,878	9,878	103,172
Dollars per m³													
Logging	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Log hauling	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Road construction	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Road maintenance	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Stumpage	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Silviculture	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Forestry	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Delivered log cost - \$/m3	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75
Dollars per tonne													
Logging	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20
Log hauling	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60
Road construction	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Road maintenance	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78
Stumpage	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
Silviculture	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24
Forestry	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Delivered log cost - \$/tonne	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45
Opening log inventory	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45
Closing log inventory	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45
Net log consumption - \$/tonne	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
Thousands of Dollars													
Logging	651	714	27	27	27	371	339	308	308	308	308	308	3,698
Log hauling	326	357	14	14	14	185	170	154	154	154	154	154	1,849
Road construction	65	71	3	3	3	37	34	31	31	31	31	31	370
Road maintenance	16	18	1	1	1	9	8	8	8	8	8	8	92
Stumpage	8	9	0	0	0	5	4	4	4	4	4	4	46
Silviculture	130	143	5	5	5	74	68	62	62	62	62	62	740
Forestry	65	71	3	3	3	37	34	31	31	31	31	31	370
Delivered log cost	1,262	1,383	53	53	53	718	658	597	597	597	597	597	7,166
Opening log inventory	242	907	1,693	1,149	605	60	181	242	242	242	242	242	242
Closing log inventory	907	1,693	1,149	605	60	181	242	242	242	242	242	242	242
Net log consumption	597	597	597	597	597	597	597	597	597	597	597	597	7,166
Units													
Log deliveries - m3	32,570	35,690	1,370	1,370	1,370	18,530	16,970	15,410	15,410	15,410	15,410	15,410	184,919
Vol/weight ratio	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
Log deliveries - tonnes	20,878	22,878	878	878	878	11,878	10,878	9,878	9,878	9,878	9,878	9,878	118,538
Opening log inventory - tonnes	4,000	15,000	28,000	19,000	10,000	1,000	3,000	4,000	4,000	4,000	4,000	4,000	4,000
Closing log inventory - tonnes	15,000	28,000	19,000	10,000	1,000	3,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Logs consumed - tonnes	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	9,878	118,538
Dollars per m³													
Logging	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Log hauling	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Road construction	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Road maintenance	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Stumpage	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Silviculture	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Forestry	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Delivered log cost - \$/m3	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75	38.75
Dollars per tonne													
Logging	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20	31.20
Log hauling	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.60
Road construction	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Road maintenance	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78	0.78
Stumpage	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
Silviculture	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24	6.24
Forestry	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
Delivered log cost - \$/tonne	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45
Opening log inventory	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45
Closing log inventory	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45
Net log consumption - \$/tonne	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45	60.45

Schedule 7
Financing

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1	Yr 1
Thousands of Dollars													
Operating Loan													
Opening balance	0	700	1,200	1,100	900	600	800	1,000	1,100	1,200	1,300	1,300	0
Interest rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest	0	3	5	5	4	3	3	4	5	5	5	5	47
Principal payment (advance)	(700)	(500)	100	200	300	(200)	(200)	(100)	(100)	(100)	0	(100)	(1,400)
Total payment (advance)	(700)	(497)	105	205	304	(198)	(197)	(96)	(95)	(95)	5	(95)	(1,353)
Closing balance	700	1,200	1,100	900	600	800	1,000	1,100	1,200	1,300	1,300	1,400	1,400
Government of Canada Loan													
Opening balance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal (no principal payments year 1)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total payment	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Bank Term Loan													
Opening balance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Interest rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest	17	17	17	17	17	17	17	17	17	17	17	17	200
Principal (no principal payments year 1)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total payment	17	17	17	17	17	17	17	17	17	17	17	17	200
Closing balance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Contribution from Investor													
Opening balance	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790
Interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total payment	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790
Total interest	17	20	22	21	20	19	20	21	21	22	22	22	247

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2	Yr 2
Thousands of Dollars													
Operating Loan													
Opening balance	1,400	2,300	3,000	2,300	1,600	1,000	1,000	900	800	600	500	400	1,400
Interest rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest	6	10	13	10	7	4	4	4	3	3	2	2	66
Principal payment (advance)	(900)	(700)	700	700	600	0	100	100	200	100	100	200	1,200
Total payment (advance)	(894)	(690)	713	710	607	4	104	104	203	103	102	202	1,266
Closing balance	2,300	3,000	2,300	1,600	1,000	1,000	900	800	600	500	400	200	200
Government of Canada Loan													
Opening balance	4,000	3,933	3,866	3,799	3,732	3,665	3,598	3,531	3,464	3,397	3,330	3,263	4,000
Interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	67	67	67	67	67	67	67	67	67	67	67	67	804
Total payment	67	67	67	67	67	67	67	67	67	67	67	67	804
Closing balance	3,933	3,866	3,799	3,732	3,665	3,598	3,531	3,464	3,397	3,330	3,263	3,196	3,196
Bank Term Loan													
Opening balance	4,000	3,933	3,867	3,800	3,733	3,667	3,600	3,533	3,467	3,400	3,333	3,267	4,000
Interest rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest	17	16	16	16	16	15	15	15	14	14	14	14	182
Principal	67	67	67	67	67	67	67	67	67	67	67	67	800
Total payment	83	83	83	83	82	82	82	81	81	81	81	80	982
Closing balance	3,933	3,867	3,800	3,733	3,667	3,600	3,533	3,467	3,400	3,333	3,267	3,200	3,200
Contribution from Investor													
Opening balance	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790
Interest rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total payment	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790	5,790
Total interest	23	26	29	25	22	19	19	18	18	17	16	15	248

EXHIBIT 4

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EXHIBIT 5

Retrieved From <http://firewoodhoardersclub.com/forums> on January 9, 2017

Dana Transport owns the Grafton & Upton RR, as well as the pellet bulk facility in Upton.
FYI.....

Branson4720, Aug 18, 2016

Branson4720.... Dana Transport does **NOT** own the Grafton/Upton RR....that is not correct.....They do own the pellet facility...that is correct.

Douglas Middleton, Aug 19, 2016

Northern Warmth...didn't take over anyone...It is a brand new brand that was started by International Wood Pellet Sales (IWPS...which is also a new company) as they saw the void in the marketplace that would be created by Viridis/Merchants/Okanagan going down. They are using some of the same suppliers, but the brand is new for 2016 in the New England, NY, NJ and PA market....The business model is similar but with some better options to what Viridis was doing, but IWPS actually has the proper funding backing them.... I think you will find they establish themselves very quickly as one of the better brands right out of the gate.

Douglas Middleton, Oct 23, 2016

But the fact of the matter is that 2 of the 3 suppliers that Okanagan were using are the same suppliers that NW happens to use as well. As most of you are aware there is still a fair amount of Okanagan product that has been sitting up at Upton for a bit now, and it has been released to Dana Container thru the courts, so it will now be available till it is sold off....about 1/2 of the Douglas Fir is already committed forso the dealers didn't care if it was NW or Okies...they just wanted the product since there seems to be quite a few customers wanting either...makes no difference to them. ... There are many choices for a consumer to make with regards to their wood pellets, and Northern Warmth are just one more brand available in certain markets for the consumer to consider. So far, they have gotten off to a great start, with all the pieces in place for the brand to be successful. Proper suppliers with great material to work with, enough rail cars, **state of the art packaging plant** and most important, proper funding to make sure the business can operate properly from day to day....with management that actually knows what they are doing.....so like I said...it should be enough to be a success...time will tell.

Douglas Middleton, Oct 25, 2016

NW Purely Pine and the Okanagan Gold wood pellet are one and the same....same pellet, same manufacture and bagged at the same plant...the only difference between the two pellets is the bag they come in....

Douglas Middleton, Oct 26, 2016