



Logistics 2008 Conference Presentation



September 26, 2008

Presentation Outline

- I. KAG Introduction**
- II. Overview of Ethanol Market**
- III. Ethanol's Impact on Our Industry**
- IV. Our Industry's Response**
- V. KAG's Response – KAG Ethanol Logistics**
- VI. Challenges We Face**
- VII. Closing Remarks/Questions**

I. KAG Introduction

Kenan Advantage Group

Overview of Business

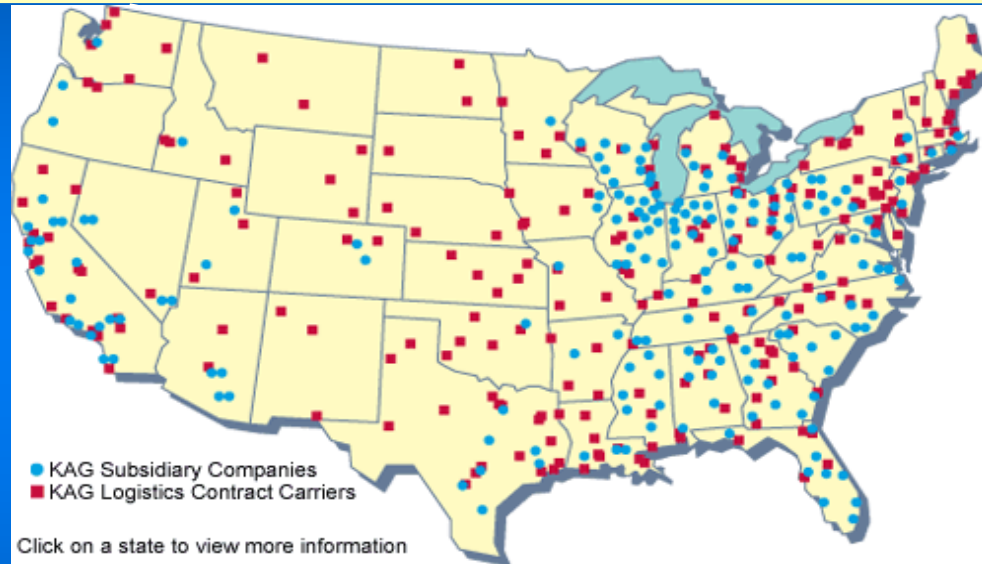
- Nation's largest, most geographically diverse and only nationwide transporter of fuels
 - 80 fixed-based terminals and 98 satellites with delivery to all 48 states and Canada
- #1 market share
- Six times larger than next largest competitor
- \$600 mm in Revenues in 2007 with strong historical growth
 - 55% Revenue CAGR over past five years
- Launched KAG Logistics in 2005 and KAG Ethanol Logistics in 2006
- Over 45 years of operating history
- Well positioned to become a \$1billion+ company by 2010



KAG is the largest and only nationwide transporter of fuels in the country

National Scale, Local Branding

Nationwide Presence



KAG's Strong Local Relationships Coupled With its Nationwide Presence Make KAG the Carrier of Choice for the Fuels Industry

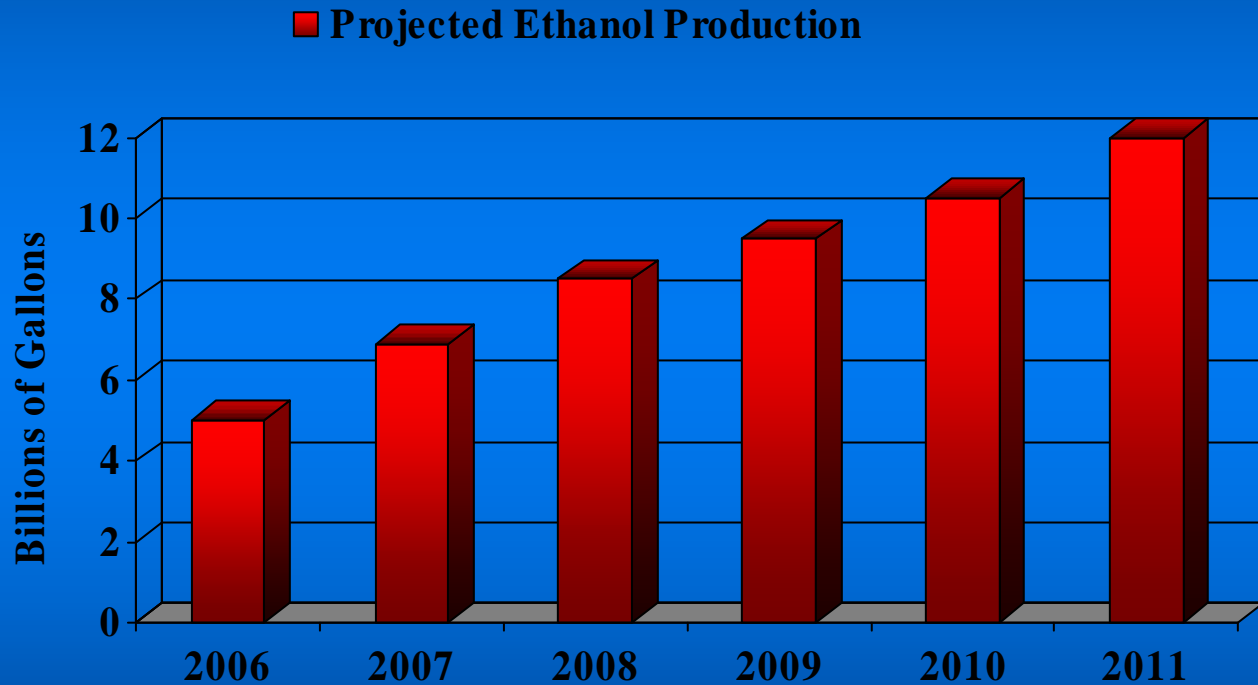
II. Overview of Ethanol Market

Overview of Ethanol Market

- 2008 Ethanol Production Estimated at 9+ Billion Gallons
- Over 2 Billion in Additional Production Currently Under Construction
- 2009 Ethanol Production Estimated to Reach Annualized Over 11 Billion Gallons by the End of the Year
- Ethanol Production Could Surpass 12 Billion Gallons-Per-Year by 2012
- The Demand for Transportation Services Will Be Significant

Ethanol Production is Growing at a Phenomenal Rate

Estimated Ethanol Production



Ethanol Production is Projected to Increase Significantly Over the Next Five Years

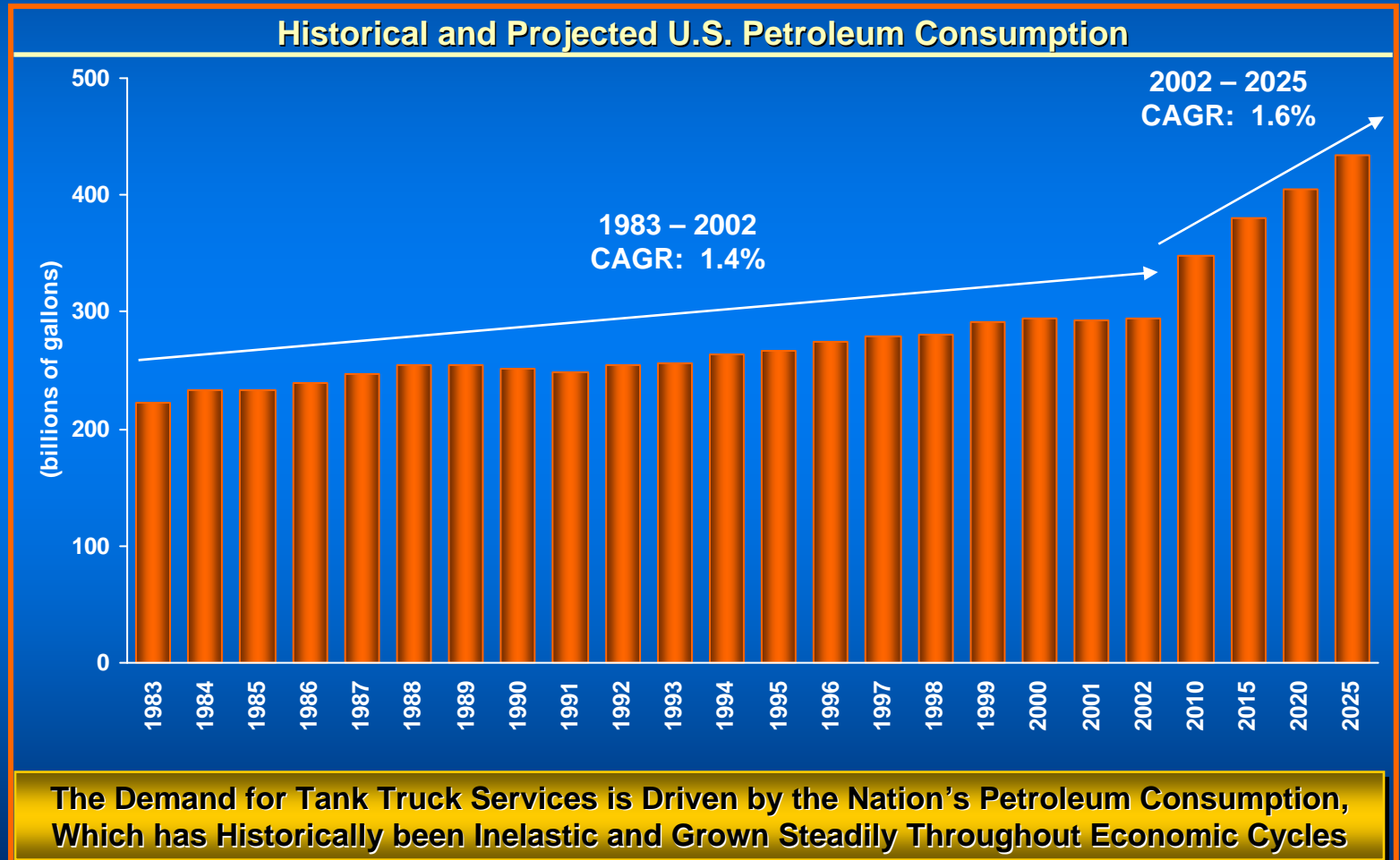
III. Ethanol's Impact on Our Industry

Ethanol's Impact on Our Industry

- Every 1 Billion Gallon Increase In Ethanol Production Equals 34,483 Rail Car or 125,000 Truck Shipments
- Trucking Historically Touches 50% of Ethanol Volume
- Demand for Ethanol Trucking to Increase by 200,000 + Shipments Over the Next Year
- Capacity Will Need to Increase by 500+ Tractor/Trailer Combinations and 1,000+ Hazmat Certified Drivers
- Ethanol Volume Growth is Additional Volume for Industry – Does Not Affect Normal 'Last Mile' Petroleum Growth

Ethanol Volume Growth Presents a Significant Challenge for the Tank Truck Industry

Petroleum Consumption Growth Projections



IV. Our Industry's Response

Our Industry's Response

- Carriers are Working With Trailer Manufacturers to Design New Tanks for More Efficient Utilization of Resources (Payload Maximization & Backhaul Opportunities)
- Adding Power Unit and Trailer Capacity
- Improving Driver Pay and Benefits Packages to Increase the Size of the Hazmat Driver Pool
- Working With Ethanol Shippers and Receivers to Extend Loading and Unloading Hours For Improved Utilization of Equipment
- Refining Scheduling/Dispatch to Maximize Resources

Our Industry is Committed to Meeting the Growing Needs of the Ethanol Industry

V. KAG's Response – KAG Ethanol Logistics

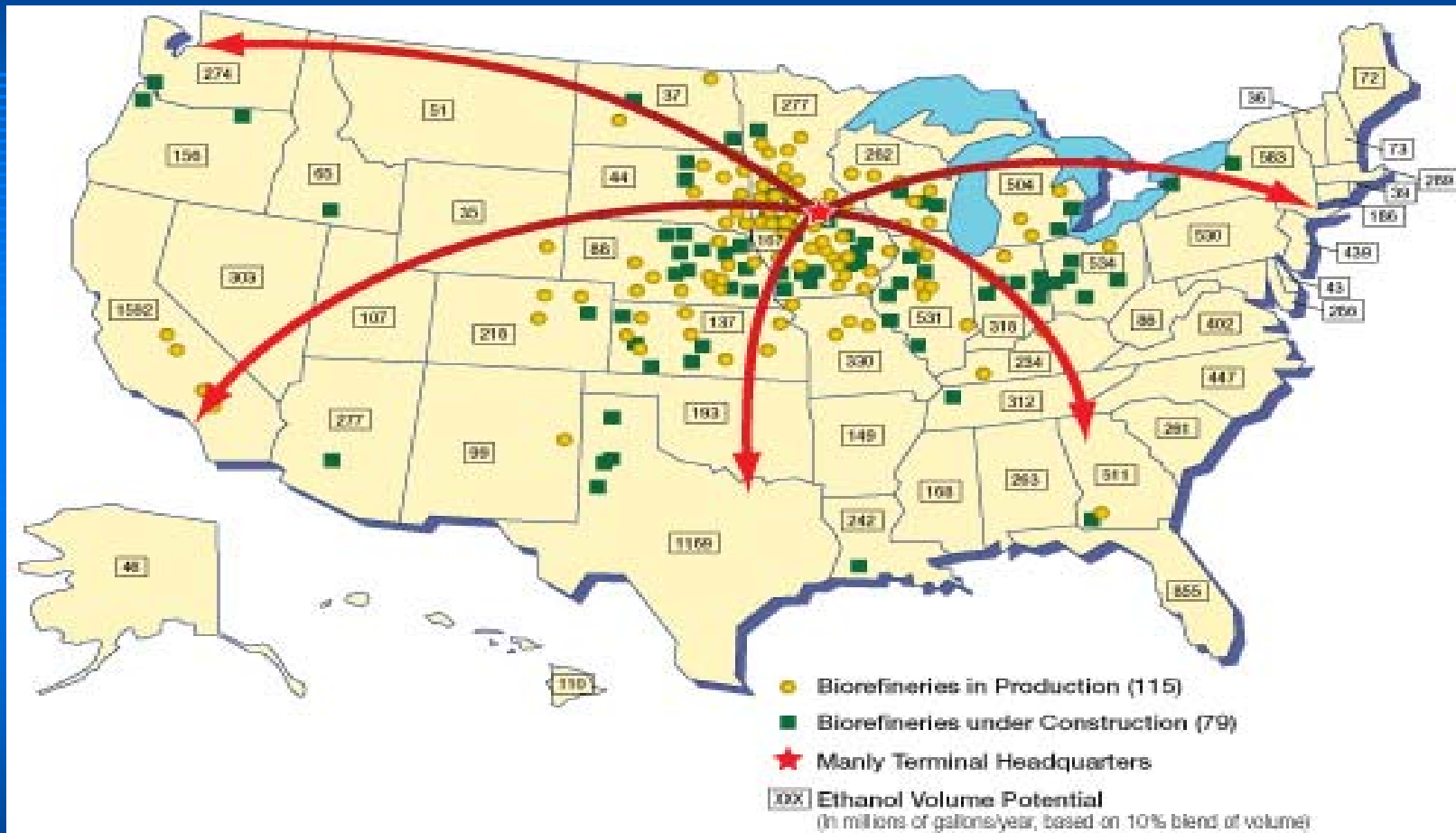
KAG's Response – KAG Ethanol Logistics



- Formed KAG Ethanol Logistics in September 2006 to Proactively and Efficiently Manage the Ethanol Supply Chain
- Phase 1 - Established Contracts With Over 150 Petroleum Carriers For Consolidated (One Call) Truck Capacity Offering
- Phase 2 – Currently Developing Alliances With Modal Stakeholders Such as Railroads, Trans-Loading Facilities, Product Storage Terminals, and Barge Companies
 - Examples: KAG Investment in Origin Consolidation Facility (Manly Terminal), and Destination Trans-Loading (Avondale, PA and Charlotte, NC With More Under Development)
- Phase 3 – Provide Ethanol Industry With Low Cost, Door-To-Door Pricing Option for Ethanol Distribution

KAG Ethanol Logistics Will Create Supply Chain Efficiencies for the Ethanol Industry

KAG Ethanol Logistics Is The End To End Solution With A Virtual Pipeline On Wheels In North America For Ethanol Via Strategic Truck, Storage, Rail & Barge Partners



VI. Challenges We Face

Challenges We Face

- Hiring and Retaining Drivers is an Industry Challenge - Bureau of Labor Statistics Project an 18% Increase in Demand for Drivers by 2010
- Increased Fuel Prices & Effect of Ultra Low Sulfur Diesel
- Hours of Service Regulations
- Congestion/Highway Infrastructure
- Security Issues – Patriot Act & HM232
- Government Regulations
- Environmental Issues
- Equipment Issues – Trailers are Back-Ordered Until 2008
- Ethanol Related Infrastructure Issues

Our Industry is Facing an Unprecedented Array of Challenges

VII. Closing Remarks/Questions

Closing Remarks/Questions

- Ethanol Presents a Tremendous Opportunity for All Transportation and Product Storage Stakeholders
- Ethanol's Rapid Growth Presents An Array of Distribution Challenges
- It Is Vitally Important That All Parties Involved Work Closely Together Help Maximize the Utilization of Already Tight Transportation Resources
- KAG Is Proactively Attempting To Lead The Effort through KAG Ethanol Logistics

Questions or Comments?

KAG Ethanol Logistics Will Facilitate Collaboration Between the Ethanol Industry and Transportation Industry to Design and Execute an Efficient Ethanol Supply Chain

Closing Remarks/Questions

KAG

ETHANOL

LOGISTICS

A DIVISION OF KAG LOGISTICS