



RAIL AND THE MARCELLUS SHALES: EVOLVING TOGETHER

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What is Carload Express?

- Shortline holding company formed in 1992, started first railroad in 1994
- Based in Oakmont, PA
- At Start Up:
 - 1 Railroad
 - 5 Employees
 - 1800 Annual Carloads
- 2013:
 - 4 Railroads (3 serving the shale plays)
 - 45 Employees
 - 42,000 Annual Carloads



Allegheny Valley Railroad (AVR)

- Service Area: Greater Pittsburgh.
- Started 1995, 77 Miles
- 27,000 Annual Carloads
- Primary Commodities:
 - Metals, Ethanol, Plastics
 - Stone, Paper, Chemicals



Southwest Pennsylvania Railroad (SWP)

- Service area: southeast of Pgh.
- Formed in 1995, 66 Miles
- 7000 Annual Carloads
- Primary Commodities:
 - Ethanol, Chemicals
 - Coal & Forest Products

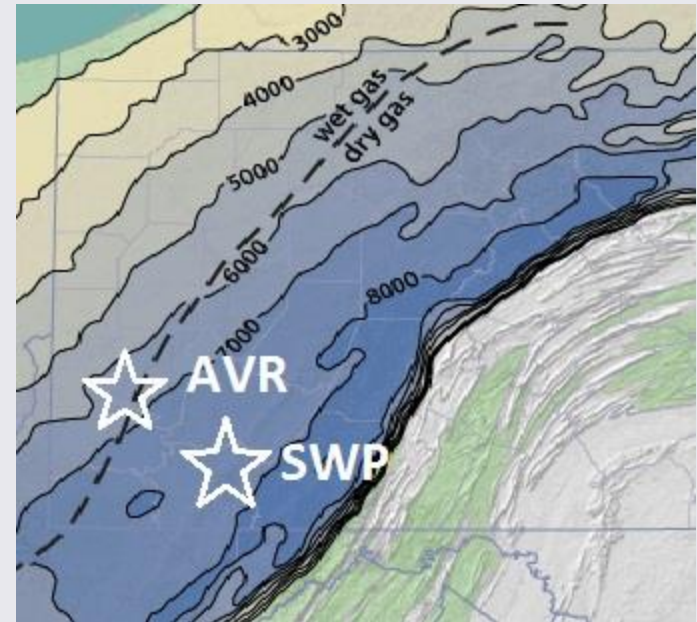


Marcellus Shale: A Game Changer

- Initial heavy demand in north central PA
- Unique Challenges:
 - “Gold Rush” for sites
 - Heavy volumes of frac sand
 - Areas served mostly by shortlines
 - Capacity Challenges
 - Difficulty in matching sand supply with demand
- Same Phenomenon followed in Western PA about a year later
 - New and more numerous rail players
 - Different opportunities in the “wet gas” area
 - Development vs. takeaway capacity

Carload Express and the Marcellus Shale

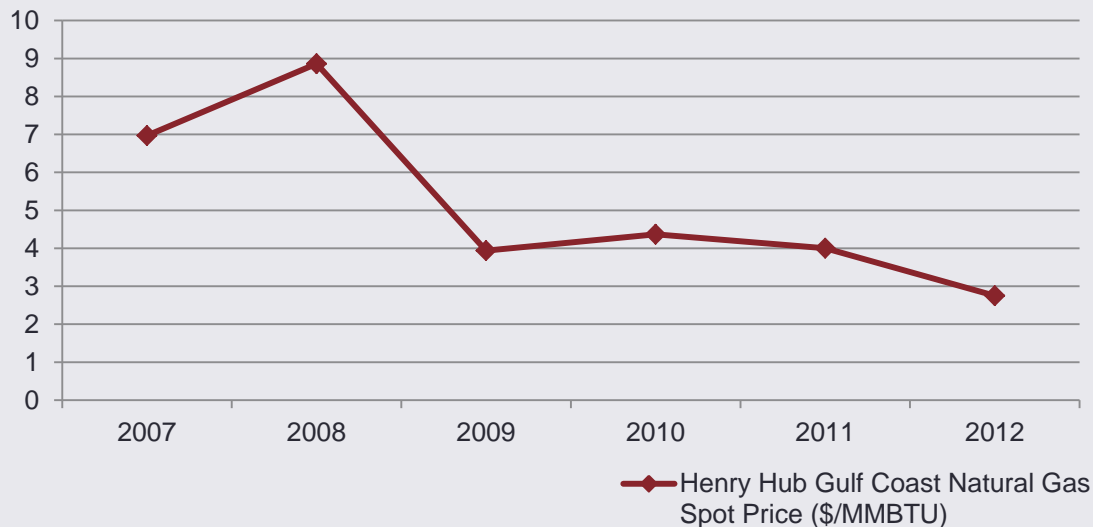
- Rapid and Dramatic Growth on AVR and SWP
- New Commodities and Facilities:
 - Frac Sand
 - Drilling Pipe
 - Transmission Pipe
 - Crane Mats
 - Barite
 - Drilling Chemicals
 - Hydrochloric Acid
 - Condensate & Wet Gas Liquids



Impacts of Gas Price Decrease

- Price Pressure on Industry as a Whole
- “Wet” Gas Value
- Consolidation
- Survival of the Efficient

Natural Gas Price Trend Thru 2012



The Marcellus Evolution: Sand

- New Facilities
 - Universal Well Services:
 - Efficient Facilities
 - Supply Chain Management
 - FTS International
 - Regional HQ at Eighty Four, PA
 - Silo Storage
 - D&I Silica
 - Smithfield PA, opened 2011
 - Large Capacity Silos
 - 20,000+ tons storage + room to expand
 - Large track capacity
 - Unit Train capable



The Marcellus Evolution: Getting the Mix

- Repurposing Existing facilities: adding business without the capital expense
 - Washita Valley Pipe Distribution Yard at Uniontown PA (former woodyard)
 - Savage Industries Condensate Loading Terminal at Mt Pleasant PA
 - Crane mat unloading network:
 - Mt Pleasant PA (Savage)
 - Eighty Four PA (84 Lumber)
 - New Kensington PA (Riggle)
 - Magnablend Chemical facility at former dog food plant, Everson PA



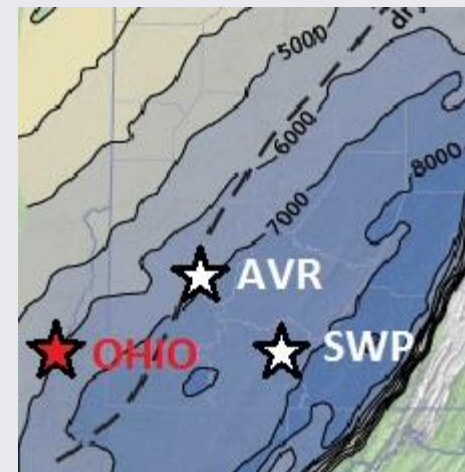
Investing for future growth via the RTAP

- Physical Plant:
 - \$9.1 Million in Capital Projects in 2013
 - Recent Projects:
 - AVR Upgrades:
 - Complete Rebuild of AVR Glenwood Yard
 - Improved track spacing
 - Safer & more efficient operations
 - Upgrade of W&P Subdivision to Washington
 - 57,000 new ties, surfacing, gauging
 - Ditching, Brush Cutting, bridge decks
 - SWP Upgrades:
 - FM&P Sub:
 - 30,000 new ties, surfacing, gauging
 - Radebaugh Sub:
 - 27,000 new ties, surfacing, ditching
 - Rebuild of NS Interchange



Investing for Future Growth

- Locomotives
 - Rebuild of current GP11 fleet
 - Increase and modernize roster
 - 6 rebuilt GP40-3's
 - 1 additional SD40-2
 - 10 total new locomotives since 2008
- Employees
 - 20% growth in employment
- Expand Corporate “Foot Print”
 - Purchase of FM&P sub from Fay Penn IDC
 - Start Up of Ohio Terminal Railway



Ohio Terminal Railway

- Entry to market “Gap”
 - Marcellus/Utica wet gas overlap
 - 12 mile line
- Dormant for 15 years, now rebuilt
- Hannibal Real Estate
 - 122 acre industrial park/logistics center
 - 1.2 million of crane and indoor space
- Strong Customer Interest
- Connection to NS
- Finished track rehab in April
- First carloads imminent



What does the future hold?

- Recent price rise
 - Henry Hub Above \$4.00
 - Activity Increasing
- Takeaway and Processing Capacity
 - Markwest on line at Westland PA
 - Additional Fractionators Nearly Complete
 - Feeder & dry gas Pipelines
- Downstream demand
 - Utility Coal Conversions
 - Exports
- Industry fed by shale gas & byproducts drives the next wave
 - Shell Cracker Plant
 - Downstream customers

Continuing Gameplan for Growth

- Increase Service Capability
 - Crews – Locomotives -Infrastructure
 - Improve Interchange Efficiency with Class 1's
- Facility Planning:
 - Right Customer at Right Location
 - Planning for Throughput & Later Expansion
 - Promote Silo or Flat Storage & better equipment turns
 - Unit Trains when the fit is right
- Coordinate Industrial Development
 - Class 1's
 - Government
 - Real Estate Contacts
- Identify, Research, and Acquire Property if Necessary

Thank You!

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