

February 2010

IMPORTANT ANNOUNCEMENT ABOUT GASOLINE WITH ETHANOL

Ethanol Blended Gasoline (Blended in a 90/10 gasoline to ethanol ratio, and often referred to as E10 and gasohol) was introduced in Texas beginning in April 2006, mostly in the ozone non-attainment markets of Houston and Dallas/Ft. Worth. Since then Austin, San Antonio and Waco have converted. Very soon suppliers in the Beaumont and Hearne area will be switching from conventional to the E10 gasohol blend. This change is due to passage of the Energy Policy Act of 2005, which required refiners to use at least 4 billion gallons of renewable fuels, including ethanol and/or biodiesel beginning in 2006.

Every end-user and retailer of gasohol must make absolutely certain their fuel tanks are completely water-free prior to receiving their first load of gasohol, and every load thereafter, because ethanol absorbs water. **UNDER NO CIRCUMSTANCE SHOULD GASOHOL EVER BE DELIVERED INTO A FUEL TANK WHICH CONTAINS WATER!** Also, dispenser filters must be changed to ones compatible with ethanol blends. In addition, throw out the old water paste and replace it with a new paste specifically designed to identify the presence of water in gasohol. Any amount of water in storage systems can cause serious problems for you and your customers. A gasohol/water mixture dispensed into a customer's fuel tank will likely result in very expensive repairs and untold negative publicity for your place of business. Ethanol also loosens existing rust and sludge from fuel tanks and lines, so filter replacement on a regular basis is a must. If the fuel system is too dirty, consider cleaning it prior to receiving your first load of gasohol. Also check with your tank manufacturer to make certain your tanks are compatible with gasohol.

What must you do "prior to" and "after" receiving your first load of gasohol?

- Check your tank bottoms at the low end for water and sludge, and pump it out. Also make certain your tanks, lines, fittings, fuel caps and vent lines are completely tight and secure. Make certain water cannot leak into your system.
- Shut down all pumps during your first gasohol delivery.
- Test for water bottoms at the beginning of each shift for the first week and daily thereafter, with new water finding paste for use with ethanol blends.
- Replace filters with ethanol compatible ones prior to receipt of your first gasohol order and change regularly.
- Once you start receiving ethanol blended gasoline, don't purchase any other product which doesn't contain ethanol.
- Gasoline dispensers must be labeled with the proper decals indicating the fuel contains ethanol.
- Monitor spill/fill buckets daily, before and after deliveries and rainfall.

Gasohol has been sold for decades in many regions of the United States, including Texas over ten years ago. This type of gasoline performs very well in engines, but requires the special handling outlined in this memo.

Sun Coast Resources, Inc. will assume no responsibility for water related problems of any kind in connection with the end-use and/or retailing of gasohol. Please make certain you implement good housekeeping and water/sludge monitoring and cleaning practices in every tank and inventory storage system. If you do, the sale and/or consumption of gasohol should be uneventful.

As information, Sun Coast Resources, Inc. has a business unit which offers water removal services from storage tanks. If you are interested, contact Sun Coast's customer service department at 713-844-9633.

Hopefully, this correspondence will provide valuable information about the importance of clean and dry tanks and associated fueling systems, when it comes to storing and dispensing ethanol blended fuels. Best of luck and thank-you for your business.

