**August 2011**

# THE STATE OF THE FREIGHT

## *Third-Quarter 2011 Shipper Survey Results*

- **Volume Expectations Moderate.** Shippers expect a 2.9% increase in same-store volumes the next 12 months, decelerated from last quarter and the lowest level in our survey in over a year. Sentiment also appears to be worsening as volume expectations were markedly higher from shippers who completed our survey in early July compared with more recent responses in August. More shippers this quarter also indicated expectations to reduce targeted inventory levels going forward, although shippers still expect modest growth in peak season volumes versus a year ago.

- **Pricing Expectations Also Moderate.** Pricing expectations accelerated across nearly all modes of transportation last quarter, but this trend reversed in our current survey with shippers now generally expecting slightly lower domestic rate increases. Shippers continue to expect the highest increases in rail and TL rates but intermodal rate expectations moderated noticeably. International pricing is much weaker with shippers now expecting flattish airfreight and negative ocean rates.

- **TL Capacity Remains Tight Despite Sluggish Demand.** Nearly 62% of shippers perceived tight TL capacity in the second quarter. While this is down modestly from 66% of shippers last quarter, it remains well above the 14% of shippers currently seeing tight LTL capacity. Looking forward, 56% of shippers expect TL capacity to tighten further, while 71% expect LTL capacity to remain relatively unchanged. Shippers now expect a 3.0% increase in TL rates over the next year, above the 2.5% expected increase in LTL rates.

- **Shift to Intermodal Accelerates.** Shippers in our survey shifted a net 4.2% of their volumes from truck to rail/intermodal in the second quarter, the largest shift to rail in our survey in eight years. Our survey results suggest that intermodal conversions should accelerate further over the next year.

**Edward M. Wolfe**
(646) 845-0770
EWolfe@WolfeTrahan.com

**Scott H. Group**
(646) 845-0721
SGroup@WolfeTrahan.com

**Reena Krishnan**
(646) 845-0727
RKrishnan@WolfeTrahan.com

**Ivan Yi**
(646) 845-0724
IYi@WolfeTrahan.com

**Table of Contents** **Page Number**



*Special thanks to Carol Krakowski and Charles Legg for their contributions to this report;*

All pricing is as of the market close on August 19, 2011 unless otherwise indicated.

# Executive Summary

Below, we summarize the key takeaways from our third-quarter 2011 shipper survey. We follow with our investment conclusions and recommendations from our universe of covered stocks in light of the trends revealed by the survey.

## Summary of Findings

- **Expectations for Transportation Budgets Moderate.** Our shipper respondents expect their total transportation budgets (gross of fuel) to increase 6.3% over the next 12 months, although this is modestly decelerated from last quarter. We believe this primarily reflects the impacts of a slowing economy on both overall volume expectations and fuel surcharges. We also believe lower budget expectations reflect slightly lower rate expectations, although domestic pricing remains relatively firm in our view (see page 14).

- **Volume Growth Expectations Also Decelerate.** Similarly, shippers now expect a 2.9% year-over-year increase in same-store shipment volumes over the next 12 months, decelerated from last quarter and marking the relatively lowest volume expectations in our survey in about a year and a half. Sentiment about the economy appears to be worsening as shippers who completed our survey earlier in July had higher volume expectations than shippers who responded later in August (see pages 14-15).

- **Mixed Expectations for Peak Season Volumes.** Shippers in our survey expect a 2.0% increase in peak season volumes relative to last year. Generally, we have heard mixed expectations from many transport companies about peak season, but increasingly our sense is that we will have a later and less pronounced peak season this year versus a year ago. To date, there are few signs of a strong peak season, and international ocean and airfreight volumes have been tracking negative the past couple of months (see pages 15-16).

- **Rate Expectations Decelerate Across All Modes Except LTL.** Shipper rate expectations across all modes (except for LTL rates) decelerated in our most recent survey. Among the major domestic modes, shipper expectations for intermodal rates decelerated the most from last quarter, while LTL rates have held firm off a lower base. Overall, shippers now have the highest expectations for rail and TL rate increases. On the international side, ocean rates inflected negative for the first time in seven quarters, and heavy airfreight rate expectations are now barely positive (see page 16).

- **Inventory Restocking Slowing.** Approximately 39% of shippers indicated more shipping activity than normal due to inventory restocking during the second quarter, down from both last quarter and a year ago. Looking forward, respondents seem even more cautious on inventories as 22% of shippers expect less shipping activity than normal in the third quarter, up materially from 8% last quarter (see pages 20-22).

- **Inventories Generally at Target Levels.** The majority of shippers noted that their inventory is currently at targeted levels and most shippers do not expect to change their targeted inventory levels. However, 34% of shippers indicated plans to reduce target inventory levels, up from 22% last quarter, likely due to increased economic uncertainty. Thus, inventory decisions seem likely to become somewhat of a headwind for freight in the near term, after being a big beneficiary to freight over the past year (see pages 22-24).

- **Rail Service Levels Improve Modestly.** The average rail service score of 2.9 this quarter (with 1 indicating a strong decline in service and 5 indicating a strong improvement) slightly improved from 2.8 last quarter, but is still down year over year. We believe service has suffered as the rails have been very disciplined bringing capacity (i.e., railcars, locomotives and people) back online as volumes returned. In addition, the rails faced difficult weather conditions including heavy flooding this spring. Among the individual rails, CSX and Canadian Pacific registered improved service scores in our survey this quarter, while ratings declined for Union Pacific, Canadian National and Burlington Northern (see pages 25-28).

- **Rail Capacity Mostly Constrained by Freight Cars and People.** Approximately 36% of shippers believe the rails are facing crew shortages, followed by 26% of shippers who believe freight car availability is tight. Generally, shippers believe CSX and Union Pacific are currently the most capacity constrained although the rails are responding with more aggressive headcount increases the past couple of quarters. Rail headcount increased 3.8% on average in the second quarter, up from a 3.4% increase during first-quarter 2011. Norfolk Southern increased headcount the most among the rails during the second quarter, up 7% year over year, followed by Union Pacific up 6% (see pages 28-32).

- **Rails Continue to Gain Market Share from Trucks.** Our survey results this quarter indicate that shippers diverted 5.3% of their volumes from truck to rail, up from last quarter and a year ago. On the flip side, shippers moved only 1.1% of their freight volumes from rail to truck during the second quarter, the lowest level in our survey since first-quarter 2004. This implies a net freight diversion to rail of 4.2 percentage points during the second quarter, accelerated from 2.9 percentage points last quarter and the largest diversion to rail in eight years. Based on our survey results, this likely reflects expectations for both rising TL rates and higher fuel costs. Shippers in our survey expect the pace of truck to rail/intermodal conversion to accelerate further in the third quarter (see pages 32-37).

- **Expectations for Rail Rate Increases Decelerated Modestly.** Shippers in our survey expect 3.4% average rail rate increases over the next 12 months, decelerated from +3.8% last quarter but still the highest among all the major transport modes covered in our survey. According to our survey, Union Pacific and Norfolk Southern are currently most aggressive raising rail rates, followed by CSX and Burlington Northern. Generally, we have not seen signs of slowing pricing gains for the rails and we expect another year of 4%-6% pricing gains, on average, for the major U.S. rails in 2011. We also believe that our survey results for rail pricing consistently have been below reported rate increases of 4%-6% recently because 1) our shipper respondents are disproportionately overrepresented by intermodal and underrepresented by coal and grain shippers; 2) our survey tends to involve a disproportionate mix of mega-shippers with better buying power; and 3) our numbers often do not capture the re-pricing of long-term legacy contracts, which, in some instances, are rising 100% or more as they come due (see pages 37-39).

- **Intermodal Pricing Expectations Moderate.** On average, shippers expect intermodal rates to increase 2.1% year over year, decelerated noticeably from 3.0% last quarter and 3.1% a year ago. We suspect this reflects significant new intermodal container capacity that has come online this year. We estimate that overall box capacity is on track to increase 10%-15% this year, while intermodal volumes are tracking up closer to 10% (see page 40).

- **Shippers Continue to See Tight TL Capacity.** Roughly 62% of respondents indicated that TL capacity was tight in the second quarter, albeit down from 66% last quarter and 72% a year ago when we believe freight demand reached its strongest level of the current recovery. Of the remaining respondents, 25% indicated balanced TL capacity while 13% perceived modest TL overcapacity, up from 9% last quarter (see pages 41-42).

- **LTL Capacity More in Balance.** Similar to last quarter, shippers continued to indicate more balanced LTL capacity versus tighter TL capacity. Approximately 52% of our respondents viewed a balanced LTL environment in second-quarter 2011 and only 14% reported tight LTL capacity, similar to last quarter. The remaining 34% of shippers indicated LTL overcapacity in the second quarter (see pages 41-42).

- **Shippers Expect TL Capacity to Remain Tight, But to a Lesser Degree.** Looking forward, our survey results indicated that shippers expect continued tightness in the TL market. Fifty-six percent of respondents expect tighter capacity going forward, although this is down significantly from 77% the past two quarters. We believe this likely reflects a weaker demand environment and not any changes in supply as carriers remain hesitant to make net fleet additions (see pages 42-43).

- **Shippers Expect the LTL Market to Remain Stable.** Looking forward, about 71% of our respondents anticipate about the same level of LTL capacity over the next 12 months, while 23% of shippers anticipate tighter LTL capacity going forward. However, into a weaker economic environment, we see the increasing possibility of YRC Worldwide going bankrupt over the next 12 months, which would significantly alter the LTL market (see pages 42-43).

- **Truckload Rate Expectations Decelerate Modestly But Remain Above LTL Rates.** Shippers now expect TL rates to increase 3.0% over the next 12 months, down slightly from the previous two quarters but still towards the high end across the different transport modes. This is also above the 2.5% increase that shippers expect for LTL rates. This marks the sixth consecutive quarter in which shippers indicated expectations for higher TL than LTL rate increases. We also believe TL rate increases are much more broad-based relative to LTL (see pages 47-48).

- **Small Impact Expected from LTL GRIs.** Most LTL carriers implemented 6.9% GRIs that took effect in early August, above the 5.9% GRIs that most carriers implemented last October. Approximately 35% of shippers in our survey expect no impact from the GRIs and only 9% expect to pay the full 6.9% increase. On average, shippers expect 2.3% rate increases due to the GRI as we suspect the LTLs may have a difficult time enforcing the current round of GRIs into a slowing economy (see pages 51-52).

- **CSA Expected to Reduce the Supply of Drivers.** Roughly 96% of our survey respondents believe the FMCSA's CSA safety initiative will increase the number of drivers exiting the industry. The majority of these respondents expect a 6%-10% reduction in the driver pool because of CSA and to date 16% of our respondents have fully integrated CSA 2010 BASIC percentile ranks into their carrier selection process, up from 11% last quarter. Another 61% of shippers are planning to integrate CSA scores in the future (see pages 53-55).

- **Similar Levels of Driver Capacity Issues between Smaller and Larger Carriers.** Our survey respondents are currently seeing similar levels of driver capacity issues (availability and turnover) between smaller and larger carriers with 50% of our survey respondents indicating no material difference. We still believe larger carriers, over time, are best positioned to adapt to the implementation of CSA and other driver regulations (see pages 55-56).

- **Shippers Expect to Continue Parcel Shift from Air to Ground.** Twenty-four percent of shippers plan to move some volumes from Air Express to Ground, although this is down from 34% in last quarter's survey which could reflect lower fuel prices. Only 4% of shippers plan to move parcel volumes in the other direction to Air Express, down from 9% last quarter (see pages 58-59).

- **Compliance Rates Drop for Both UPS and FedEx.** About 80% and 87% of FedEx and UPS shippers, respectively, expect to pay some portion of the companies' respective announced list rate increases for 2011, which is down from record expected compliance levels for both carriers in our last survey. This is consistent with seasonal patterns as compliance rates tend to drop later in the year (see pages 56-60).

- **Parcel Rate Expectations Remain Modest.** Shippers now anticipate effective rate increases of 1.6% and 1.8% from FedEx and UPS over the next 12 months. While this is decelerated from last quarter, it's still up from a year ago. Compared with other modes, pricing for FedEx and UPS remains below expected truck and rail increases, and we believe stronger pricing gains for FedEx and UPS remain about a year away with continued pressure on pricing from poorly priced, multi-year contracts signed at the bottom of the market in 2009. Also shippers are indicating more clearly this quarter that UPS is remaining firmer on pricing on average than FDX (see pages 60-62).

- **Shippers Expect Heavy Airfreight Rates to Decelerate Significantly.** Our respondents expect less than 1% year-over-year increases in airfreight rates (excluding fuel surcharges) over the next 12 months, decelerated sharply from expected increases of 3% last quarter. This marks the lowest expected rate increase since the third quarter of 2009 into slowing global airfreight demand and rising capacity (see pages 63-64).

- **Expectations for Ocean Rates Inflect Negative.** Our respondents anticipate decreases of 2.1% year over year in ocean container rates (excluding fuel surcharges) over the next 12 months, after six straight quarters of expected increases. Ocean spot rates have come down 35% from their peaks and this now represents the mode with the relatively lowest contract pricing expectations over the next year, a material inflection from a year ago when shippers in our survey expected ocean freight rates to have the largest increase across the various modes we track (see pages 64-65).

- **Peak Season Surcharges Expected to be Limited.** We asked shippers if they expected to pay peak season surcharges on ocean container shipments in 2011. Recall that the steamship lines initially delayed $400/FEU (forty-foot equivalent unit) surcharges on freight moving from Asia to the West Coast from July 15 to August 1 and then again from August 1 to August 15. Over 60% of respondents did not expect to pay any peak season surcharges this year while 28% thought they would have to begin paying surcharges in August or September. However, a recent sequential increase in spot rates indicates that peak season surcharges implemented August 15 appear to have stuck somewhat which should provide at least a temporary pricing floor in the near term for spot rates (see page 66).

- **Shippers Continue Moving Air Volumes to Ocean.** Roughly 20% of shippers have plans to shift some of their international heavy freight volumes from the air to the ocean, similar with last quarter's results. However 6% of shippers are planning to move volumes from the ocean to heavy airfreight, which is up slightly from shippers polled last quarter. This could reflect plans for tighter inventory levels into increasing economic uncertainty and/or lower fuel prices (see pages 66-67).

## Investment Conclusion

For the first time in about a year, we are very bullish on the transport sector on both an absolute and relative basis to the market. Recent freight data points, our shipper survey results this quarter and our recent channel checks to date reveal no evidence of a massive freight recession, just a continued slowdown that we have seen signs of since late last year. If anything, some recent data points suggest that freight volumes are stabilizing after slowing more materially earlier this year. As a result, we believe the transports are now oversold and reflect too much bad news about the economy. We believe the transports will lead the market back up, as they have led it down over the past month and a half.

Since the most recent market peak on July 22nd, our average weighted transport stock is down 22%, underperforming the S&P 500 which is down 17%. Our weighted average transport stock is now down 17% year-to-date, underperforming the S&P 500 which is down 11% year-to-date. After the recent market carnage, only 9 of our 34 companies are now outperforming the S&P 500 year-to-date. This compares with 2010 when our weighted transport index was up 25% versus the S&P 500 up 13% and 22 of our 33 stocks (excluding SWFT last year) outperformed the market.

Exhibit 1. Recent Transport Stock Performance

| | Closing Price 8/19/2011 | 2009 | 2010 | YTD 2011 | Until 22-Jul | Since 22-Jul |
|---|---|---|---|---|---|---|
| CNI | $67.77 | 47.9% | 22.3% | 2.0% | 18.9% | (14.2%) |
| NSC | $63.06 | 11.4% | 19.8% | 0.4% | 21.3% | (17.3%) |
| WAB | $52.47 | 2.7% | 29.5% | (0.8%) | 26.2% | (21.4%) |
| KSU | $46.00 | 74.8% | 43.8% | (3.9%) | 29.0% | (25.5%) |
| CSX | $20.40 | 49.3% | 33.2% | (5.3%) | 17.8% | (19.6%) |
| UNP | $85.69 | 33.7% | 45.0% | (7.5%) | 12.0% | (17.4%) |
| WERN | $20.51 | 14.2% | 14.1% | (9.2%) | 11.4% | (18.5%) |
| LSTR | $37.06 | 0.9% | 5.6% | (9.5%) | 16.1% | (22.0%) |
| JBHT | $36.93 | 22.8% | 26.5% | (9.5%) | 16.3% | (22.2%) |
| S&P 500 | 1123.53 | 23.5% | 12.8% | (10.7%) | 6.9% | (16.5%) |
| ODFL | $28.03 | 7.9% | 56.3% | (12.4%) | 17.8% | (25.6%) |
| RA | $11.22 | (18.7%) | 6.1% | (13.4%) | 20.0% | (27.8%) |
| FWRD | $24.25 | 3.1% | 13.4% | (14.6%) | 17.3% | (27.1%) |
| GWR | $45.19 | 7.0% | 62.2% | (14.7%) | 11.7% | (23.6%) |
| UPS | $61.70 | 4.0% | 26.5% | (15.0%) | 2.2% | (16.8%) |
| CP | $54.29 | 60.6% | 20.0% | (16.2%) | (4.0%) | (12.8%) |
| Transport Avg | - | 11.2% | 24.5% | (16.5%) | 7.9% | (22.2%) |
| Russell 2000 | 651.70 | 25.2% | 25.3% | (16.8%) | 7.4% | (22.6%) |
| HTLD | $13.06 | (3.1%) | 4.9% | (18.5%) | (1.1%) | (17.6%) |
| HUBG | $28.15 | 1.0% | 31.2% | (19.9%) | 10.4% | (27.4%) |
| CHRW | $63.67 | 6.7% | 36.5% | (20.6%) | 0.3% | (20.8%) |
| FDX | $73.16 | 30.1% | 11.5% | (21.3%) | (0.2%) | (21.2%) |
| R | $40.86 | 6.2% | 27.9% | (22.4%) | 11.4% | (30.3%) |
| UACL | $12.26 | 27.8% | (12.0%) | (23.0%) | 6.4% | (27.6%) |
| AAWW | $41.51 | 97.1% | 49.9% | (25.6%) | 0.5% | (26.0%) |
| EXPD | $40.33 | 4.5% | 57.0% | (26.1%) | (7.5%) | (20.2%) |
| KNX | $13.86 | 19.7% | (1.5%) | (27.1%) | (13.4%) | (15.7%) |
| TNTE | €6.20 | NA | NA | (30.3%) | (19.9%) | (13.0%) |
| CGI | $10.26 | 27.2% | 36.3% | (30.6%) | (3.9%) | (27.8%) |
| SAIA | $11.41 | 36.5% | 11.9% | (31.2%) | 0.7% | (31.7%) |
| ABFS | $18.39 | (2.3%) | (6.8%) | (32.9%) | (6.1%) | (28.6%) |
| CNW | $23.00 | 31.2% | 4.8% | (37.1%) | 6.2% | (40.8%) |
| PACR | $4.00 | (69.7%) | 116.5% | (41.5%) | (27.8%) | (19.0%) |
| UTIW | $12.27 | (0.1%) | 48.0% | (42.1%) | (16.7%) | (30.5%) |
| SWFT | $6.40 | NA | NA | (48.8%) | (4.0%) | (46.7%) |
| CVTI | $3.87 | 110.5% | 129.9% | (60.0%) | (37.8%) | (35.7%) |
| YRCW | $0.68 | (70.7%) | (82.3%) | (81.7%) | (72.3%) | (34.0%) |

Note: Priced as of 8/19/11. Average Transport computed as a price-weighted average.

Source: FactSet Research Systems; Wolfe Trahan & Co.

Our thesis heading into 2011 was that freight volumes (which felt much stronger than the broader economy in 2010 into inventory restocking and faster inventory turns) would decelerate this year into a slowing economy, tougher comparisons and less of a tailwind from inventory. At that time, we assumed a 1% U.S. "Freight GDP" as the backdrop for our transport models, and we received a lot of pushback from both the companies we cover and our clients who expected much stronger freight demand to continue at least through 2011. Our thesis on freight and the overall economy is largely playing out with clear signs of slowing freight volumes across all modes the past several months. The market seems to be telling us that we may be in for a sluggish economy for several years to come. This gives us conviction in our thesis to own transport stocks who can grow earnings double digits without material help from the economy.

International airfreight volumes have been negative year-over-year the past two months reported through June, and ocean imports into the U.S. have been negative the past two months through July. Core U.S. volumes for UPS (ground) and FedEx (air express) have also slowed materially this year, while truck volumes for the large, public carriers have been weak the past several quarters. Rail and LTL volumes have also slowed materially the past couple of months and were up only slightly year-over-year in July and seem likely to turn flat to slightly negative in August.

While freight demand has certainly slowed and there are no real signs yet of a peak season, demand generally doesn't feel terrible and the data we track isn't signaling a significant double-dip recession yet. There are also some reasons to be hopeful as lower fuel prices should help consumer demand and will also be positive for transport earnings in the near term (particularly TL earnings and to a lesser extent Rail and Express). Supply chains around Japan also continue to improve, while coal volumes for the rails should begin improving over the next several months following severe flooding in the Midwest and reduced stockpiles into extremely hot summer weather across the country. Year-over-year comparisons generally moderate across most modes of transportation in the back half of the year. So in this environment of weak but not plunging freight volumes, we would expect downward 2012 EPS revisions only in the 5%-10% range over the next few months across our transport sector, which seems more than baked into the stocks currently.

Thus, after the recent market carnage and with modest but not significant EPS reductions on the horizon, valuation across our group seems extremely compelling for the first time in a year. On current 2012 Consensus estimates, only two of 34 companies in our coverage (Arkansas Best and Canadian Pacific) are trading above historical 10-year average valuations on a forward P/E basis. This is the exact opposite a quarter ago when only eight of 34 companies were trading below historical valuations. And even if we reduce current 2012 Consensus estimates by 20% to account for likely downward revisions, valuation still seems compelling for most companies in our sector (see Exhibit 2 below). Thus, for the first time this year, we are very bullish for a near-term bounce in the sector.

Exhibit 2. Current and Adjusted (for 20% EPS Reduction) P/E vs. Historical Valuation

| Current as of 8/19/11 | Current P/E | | | Avg Forward P/E | | | |
|---|---|---|---|---|---|---|---|
| | WT | Cons | Adj Cons (1) | 1-Year | 3-Year | 5-Year | 10-Year |
| Large-Cap Rails (2) | 12.3x | 12.6x | 13.7x | 14.0x | 13.4x | 13.8x | 13.7x |
| Truckload (3) | 12.1x | 12.9x | 14.0x | 17.6x | 19.4x | 18.5x | 18.5x |
| Less-than-Truckload (4) | 11.8x | 12.3x | 12.9x | 17.8x | 19.0x | 16.2x | 14.9x |
| Express Carriers (5) | 12.5x | 12.7x | 15.6x | 15.8x | 17.0x | 16.5x | 18.5x |
| Non-Asset Based Freight (6) | 20.6x | 22.4x | 23.8x | 26.6x | 24.9x | 26.3x | 27.4x |
| Asset-Light Forwarders (7) | 14.9x | 14.8x | 15.4x | 19.0x | 19.9x | 19.3x | 19.2x |

Note: Current averages as of 8/19/11. Historical Averages based on Consensus estimates. Current Wolfe Trahan and Consensus estimates use 5 months of C11 and 7 months of C12. (1) Adjusted Consensus used 5 months of C11 and 7 months of C12 EPS estimates that are reduced by 20%. (2) Rails use EV/EBITDAR. Class I Rail Index includes CNI, CP, CSX, NSC, and UNP. (3) Truckload Index includes CGI, CVTI, HTLD, KNX, SWFT and WERN. (4) Less-Than-Truckload Index includes CNW, ODFL, and SAIA. ABFS and YCRW are not meaningful as earnings are either negative or minimal in 2011. (5) Express Carriers use EV/EBITDAR. Express Carrier Index includes FDX UPS. (6) Non-Asset Based Freight Index includes CHRW and EXPD. (7) Asset-Light Forwarder Index includes FWRD, HUBG, JBHT, LSTR, UACL, and UTIW; Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co. estimates..

Source: FactSet Research Systems; Wolfe Trahan & Co.

Exhibit 3. Current vs. Historical Valuation *as of Last Quarter's Survey*

| As of 5/20/11 | Current P/E | | Avg Forward P/E | | | |
|---|---|---|---|---|---|---|
| | WT | Cons | 1-Year | 3-Year | 5-Year | 10-Year |
| Large-Cap Rails (1) | 15.0x | 14.2x | 14.0x | 13.5x | 13.8x | 13.8x |
| Truckload (2) | 19.6x | 17.4x | 18.6x | 19.8x | 18.7x | 18.6x |
| Less-than-Truckload (3) | 18.9x | 17.0x | 18.8x | 18.9x | 16.2x | 14.8x |
| Express Carriers (4) | 16.0x | 15.3x | 16.2x | 17.1x | 16.6x | 18.6x |
| Non-Asset Based Freight (5) | 27.7x | 26.9x | 26.7x | 24.9x | 26.7x | 27.4x |
| Asset-Light Forwarders (6) | 21.2x | 18.9x | 19.7x | 20.0x | 19.4x | 19.2x |

Note: Current averages as of 5/20/11. Historical Averages based on Consensus estimates. Current Wolfe Trahan and Consensus estimates use 5 months of C11 and 7 months of C12. (1) Rails use EV/EBITDAR. Class I Rail Index includes CNI, CP, CSX, NSC, and UNP. (2) Truckload Index includes CGI, CVTI, HTLD, KNX, SWFT and WERN. (3) Less-Than-Truckload Index includes CNW, ODFL, and SAIA. ABFS and YCRW are not meaningful as earnings are either negative or minimal in 2011. (4) Express Carriers use EV/EBITDAR. Express Carrier Index includes FDX UPS. (5) Non-Asset Based Freight Index includes CHRW and EXPD. (6) Asset-Light Forwarder Index includes FWRD, HUBG, JBHT, LSTR, UACL, and UTIW.

Source: FactSet Research Systems; Wolfe Trahan & Co.

In the near term, we see upside for all the transport stocks and the market. On a more intermediate and perhaps longer term basis given an increasingly likely sustained, lower growth environment, we continue to recommend owning specific transportation stocks that can grow EPS double digits without material volume growth, or names that have secular growth, pricing and/or margin stories outside the economy.

At this point in the cycle, we strongly favor non-asset-based forwarders C.H. Robinson and Expeditors International who have a history of outperforming other transports and the overall market in a slowing economy. J.B. Hunt Transport Services is the market leader in domestic intermodal, which we believe will continue to be the best secular growth story in our group, and we expect it will continue to show strong growth, even in a slowing economy. We also recently upgraded Hub Group as another excellent way to play the secular intermodal growth story for smaller-cap investors.

We also continue to favor the TL stocks, despite slowing demand and very weak sentiment, as we believe recent strong pricing gains are sustainable. Our favorite TL names remain Swift and Knight and we also recently upgraded Werner Enterprises as a more defensive TL stock with likely less potential upside as well as less downside risk. On the large cap side, we continue to recommend Union Pacific and UPS as the two names best positioned to grow earnings double digits in a slowing economy.

On the short side, Canadian Pacific is our top Underperform recommendation as we see company specific pricing, volume and service issues beyond severe flooding in the first half of the year. We also remain wary to own the LTLs given the strong correlation historically between ISM and LTL tonnage and as we suspect recent strong LTL pricing gains won't prove sustainable if LTL tonnage inflects negative for a couple of months. Atlas Air Worldwide (Peer Perform rated) also seems likely to be negatively impacted by recent weak international airfreight demand and pricing trends, and Atlas Air Worldwide also faces material plane placement risk over the next several quarters.

Exhibit 4. WT Outperform and Underperform Rated Transport Stock Recommendations

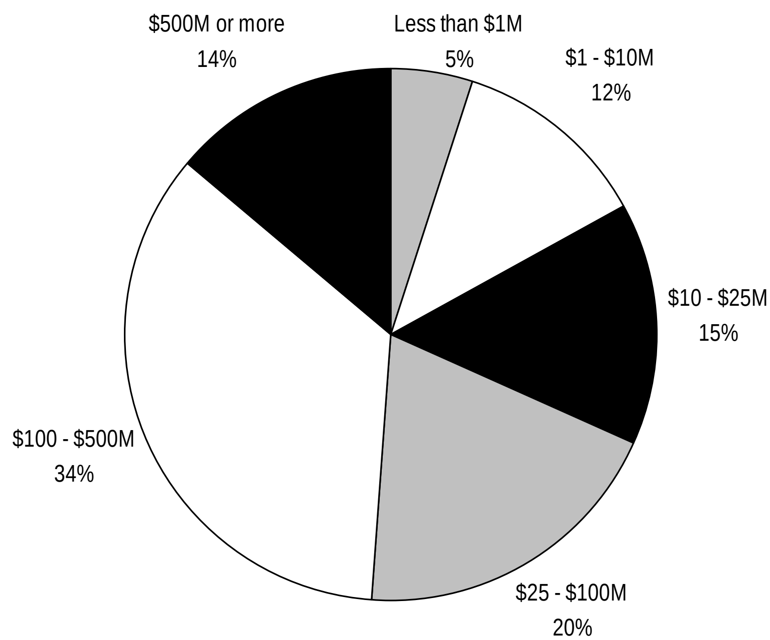
| | 8/19/11 Closing Price | C2012 EPS Cons. | C2012 EPS WT | Current P/E Multiple | WT Target P/E Multiple | YE 2011 Target Price | Implied Upside/ Downside | Wolfe Trahan Rating |
|---|---|---|---|---|---|---|---|---|
| Express | | | | | | | | |
| UPS | $61.70 | $4.95 | $4.90 | 13.3x | 16.5x | $81 | 31% | Outperform |
| TNTE | €6.20 | €0.48 | €0.47 | 15.7x | 21.5x | €10 | 63% | Outperform |
| | | | | | | | | |
| Forwarders | | | | | | | | |
| CHRW | $63.67 | $3.14 | $3.20 | 21.3x | 27.5x | $88 | 38% | Outperform |
| EXPD | $40.33 | $2.11 | $2.15 | 19.9x | 27.5x | $59 | 46% | Outperform |
| FWRD | $24.25 | $1.78 | $1.70 | 14.9x | 17.3x | $29 | 21% | Underperform |
| HUBG | $28.15 | $2.08 | $1.80 | 16.4x | 21.0x | $38 | 34% | Outperform |
| JBHT | $36.93 | $2.55 | $2.50 | 15.9x | 25.0x | $63 | 69% | Outperform |
| LSTR | $37.06 | $2.63 | $2.52 | 15.4x | 17.5x | $44 | 19% | Underperform |
| PACR | $4.00 | $0.44 | $0.35 | 12.0x | 10.0x | $4 | (13%) | Underperform |
| | | | | | | | | |
| Rails | | | | | | | | |
| CP | $54.29 | $4.71 | $4.30 | 13.8x | 13.0x | $56 | 3% | Underperform |
| UNP | $85.69 | $7.87 | $8.00 | 11.6x | 15.0x | $120 | 40% | Peer Perform |
| | | | | | | | | |
| TL | | | | | | | | |
| CVTI | $3.87 | $0.64 | $0.70 | 7.1x | 13.3x | $9 | 140% | Outperform |
| KNX | $13.86 | $0.95 | $1.05 | 15.0x | 20.0x | $21 | 52% | Outperform |
| SWFT | $6.40 | $1.00 | $0.96 | 8.1x | 17.5x | $17 | 163% | Outperform |
| WERN | $20.51 | $1.64 | $1.62 | 13.2x | 18.0x | $29 | 42% | Outperform |
| | | | | | | | | |
| LTL | | | | | | | | |
| ODFL | $28.03 | $2.65 | $2.55 | 11.6x | 20.0x | $51 | 82% | Outperform |
| SAIA | $11.41 | $1.28 | $1.15 | 12.1x | 17.0x | $20 | 75% | Outperform |
| YRCW | $0.68 | ($1.47) | ($0.07) | NM | NM | $0 | (100%) | Underperform |
| | | | | | | | | |
| Other | | | | | | | | |
| R | $40.86 | $4.13 | $4.00 | 10.9x | 12.5x | $50 | 22% | Underperform |

Source: FactSet Research Systems; ThomsonONE; Wolfe Trahan & Co. estimates.

# Background

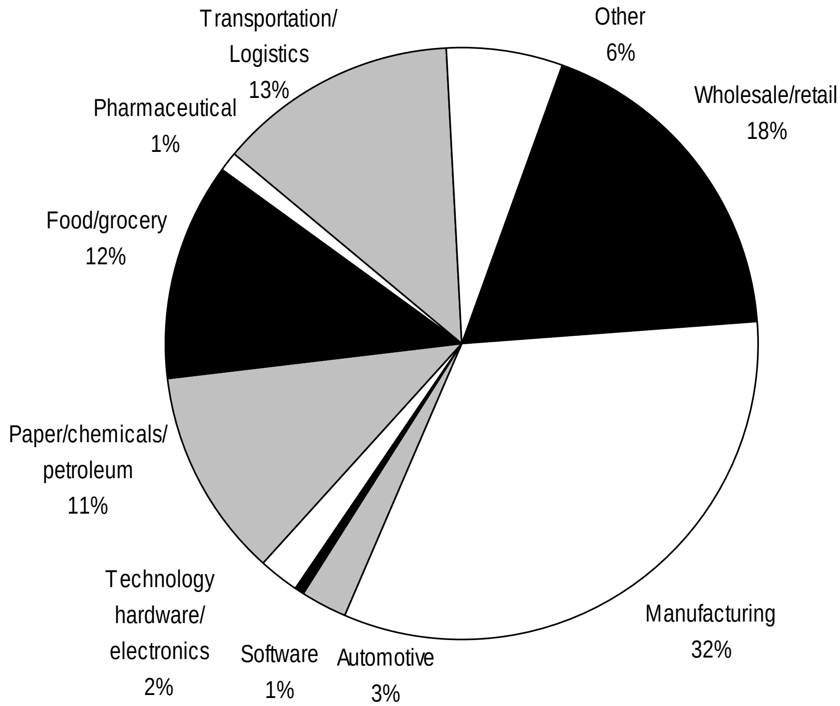
Our third-quarter 2011 survey questionnaire was sent to more than 1,000 supply-chain managers from a diverse pool of various-sized companies spanning many verticals. The survey was conducted during mid-July and early August based on trends witnessed during second-quarter 2011 and expectations for the next 12 months. We collected roughly 120 completed questionnaires from shippers, representing an aggregate transportation budget of just under $25 billion. Our survey remains dominated by shippers with annual transportation budgets in excess of $25 million, with approximately 68% of our respondents falling into this category, including 48% of respondents with annual transportation budgets exceeding $100 million. Within our pool of respondents, 32% are involved in transporting "manufacturing" goods, while 18% participate in shipping "wholesale/retail" products. By mode, TL shippers comprised the largest part of our survey at about 36% of total transportation budget dollars. See Exhibit 5 through Exhibit 7 below for the corresponding data.

Exhibit 5. What Is Your Company's Total Annual Transportation Budget?



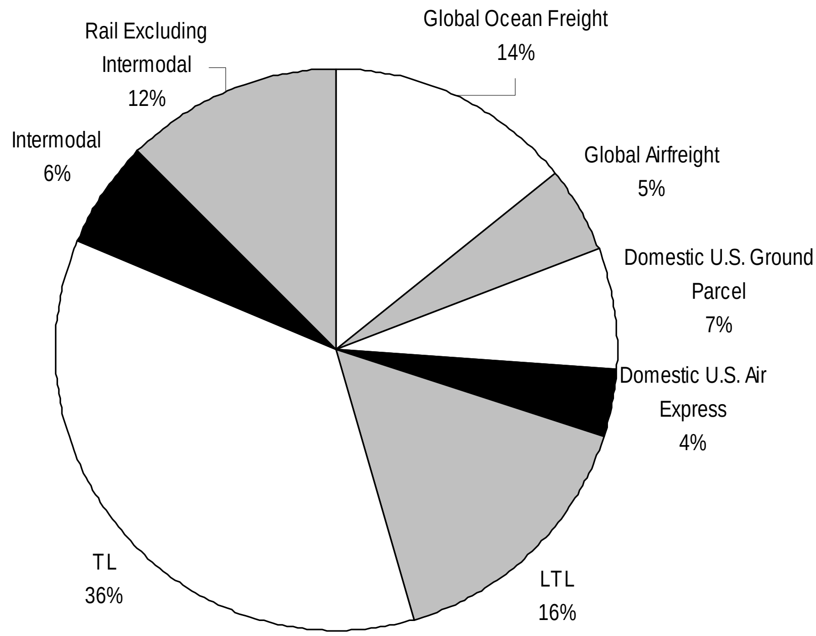

Source: Wolfe Trahan & Co.

Exhibit 6. Identify the Industry (-ies) in Which Your Company Participates




Source: Wolfe Trahan & Co.

Exhibit 7. What Percentage of Your Transportation Budget Dollars are Allotted Toward the Following Modes?

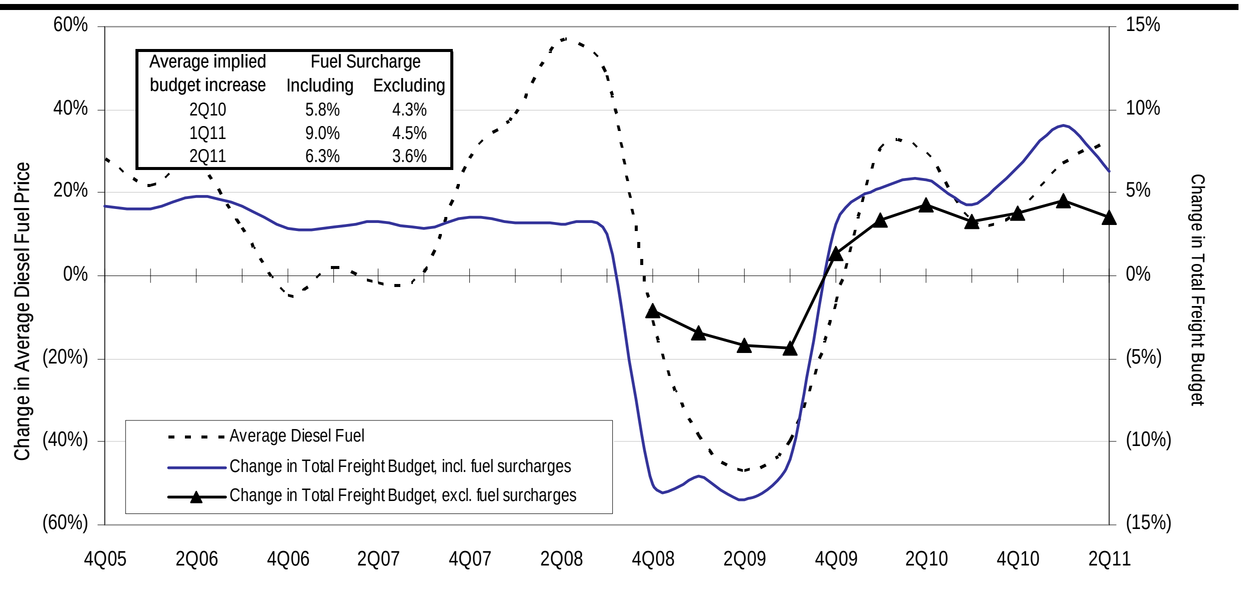



Source: Wolfe Trahan & Co.

### *Shipper Budget Expectations Moderate from Last Quarter*

First, we asked shippers what they expect to spend on their transportation budgets over the next 12 months, both including and excluding fuel surcharges. Our respondents expect their total transportation spend (gross of fuel) to increase by 6.3% over the next 12 months, down from +9.0% last quarter and marking the first quarter of decelerated budget expectations since the third quarter of 2010. We believe the lower budget forecasts relative to last quarter reflect the impact of a slowing economy on both overall volume expectations and fuel surcharges with WTI oil prices currently around $80 per barrel compared with over $100 when we conducted our survey last quarter. We also believe lower budget expectations reflect slightly lower rate expectations although domestic pricing generally remains firm in our view. In total, about 91% of shippers now expect to increase their transportation budgets over the next 12 months, modestly decelerated from 94% last quarter. We also asked shippers what they expect to spend on their transportation budgets excluding fuel surcharges. On average, our respondents now expect a 3.6% increase net of fuel over the next 12 months, also decelerated from the 4.5% increase expected as of last quarter's survey.

Exhibit 8. What Do You Expect to Be the Year-over-Year Change in Your Total Freight Transportation Budget Over the Next 12 Months?

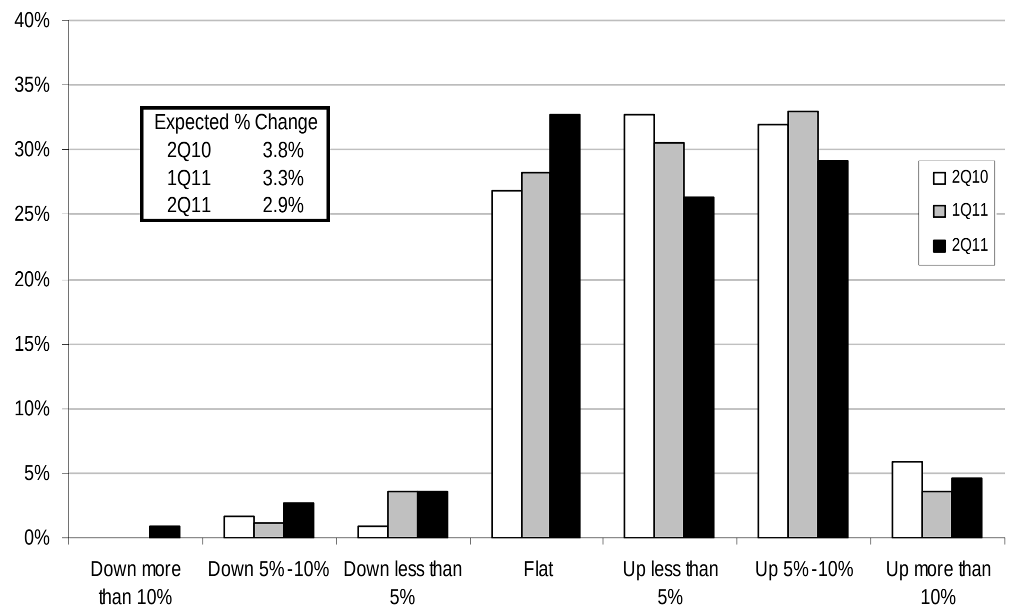



Source: Department of Energy; Wolfe Trahan & Co.

We then asked our survey respondents for their expectations of "same-store" shipment volumes over the next 12 months. The shippers we polled expect a 2.9% increase in same-store volumes over the next 12 months, decelerated from the 3.3% increase expected last quarter as shippers' confidence in the economic recovery has seemingly waned somewhat (see Exhibit 9). This marks the lowest volume expectations by shippers since the recovery began, dating back to fourth-quarter 2009. We also note that volume expectations were noticeably higher from shippers who filled out our survey in early- to mid-July compared with shippers who filled out our survey more recently in the beginning of August.

Among the overall responses this quarter, 60% of shippers anticipate positive shipment volumes over the next year, modestly decelerated from 67% of shippers last quarter. This includes 29% of shippers this quarter that anticipate a 5%-10% increase, 26% of shippers that expect a 1%-5% increase, and nearly 5% that expect more than a 10% increase. Another 33% of shippers this quarter expect basically flat same-store shipment volumes over the next 12 months, while only 7% expect a year-over-year decrease in volumes over the next 12 months.

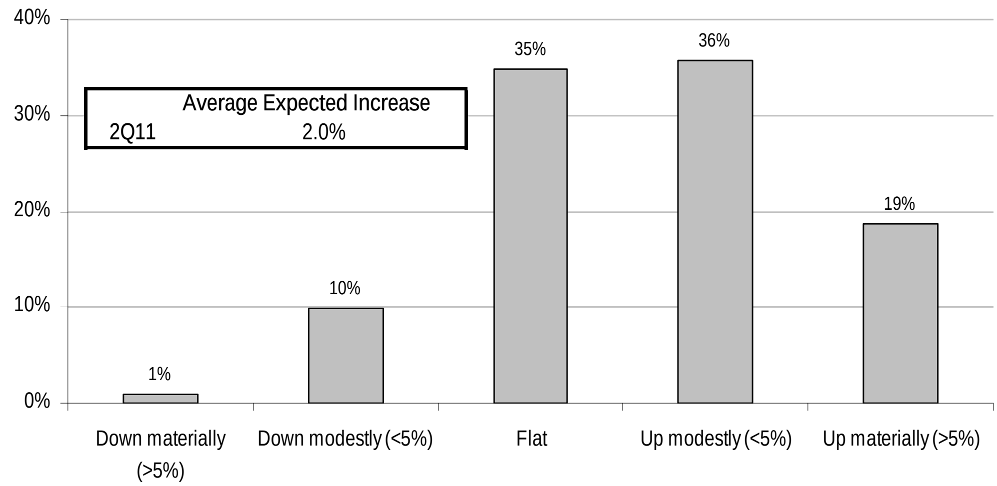
Exhibit 9. What Percent Change in Same-Store Shipment Volumes Do You Expect Over the Next 12 Months?




Source: Wolfe Trahan & Co.

Next, we asked shippers about their expectations for peak season volumes this year compared with last year. Generally, we have heard mixed expectations from many transport companies about peak season, but increasingly our sense is that we will have a later and less pronounced peak season this year versus a year ago. To date, there are few signs of a strong peak season, and international ocean and airfreight volumes have been tracking negative year over year the past couple of months through July. As shown in Exhibit 10 below, shippers in our survey expect a 2% average increase in peak season volumes compared with a year ago. Among our survey respondents, 36% of shippers expect less than a 5% increase in peak season volumes, and another 35% expect flat peak season volumes this year. Another 19% of shippers expect volumes to increase more than 5%, while only 11% of shippers expect peak volumes to be down year over year. Thus, our survey data suggest that a modest peak season should emerge over the next several months.

Exhibit 10. What Are Your Expectations For Peak Season (Roughly Mid-August Through Late November) This Year Compared With Last Year's Peak?




Source: Wolfe Trahan & Co.

In the exhibit below, we also show a summary of shipper pricing expectations, net of fuel, across the major modes of transportation that we follow. The solid black circles highlight the most recent peak in shipper rate expectations. As shown, shipper expectations across all domestic modes (except for international air and ocean rates) peaked in last quarter's survey and have modestly decelerated in this quarter's survey. Among the major domestic modes, intermodal rate expectations have decelerated the most from last quarter, while LTL rate expectations have held most firm off a lower base. By domestic mode, shippers continued to have the highest expectations for rail rate increases over the next 12 months, followed by truckload and LTL rate increases. Conversely, expectations for U.S. ground parcel and domestic air express rates remain at the low end of the range as we believe pricing for UPS and FedEx remains constrained to some degree by poorly priced, multi-year contracts that both carriers signed at the bottom of the market during 2009. As a result, we continue to believe that the pricing story for UPS and FedEx remains about a year away. On the international side, shipper expectations for ocean rate increases inflected negative for the first time in seven quarters, and expectations for heavy airfreight rate increases also decelerated sharply this quarter and are now barely positive.

Exhibit 11. Summary of Shippers' Year-over-Year Rate Expectations by Mode and Quarter

| | 1Q:09 | 2Q:09 | 3Q:09 | 4Q:09 | 1Q:10 | 2Q:10 | 3Q:10 | 4Q:10 | 1Q:11 | 2Q:11 | Trend |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Rail | 1.6% | 1.9% | 1.8% | 1.9% | 3.0% | 3.3% | 3.3% | 3.6% | 3.8% | 3.4% | - |
| Intermodal | na | na | na | 0.3% | 2.1% | 3.1% | 2.5% | 1.9% | 3.0% | 2.1% | - |
| TL | -2.7% | -2.4% | -2.5% | 0.1% | 1.5% | 3.3% | 2.7% | 3.1% | 3.5% | 3.0% | - |
| LTL | -1.5% | -2.1% | -1.8% | 0.5% | 1.2% | 1.9% | 2.5% | 2.5% | 2.5% | 2.5% | = |
| Ground Parcel | 1.5% | 1.4% | 1.0% | 1.8% | 1.7% | 1.7% | 1.2% | 2.1% | 2.3% | 1.8% | - |
| Domestic Air Express | 1.1% | 1.0% | 0.6% | 1.7% | 1.5% | 1.4% | 1.2% | 1.9% | 2.0% | 1.7% | - |
| Int'l Heavy Airfreight | -6.3% | -6.7% | -6.8% | 2.2% | 4.8% | 3.2% | 2.9% | 2.6% | 3.0% | 0.6% | - |
| Ocean | -12.9% | -16.6% | -13.7% | 9.1% | 11.6% | 7.5% | 3.9% | 2.7% | 1.9% | -2.1% | - |

Source: Wolfe Trahan & Co.

## Inventory Levels

The inventory section of our survey focuses on the following issues impacting shipping decisions:

- Current inventory levels versus past periods and expectations for inventory levels in the third quarter of 2011;

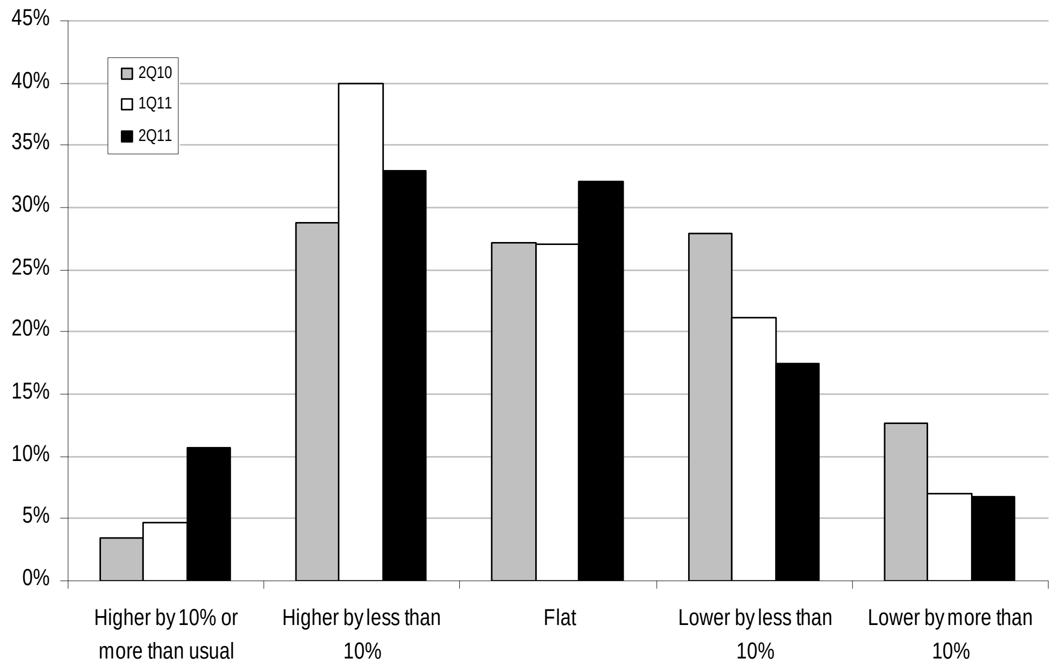
- Changing shipping patterns and/or volumes resulting from current and targeted inventory levels; and

- Expectations for potential changes in inventory targets.

It seems clear from the survey data below that inventory levels are higher today than depressed levels in late 2009 and early 2010. However, inventory levels are still well below recent historical peaks of a few years ago as shippers are still trying to keep their inventories as lean as possible. That being said, we believe inventories during the first half of 2010 got too tight as demand suddenly improved. As a result, shippers were forced to temporarily shift to quicker modes of transportation (e.g., rail to truck and ocean to air) in order to expedite shipments and meet higher demand. Our sense from shippers is that several companies were not able to fully meet customer demand a year ago, thus missing out on higher potential sales levels. In order to avoid such sales shortfalls again, we believe shippers generally have restocked inventories to some extent over the past 12 months. Looking forward however, we believe shippers are unlikely to build inventories further given significant economic uncertainty.

According to our survey results, 44% of shippers characterized their inventories as higher than a year ago in the second quarter, in line with 45% last quarter and up from 32% a year ago. This includes 33% of shippers who noted that inventories were higher by less than 10% and roughly 11% of shippers who noted that inventories were higher by more than 10%. In total, the 44% of shippers noting higher inventories is the second greatest percentage recorded in our survey (just under the 45% reported last quarter) in almost ten years, which confirms that many shippers have restocked inventories relative to depressed levels reached a year ago. This also suggests that the big push from inventory restocking may now be behind us. Conversely, 24% of shippers described their inventories as being lower than a year ago, below the 28% last quarter and 40% a year ago. The final 32% of shippers reported flattish inventory levels in the second quarter, up from 27% last quarter and a year ago (see Exhibit 12).

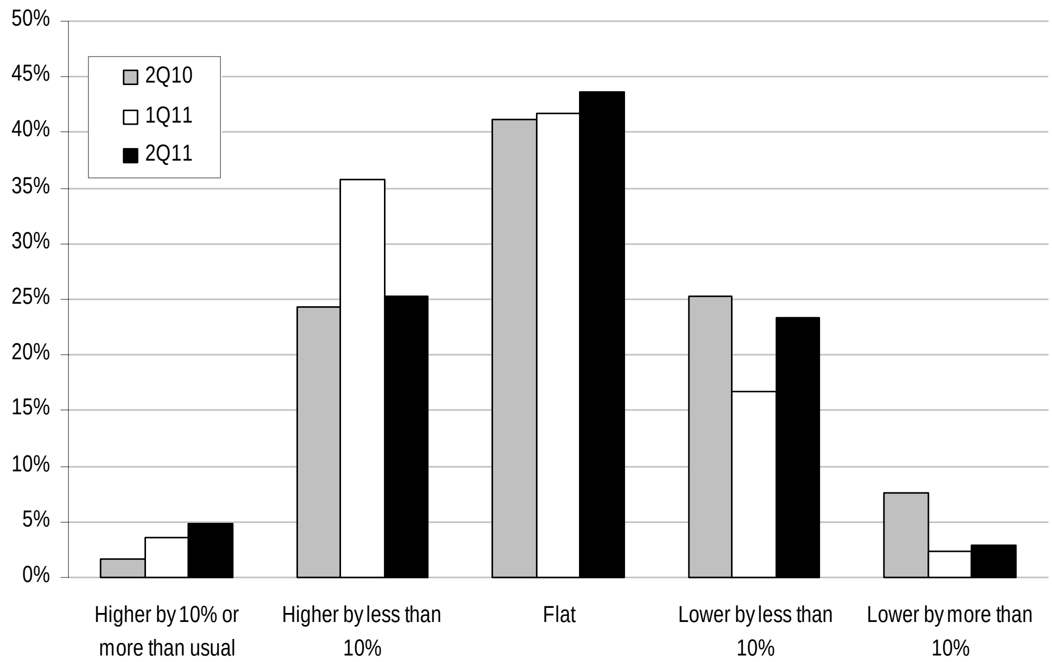
Exhibit 12. Compare the Inventory Level of Your Company During *Second*-Quarter 2011 to Second Quarters in Recent Years




Source: Wolfe Trahan & Co.

Looking forward, our survey respondents generally expect that inventory levels in third-quarter 2011 will be flattish year over year compared with recent historical periods. Approximately 26% of shippers expect third-quarter 2011 inventory levels to be lower than year-ago levels, up from 19% last quarter, but down from 33% a year ago heading into third-quarter 2010 (see Exhibit 13). On the flip side, roughly 30% of shippers expect inventory levels to be higher year over year in the third quarter, down from 39% last quarter, but up from 26% a year ago. The remaining 44% of shippers in our survey expect inventory levels to be flat in third-quarter 2011 compared with a year ago, up slightly from 42% in our survey last quarter.

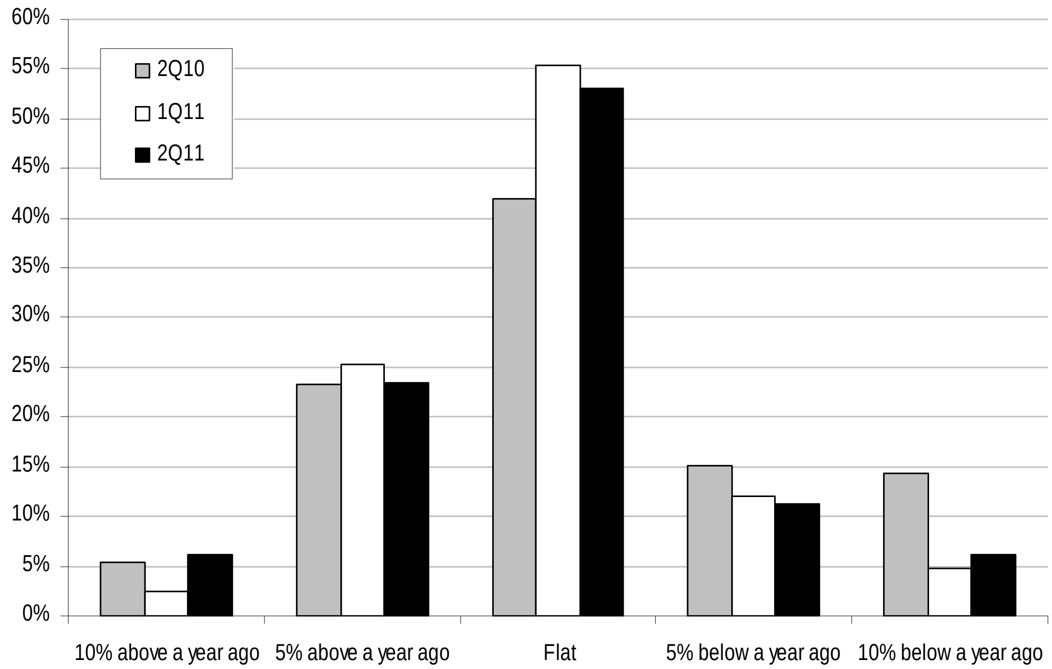
Exhibit 13. Indicate Your *Expectations* for Inventory Levels in *Third*-Quarter 2011 Compared to Recent Third Quarters




Source: Wolfe Trahan & Co.

We also asked shippers how their safety stock levels in the second quarter of 2011 compared to the prior year. Our shippers increasingly reported much more balanced safety stock levels relative to a year ago. Approximately 17% of shippers indicated that their safety stock levels were down year over year, unchanged from last quarter and down materially from 30% a year ago when inventories suddenly became very tight (see Exhibit 14). This includes 6% of shippers who reported that safety stocks were more than 10% below year-ago levels, a big improvement from 14% of shippers a year ago. Another 30% of shippers indicated higher safety stock levels versus last year, slightly above 28% last quarter and 29% in the year-ago period. The remaining 53% of shippers this quarter indicated flat safety stock levels in second-quarter 2011, down slightly from last quarter and up from 42% in the year-ago quarter.

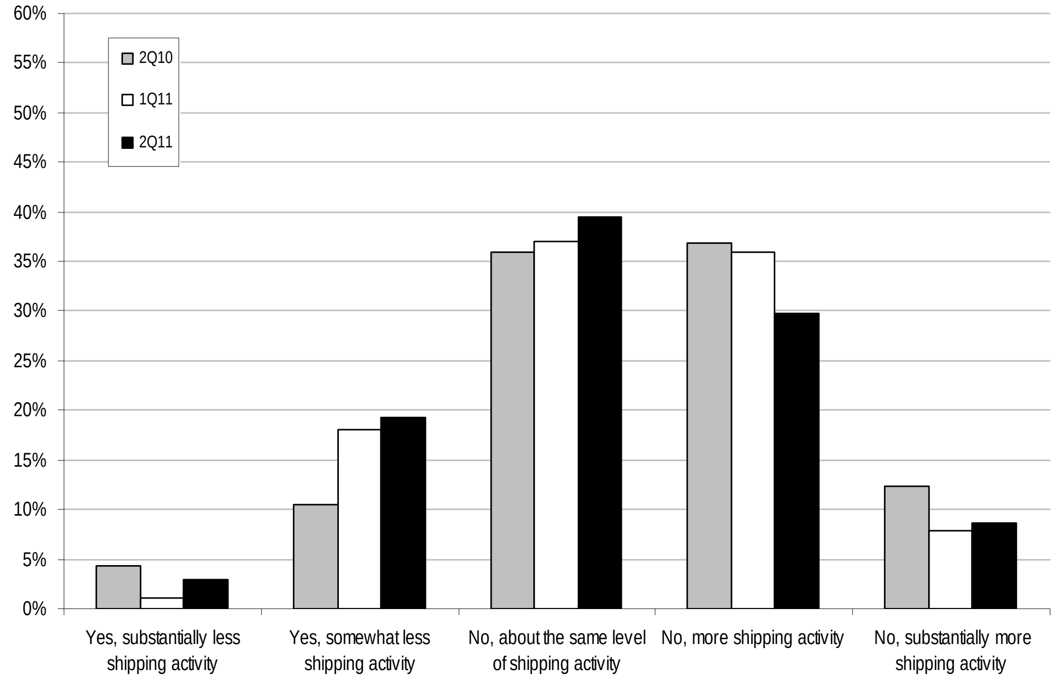
Exhibit 14. How Do Your Safety Stock Levels Compare to a Year Ago?




Source: Wolfe Trahan & Co.

We then asked our respondents if they shipped more or less freight than normal during second-quarter 2011 due to inventory decisions (i.e., more than normal due to inventory restocking or less than normal due to destocking). Roughly 22% of respondents indicated that they shipped somewhat less or substantially less freight due to inventory destocking, up from 19% in the prior quarter and 15% in the year-ago period (see Exhibit 15). On the flip side, 39% of shippers indicated that their shipping activity was higher than normal because of inventory restocking during second-quarter 2011, lower than 44% during the first quarter and 49% in the year-ago quarter, at the height of inventory restocking last year. The final 39% of shippers in our survey this quarter reported flat shipping activity in comparison to historical periods, up slightly from 37% in the first quarter and 36% in the year-ago period. Thus, the data this quarter suggest that the pace of inventory restocking has moderated from first-quarter 2011, and continues to decelerate from peak levels a year ago.

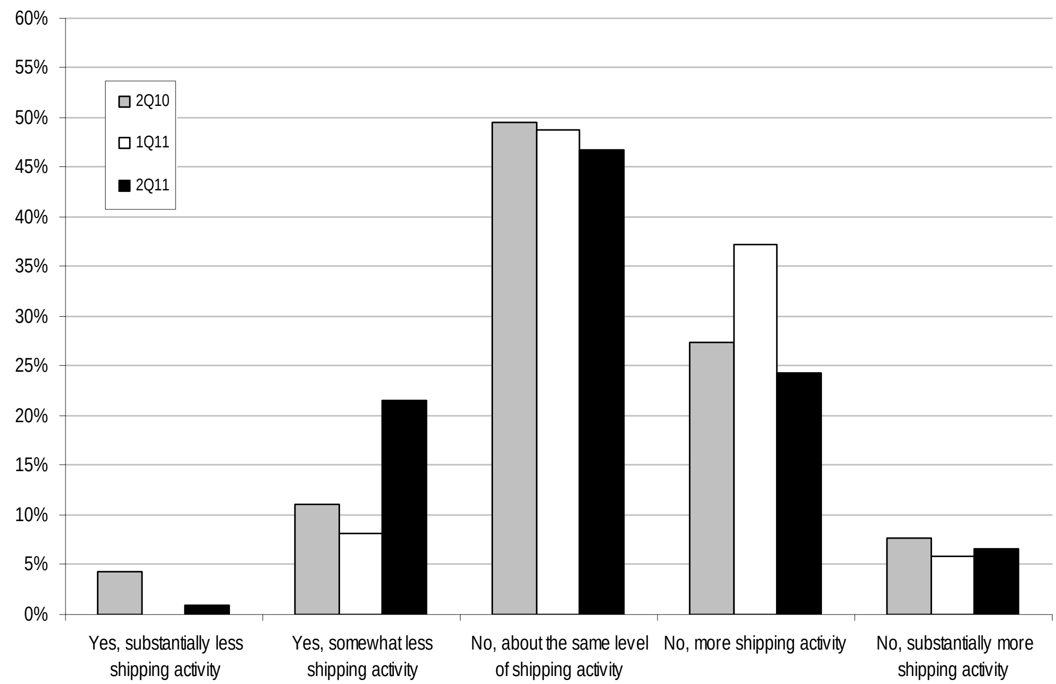
Exhibit 15. Did You Ship Less Freight than Normal During Second-Quarter 2011 Compared to Second Quarters in Recent Years Because of Inventory Build-Up?




Source: Wolfe Trahan & Co.

Looking forward, 22% of our survey respondents expect to ship somewhat less volume or substantially less volume than normal during the third quarter due to inventory issues, up significantly from 8% last quarter and from 15% a year ago. Another 47% of shippers expect similar freight volumes in the third quarter compared with prior years, while the remaining 30% expect more shipping activity in the next quarter (see Exhibit 16). This is down materially from the 43% of shippers expecting more shipping activity last quarter and 35% a year ago.

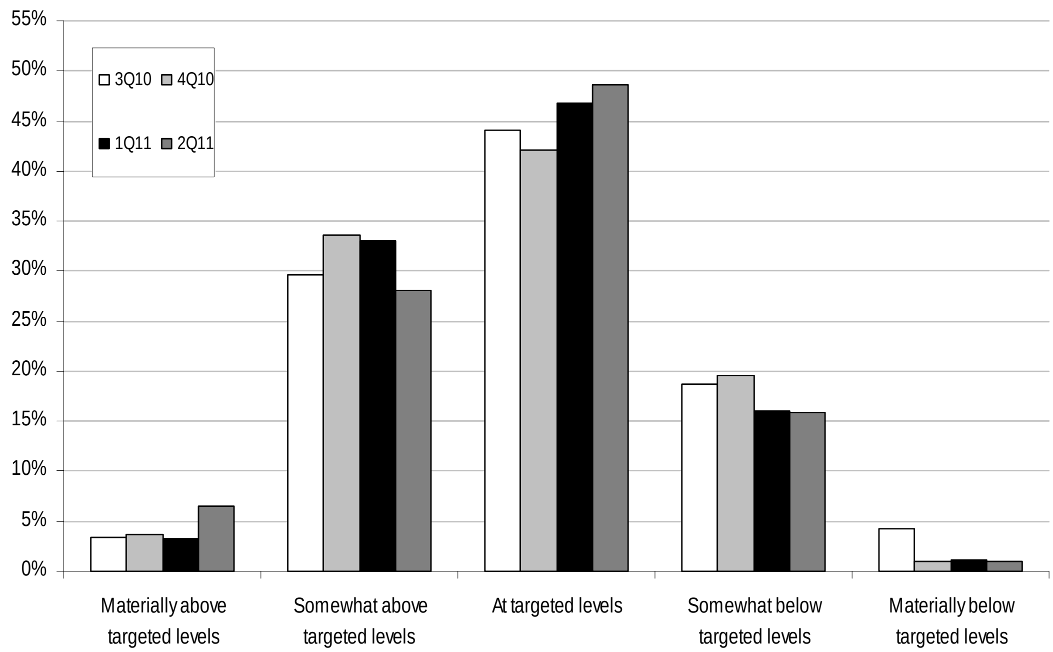
Exhibit 16. Do You *Expect* to Ship Less Freight than Normal During *Third*-Quarter 2011 Compared to Third Quarters in Previous Years Because of Inventory Build-Up?




Source: Wolfe Trahan & Co.

We also asked shippers where their inventory levels were currently relative to company targets. Of those surveyed, 49% of shippers indicated that their inventory levels were currently at targeted levels, up slightly from 47% of shippers last quarter. Roughly 28% indicated that inventory was somewhat above targeted levels, down from 33% last quarter, while 7% indicated that inventory was materially above targeted levels versus only 3% last quarter. The remaining 17% of shippers in our survey indicated that inventories were below targeted levels, in line with last quarter. Ultimately, these responses suggest that inventory levels are fairly balanced, which is generally consistent with our results above that indicate expectations for normal shipping activity in the near term. However, given increasing concerns about the economy, we wouldn't be surprised if shippers and companies begin reducing inventory targets to prepare for a sustained period of flattish demand trends.

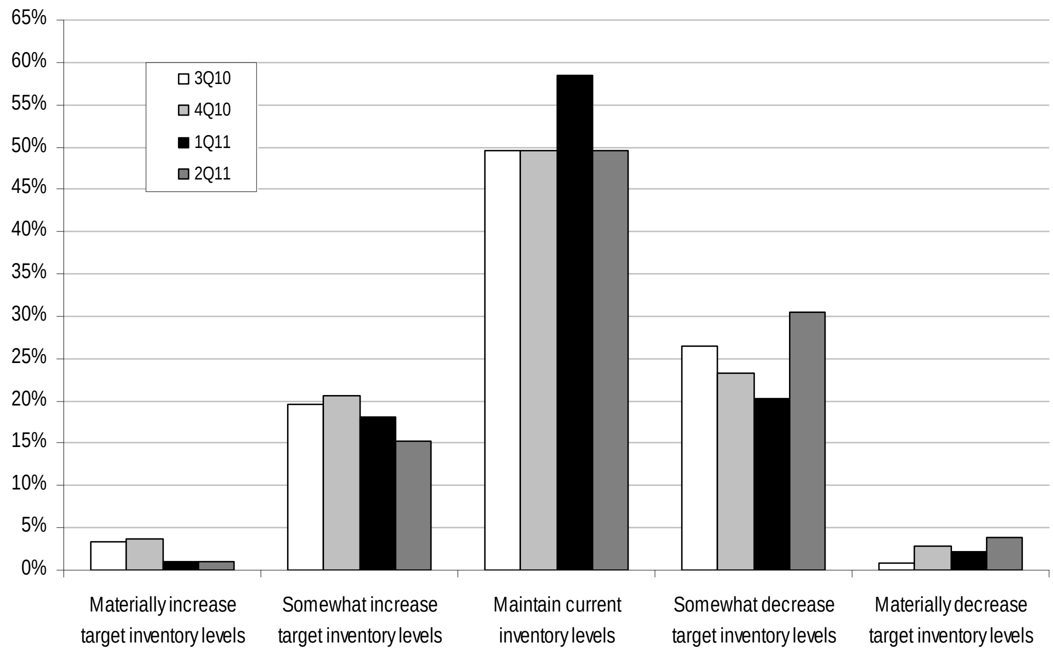
Exhibit 17. Where Are Your Inventory Levels Currently vs. Company Targets?




Source: Wolfe Trahan & Co.

Thus, we also asked shippers if they have plans to change their inventory target levels: that is, if shippers expect to increase, decrease, or maintain inventory target levels beyond normal seasonal patterns over the next 6-12 months. Roughly 50% of shippers expect to maintain current inventory targets, down from 59% in last quarter's survey. However, 34% of shippers now expect to decrease target inventory levels, up materially from 22% last quarter. This includes 4% of shippers who expect to materially decrease target inventory levels, slightly up from 2% last quarter, and this seems to be a negative data point for freight going forward. Finally, about 16% expect to increase target inventory levels, down from 19% last quarter.

Exhibit 18. Do You Expect to Increase, Decrease, or Maintain Inventory Target Levels (Beyond Normal Seasonal Patterns) Over the Next 6-12 Months?




Source: Wolfe Trahan & Co.

# Railroads

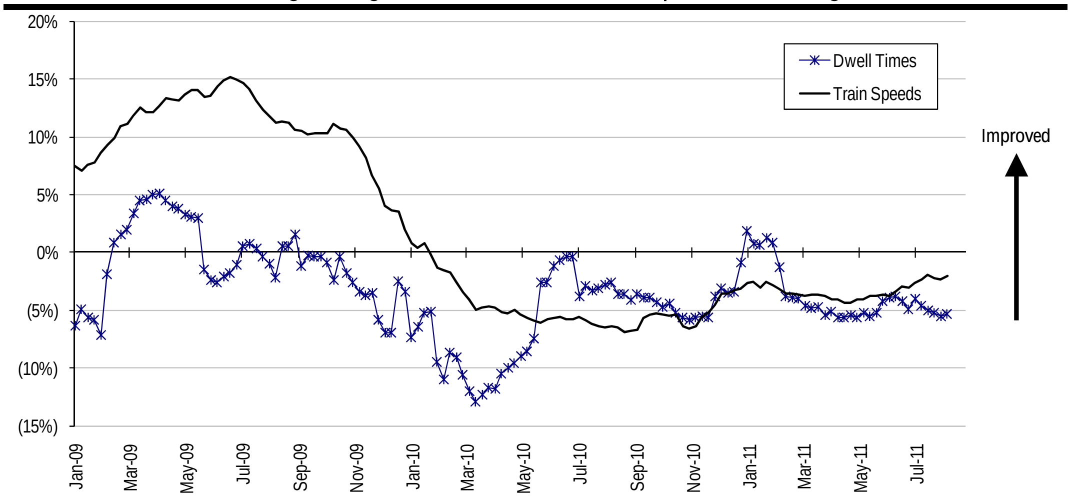
The railroad section of our third-quarter survey focused on three primary topics:

- Recent rail service trends and comparisons of rail service performance;
- Changing market dynamics between rail and truckload carriers, including recent and potential market share shifts; and
- Pricing trends and shipper expectations of rate increases over the next 12 months.

## Rail Service Trends

Before discussing our actual survey results, we begin with an analysis of recent rail service trends, including average train speeds and system-wide dwell times. These service metrics for the Class I rails are reported each Wednesday by the Association of American Railroads (AAR). Rail service metrics (e.g., dwell times and train speeds) reached historical highs in the first half of 2009 into materially reduced volumes and less congested networks, but service metrics have generally deteriorated since the second half of 2009 as absolute volume levels have rebounded strongly from a very low base. Bad weather so far this year, including heavy snows in the first quarter and severe flooding in the second quarter, has also disrupted rail service performance in our opinion. During the second quarter of 2011, the Big Four U.S. Class I Rails averaged a 3.5% year-over-year decrease in velocity, similar to the 3.5% decrease during first quarter. The U.S. rails also reported an average dwell time deterioration of 5.0% year over year in the second quarter, worse than the 3.1% deterioration in first quarter. In Exhibit 19 below, we show the six-week rolling year-over-year trends in dwell times and train speeds for the Big 4 U.S. Class I rails. Note that we show the inverse of dwell times so that an upward trend in the data shows improvement for both data sets.

Exhibit 19. Six-Week Rolling Average for Dwell Times & Train Speeds for the Big 4 U.S. Rails




Note: Dwell times have been inverted to show improvement as an upward trend. Data through Week 32, 2011.

Source: AAR; Wolfe Trahan & Co. estimates.

All individual rails reported down year-over-year train speeds during the second quarter, while only Canadian National reported improved dwell times for the second quarter. Union Pacific's train speeds declined by 1.5% year over year in the quarter, worse than a

0.3% decline in the first quarter. This marks Union Pacific's sixth straight quarter of year-over-year declines in train speeds after 13 prior quarters of improvement. Union Pacific's dwell times also deteriorated by 3.6% year over year during the second quarter after a 1.9% increase in first quarter. Among the eastern rails, CSX reported a 5.2% decrease in train speeds and a 9.4% deterioration in dwell times. Norfolk Southern's service was relatively best among the U.S rails as train speeds fell just 0.8% and dwell times were flat year over year. Among the Canadian rails, Canadian National saw train speeds decrease by 2.6% year over year, but its dwell times improved by 1.6% in the second quarter. Canadian Pacific reported the largest year-over-year decrease in train speeds of 13.7%, similar to last quarter, while its dwell times worsened by 0.9%.

About six weeks into third-quarter 2011, service metrics generally remain weak year over year as we show in the table below. Train speeds remain down relative to a year ago and dwell times also remain under pressure. Only Norfolk Southern is experiencing an increase in train speeds so far in third quarter, while Canadian Pacific is the only rail showing an improvement in dwell times on a year-over-year basis.

Exhibit 20. Service Metrics by Railroad, Year over Year

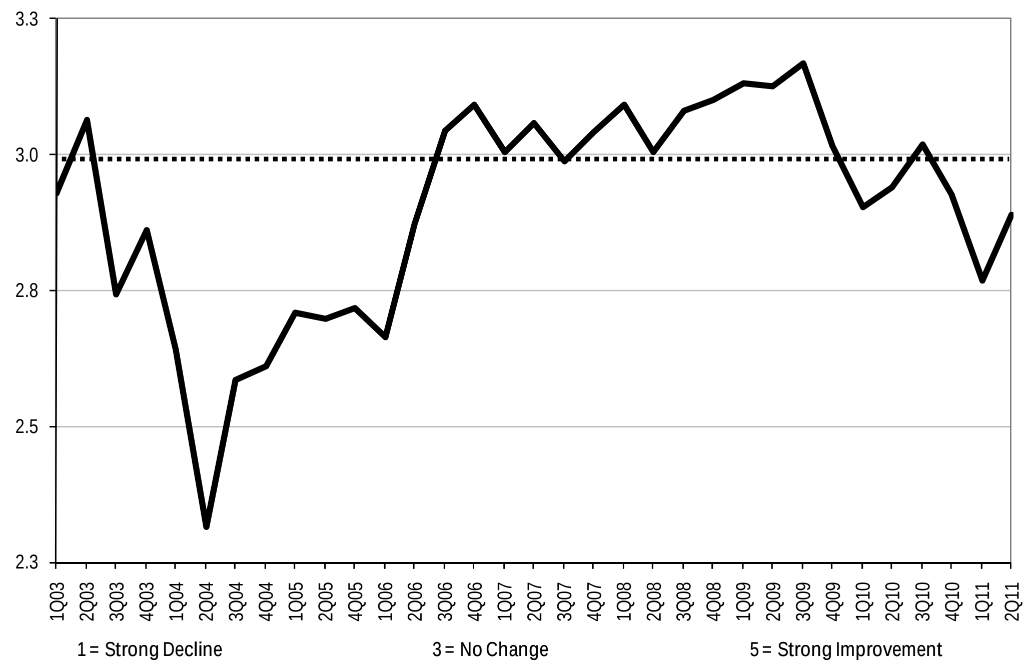
| Dwell Time | 1Q:09 | 2Q:09 | 3Q:09 | 4Q:09 | 1Q:10 | 2Q:10 | 3Q:10 | 4Q:10 | 1Q:11 | 2Q:11 | 3Q QTD |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BNSF | (10.6%) | (10.7%) | (0.3%) | 8.0% | 15.4% | 9.9% | 5.1% | 1.5% | 3.4% | 7.0% | 13.8% |
| CNI | (12.2%) | 0.1% | NM | NM | NM | NM | (3.2%) | (7.3%) | (0.1%) | (1.6%) | 4.2% |
| CP | (6.7%) | (6.6%) | (1.4%) | (6.2%) | 6.5% | (2.5%) | (5.6%) | (5.3%) | (0.8%) | 0.9% | (5.3%) |
| CSX | 6.1% | 3.4% | 0.3% | 3.3% | 8.8% | (2.1%) | 3.5% | 4.5% | 2.8% | 9.4% | 2.7% |
| NSC | 3.3% | 2.1% | 3.6% | 2.8% | 12.3% | 9.1% | 3.3% | 6.9% | 4.9% | 0.0% | 0.6% |
| UNP | (4.8%) | 0.5% | 0.9% | (0.5%) | 9.4% | 0.7% | 1.8% | (0.4%) | 1.4% | 3.6% | 4.1% |
| Avg | (4.2%) | (1.8%) | 0.6% | 1.5% | 10.5% | 3.0% | 0.8% | (0.0%) | 1.9% | 3.2% | 3.4% |
| Avg, Big 4 U.S. | (1.5%) | (1.2%) | 1.1% | 3.4% | 11.5% | 4.4% | 3.5% | 3.1% | 3.1% | 5.0% | 5.3% |
| Train Speed | 1Q:09 | 2Q:09 | 3Q:09 | 4Q:09 | 1Q:10 | 2Q:10 | 3Q:10 | 4Q:10 | 1Q:11 | 2Q:11 | 3Q QTD |
| BNSF | 9.9% | 15.9% | 14.1% | 10.3% | (0.1%) | (5.0%) | (8.6%) | (9.2%) | (8.2%) | (6.7%) | (3.1%) |
| CNI | 17.9% | 13.8% | 7.1% | 0.0% | 1.6% | 1.0% | (1.1%) | (0.9%) | (5.3%) | (2.6%) | (2.4%) |
| CP | 7.3% | 10.5% | 7.6% | 0.4% | (3.7%) | (7.4%) | (5.9%) | (8.3%) | (13.6%) | (13.7%) | (4.3%) |
| CSX | 4.0% | 8.9% | 8.5% | 2.8% | (3.2%) | (4.0%) | (3.3%) | (3.1%) | (1.6%) | (5.2%) | (2.6%) |
| NSC | 6.8% | 13.3% | 6.6% | 0.7% | (6.2%) | (10.7%) | (6.6%) | (4.2%) | (3.7%) | (0.8%) | 1.4% |
| UNP | 22.2% | 19.9% | 13.8% | 7.9% | (3.5%) | (3.4%) | (5.0%) | (2.1%) | (0.3%) | (1.5%) | (3.7%) |
| Avg | 11.3% | 13.7% | 9.6% | 3.7% | (2.5%) | (4.9%) | (5.1%) | (4.6%) | (5.4%) | (5.1%) | (2.5%) |
| Avg, Big 4 U.S. | 10.7% | 14.5% | 10.8% | 5.5% | (3.2%) | (5.8%) | (5.9%) | (4.6%) | (3.4%) | (3.5%) | (2.0%) |
| Cars on Line | 1Q:09 | 2Q:09 | 3Q:09 | 4Q:09 | 1Q:10 | 2Q:10 | 3Q:10 | 4Q:10 | 1Q:11 | 2Q:11 | 3Q QTD |
| BNSF | (1.6%) | (5.0%) | (5.2%) | (7.3%) | (4.3%) | (3.3%) | (0.5%) | 4.3% | 2.2% | 3.4% | 3.8% |
| CNI | (18.6%) | (18.4%) | NM | NM | NM | NM | (2.5%) | (1.8%) | (1.4%) | (1.0%) | 0.5% |
| CP | 3.9% | 0.0% | (2.1%) | 11.4% | 11.3% | 13.1% | 12.2% | 0.1% | 0.8% | 1.2% | 0.4% |
| CSX | (1.1%) | (2.8%) | (5.1%) | (4.5%) | (1.8%) | (3.8%) | (2.2%) | (1.4%) | (1.1%) | (0.7%) | (2.1%) |
| NSC | (1.2%) | (2.7%) | (2.3%) | (2.0%) | (0.2%) | 0.8% | (0.8%) | 0.6% | (0.5%) | (2.2%) | (2.1%) |
| UNP | (6.6%) | (7.0%) | (6.3%) | (3.4%) | (3.0%) | (2.4%) | (2.5%) | (4.3%) | (3.3%) | (1.2%) | (0.7%) |
| Avg | (4.2%) | (6.0%) | (4.2%) | (1.1%) | 0.4% | 0.9% | 0.6% | (0.4%) | (0.5%) | (0.1%) | (0.0%) |
| Avg, Big 4 U.S. | (2.6%) | (4.4%) | (4.8%) | (4.3%) | (2.4%) | (2.1%) | (1.5%) | (0.2%) | (0.6%) | (0.2%) | (0.3%) |

Note: Data through Week 32. CNI data for y/y dwell time and cars on line is not meaningful from 3Q:09 through 2Q:10 as CNI restated values to conform with AAR definitions. Velocity for CP excludes the DM&E in 2010. Y/Y dwell times for CP in 4Q:09 through 3Q:10 are not meaningful as CP began including the DM&E.

Source: AAR; Wolfe Trahan & Co.

Our survey results this quarter are generally consistent with the reported service statistics above which indicate deteriorated year-over-year rail service. That being said, shipper perceptions of rail service improved modestly on a sequential basis in our survey this quarter. As always, we asked shippers to rank the service improvement or deterioration for the rails in the second quarter compared with second quarters in recent years. The average score of 2.9 this quarter (with 1.0 indicating a strong decline in service and 5.0 indicating a strong improvement) was down slightly versus the year-ago period but modestly improved from the 2.8 average score last quarter. Note that the 2.8 average score in our survey last quarter marked the lowest average rail service score from our survey in five years as shown below.

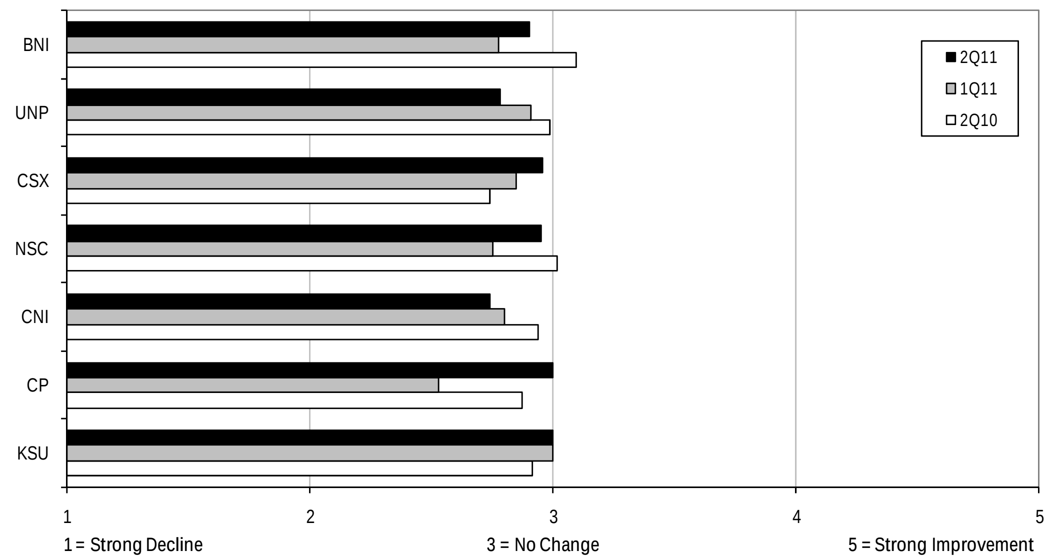
Exhibit 21. Average Rail Service Ranking




Source: Wolfe Trahan & Co.

Among the individual rails, service ratings from shippers were mixed in our survey this quarter. According to shippers, CSX, Canadian Pacific, and Kansas City Southern registered year-over-year service improvements of 8%, 5%, and 3%. Meanwhile, Union Pacific, Canadian National, Burlington Northern, and Norfolk Southern recorded year-over-year ratings declines of 7%, 7%, 6%, and 2%, respectively. On an absolute basis, the 2.8 rating for Union Pacific was the company's worst in our survey since 2006, while CSX recorded its highest rating in two years at nearly 3.0. Canadian Pacific experienced the greatest sequential improvement in perceived service levels with a 19% increase from 2.5 in the first quarter to 3.0 in the second quarter. This seemingly reflects Canadian Pacific's ongoing recovery from material weather issues in Canada and the U.S. in the first and second quarters when volumes and service levels suffered significantly.

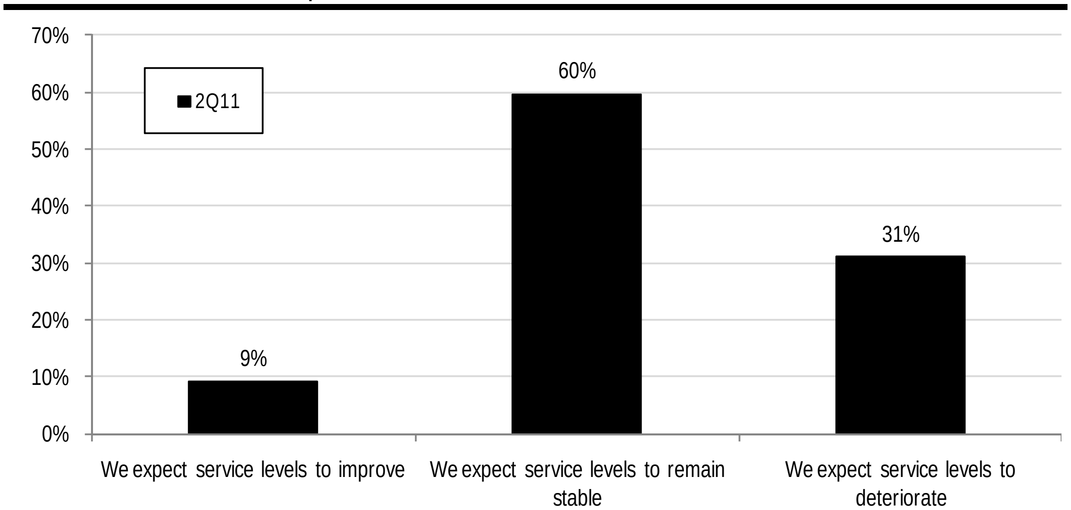
Exhibit 22. Have Service Levels Improved or Declined for the Following Rail Carriers During Second-Quarter 2011 Compared to Second Quarters in Recent Years?




Source: Wolfe Trahan & Co.

Looking ahead, we asked our survey respondents about their expectations for rail service levels in the upcoming 2011 peak season (roughly mid-August through November) relative to service levels during last year's peak season. As we show in Exhibit 23 below, only 9% of respondents expect improved service levels in the 2011 peak season compared to 2010, well below the 31% of respondents who expect service levels to deteriorate. The remaining 60% of shippers in our survey expect stable service levels compared with last year.

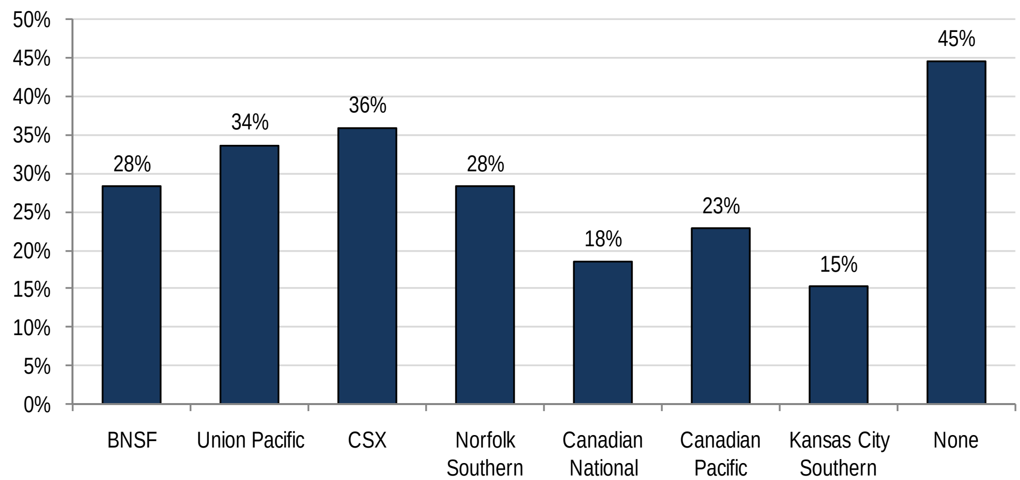
Exhibit 23. What Are Your Expectations for Rail Service Levels in the 2011 Peak Season?




Source: Wolfe Trahan & Co.

Next we asked shippers which rails were currently facing capacity constraints. As shown in Exhibit 24 below, 45% of our survey respondents currently are not facing capacity constraints from the rails, improved from last quarter when 52% of shippers complained of capacity constraints. Still, 36% and 34% of respondents have experienced at least some level of capacity constraints with CSX and Union Pacific, relatively most among all the rails. Burlington Northern and Norfolk Southern were both cited by 28% of our survey respondents as having capacity constraints. Relative to last quarter, more shippers noted capacity issues for CSX and Union Pacific, while fewer shippers are experiencing capacity constraints with Norfolk Southern. Also note that fewer respondents highlighted the Canadian rails or Kansas City Southern as having material capacity issues. More than anything, we believe these rails are likely underrepresented in our results, which probably skews much more toward the Big 4 U.S. rails.

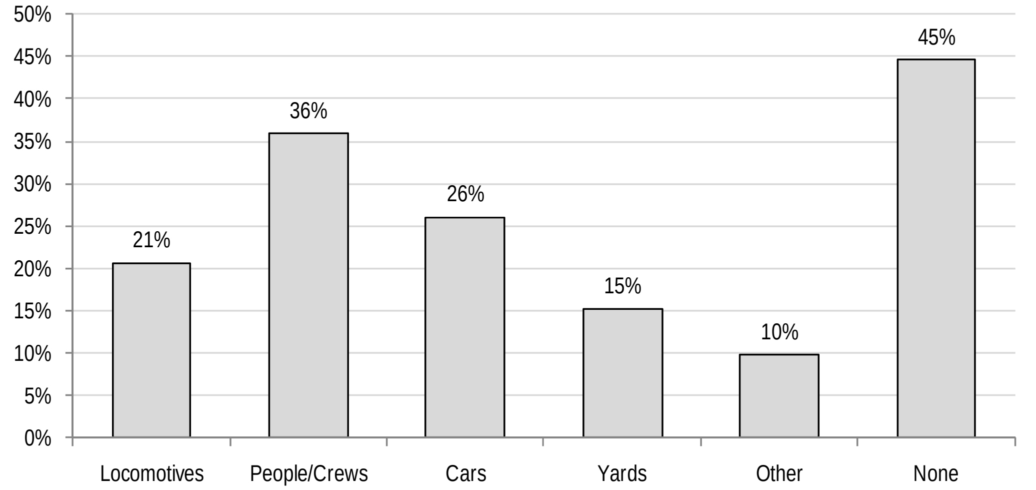
Exhibit 24. Which Rails Currently Have Capacity Constraints?




Source: Wolfe Trahan & Co.

We also asked shippers to specify the areas where the rails overall were facing capacity issues (see Exhibit 25). Again 45% of our survey respondents have not experienced any material capacity constraints with the rails to date. At the high end, 36% of shippers believe that the rails are facing crew shortages, followed by 26% of shippers who believe freight car availability is tight. This is consistent with our recent channel checks which suggest that covered hoppers, intermodal railcars and tank cars are currently tightest, while center-beam (lumber) cars remain the most abundant. Lastly, 21% of shippers indicated capacity constraints with locomotives, while only 15% of shippers highlighted issues with terminal/yard capacity.

Exhibit 25. In Which Areas Are You Currently Experiencing Capacity Constraints?




Source: Wolfe Trahan & Co.

We generally believe the rails have been disciplined in bringing capacity (i.e., railcars, locomotives, and people) back online as volumes returned because rail managements have strived to achieve strong operating leverage and incremental margins. However, the combination of improving volumes and severe weather in first-half 2011 has led to some capacity and service issues for the rails. Still, our channel checks suggest that rail service issues today are much more modest compared with 2003-06 when service levels were under material pressure and capacity was very tight across the spectrum. Rail service issues today seem less broad-based, with pockets of capacity constraints across certain parts of the network.

Even with only modest service issues, the rails have become more aggressive adding back capacity recently and this has led to more modest operating leverage and incremental margins the past couple of quarters. As shown in Exhibit 26 below, rail headcount increased by about 3.8% on average in the second quarter, up from a 3.4% increase during first-quarter 2011. Norfolk Southern increased headcount the most among the rails during the second quarter, up 7% year over year. Meanwhile Kansas City Southern and Canadian Pacific only grew employees by about 1%. Higher hiring/training costs were apparent in second-quarter reports for all of the rails, and we expect this to continue in the near term as typically about six months of training is required before a new rail employee joins the active workforce.

Exhibit 26. Quarterly Year-over-Year Increases in Rail Headcount

| | 1Q:09 | 2Q:09 | 3Q:09 | 4Q:09 | 1Q:10 | 2Q:10 | 3Q:10 | 4Q:10 | 1Q:11 | 2Q:11 |
|---|---|---|---|---|---|---|---|---|---|---|
| CNI | (1.7%) | (4.9%) | (4.9%) | (4.4%) | (3.5%) | 0.9% | 2.5% | 3.5% | 3.8% | 4.7% |
| CP | (5.7%) | (12.4%) | (11.9%) | (9.8%) | (3.9%) | 4.1% | 4.6% | 3.2% | 1.3% | 1.0% |
| CSX | (5.5%) | (10.5%) | (10.4%) | (12.2%) | (5.6%) | 0.8% | 0.8% | 2.6% | 3.7% | 3.6% |
| NSC | (2.1%) | (7.2%) | (8.9%) | (9.0%) | (6.6%) | (0.4%) | 2.6% | 4.7% | 6.5% | 7.0% |
| UNP | (8.3%) | (10.2%) | (10.5%) | (10.1%) | (6.4%) | (2.6%) | 0.3% | 3.1% | 4.5% | 5.6% |
| KSU | (1.7%) | (4.7%) | (6.0%) | (5.3%) | (5.2%) | (1.6%) | 0.6% | (0.2%) | 0.4% | 0.9% |
| Average | (4.2%) | (8.3%) | (8.8%) | (8.5%) | (5.2%) | 0.2% | 1.9% | 2.8% | 3.4% | 3.8% |

Source: Company reports; Wolfe Trahan & Co.

Outside of higher headcount, we have also begun to see material freight car capacity re-enter the market. Railcars in storage continue to decline and are now down to 18.2% of total freight cars outstanding, down from a peak of 31.9% over a year ago. In addition, the Railway Supply Institute reported that almost 17,000 new railcars were ordered in the second quarter, a 246% increase from the second quarter last year, but down from the near record 37,000 ordered in first quarter. This still marked the second higher order level since 2007, and we note that the lead-time for new railcar deliveries is typically about two to three quarters. We have also seen higher capital spending on locomotives this year, partially driven by bonus depreciation tax benefits during 2011. In our view, crew, locomotive and railcar constraints can generally be addressed in a year or two. However, we believe that rail track and terminal capacity constraints, if they were to develop, would take much longer and require significant capital spending from the railroads in order to address.

Outside of weather and capacity, another major element that impacts rail service levels is the pace of volume growth (declines) for the railroads. Recall that the rails have a natural offset to volumes, so asset turns and service fluidity generally improve as volumes decline and congestion moderates. Overall, we believe deteriorating network operations typically manifest in greater-than-expected cost pressures for the rails, although the impact is always difficult to quantify. In general, weakening network operations tend to result in higher labor costs from decreased worker productivity and more re-crews and overtime shifts. The rails also face increased headcount requirements during periods of rising volumes. Slower train speeds and longer dwell times also increase asset cycle times, which, in turn, lead to higher equipment rents and maintenance requirements. In addition, fuel and purchased services costs can face pressure from deteriorated network operations, although we sense this impact is likely more modest. On the flip side, the rails have a large pool of fixed assets, so there is material potential operating leverage to volume growth. Longer term, we believe that sustained volume growth, coupled with continued inflation-plus pricing, will be essential for further margin improvement for the rails.

Exhibit 27. Total Class I Year-over-Year Carload and Intermodal Volume Growth, 2007-2011 YTD

| | 2007 | 2008 | 2009 | 2010 | YTD 2011 | 2Q:10 | 3Q:10 | 4Q:10 | 1Q:11 | 2Q:11 | QTD 3Q:11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Intermodal | (2.8%) | (4.9%) | (14.5%) | 15.2% | 5.3% | 19.2% | 18.8% | 13.3% | 7.5% | 5.4% | 0.7% |
| Automotive | (3.1%) | (21.9%) | (30.0%) | 26.5% | 5.5% | 55.7% | 18.3% | 0.1% | 9.3% | 2.7% | 3.8% |
| Coal | (1.3%) | 3.1% | (12.1%) | 3.3% | (1.1%) | 7.8% | 4.4% | 7.7% | 3.7% | (3.7%) | (5.3%) |
| Grain | (0.9%) | (2.3%) | (8.7%) | 10.4% | 1.4% | 4.4% | 4.2% | 3.4% | (1.6%) | 7.2% | (4.1%) |
| Chemicals | 5.2% | (3.9%) | (12.4%) | 4.2% | 5.0% | 17.4% | 9.8% | 11.3% | 6.1% | 4.8% | 2.9% |
| Paper/Lumber | (13.6%) | (13.7%) | (24.2%) | 5.4% | 4.1% | 7.7% | 5.0% | 7.7% | 6.0% | 2.8% | 2.8% |
| Metals | (3.0%) | (3.8%) | (36.6%) | 3.0% | 7.2% | 56.0% | 16.5% | 15.2% | 6.5% | 4.9% | 14.7% |
| Minerals/Stone | (5.5%) | (6.7%) | (21.6%) | 14.7% | 2.4% | 22.9% | 11.0% | 14.6% | 4.9% | (0.6%) | 4.7% |
| Total | (2.3%) | (4.1%) | (16.0%) | 12.1% | 3.2% | 18.2% | 12.9% | 10.5% | 5.2% | 2.7% | 0.3% |

Note: 2011 volumes through Week 32.

Source: AAR; Wolfe Trahan & Co.

## Market Share Shifts Versus Truck

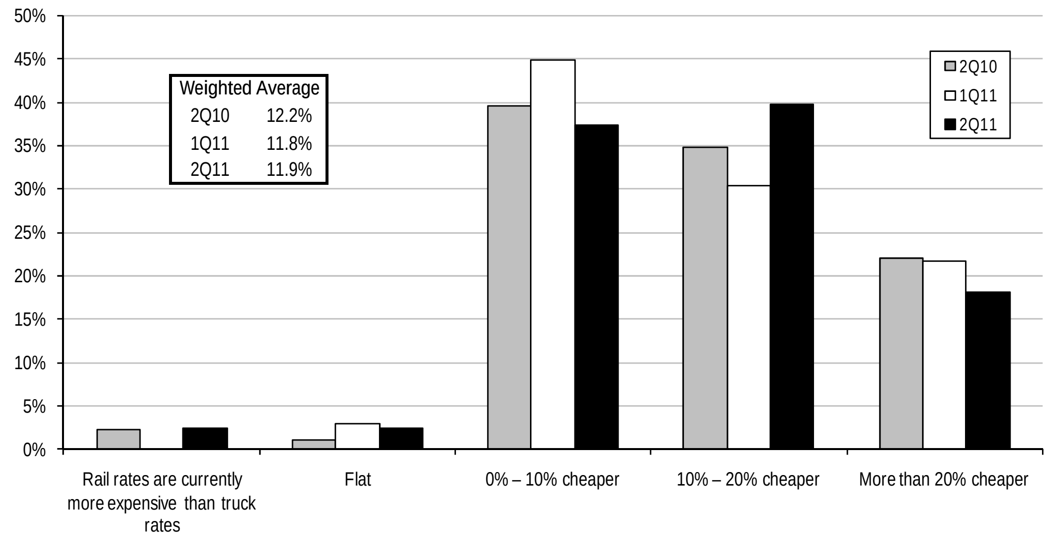
### *Shippers Expect Rails to Take Even More Market Share Going Forward*

Due to the service levels and economics of the rails, we believe that railroads generally compete with trucks for market share on freight movements of around 1,000 miles. This figure is likely closer to 750 miles in the East and around 1,500 miles in the West due to higher density and congestion levels on the East Coast. The target range also fluctuates based on the spread between truck and rail rate. In other words, we believe it came down below 750 miles in the East, likely to around 500 miles, when oil spiked to near $150 per barrel in 2008. Overall, we estimate that about 50% of rail business is potentially truck-competitive, but the level is more like 30% on a practical basis based on our prior shipper survey results. For example, while 90%-95% of intermodal container traffic is potentially truck-competitive, we believe that most long-haul international intermodal freight through the ports cannot be moved as economically by truck on a sustainable basis and lends itself much more practically over time to rail moves.

We asked shippers how much cheaper their railroad transportation rates are than comparable truckload movements. While we believe this question is more directional than precise since every lane and every situation is different, it should indicate how much room may still exist for the rails to increase rates. Tracking this question over time should also help us to gauge whether the gap between rail and truckload pricing is widening or tightening. On average, our survey data this quarter suggests that rail rates are approximately 12% cheaper than current TL rates in competitive lanes, very similar with last quarter and the year-ago period.

At the high end this quarter, 40% of our shippers indicated that railroad rates are 10%-20% less expensive than truckload rates. Another 37% believed rail rates are currently 5%-10% less expensive than truck rates, while 18% estimated rail rates were more than 20% cheaper than comparable truckload rates. Our survey also shows that 2% of respondents believe railroad rates are similar with TL rates, while another 2% of shippers estimated that railroad rates are more expensive than TL rates. Looking forward, this spread could shrink somewhat if oil prices continue to fall. Truck carriers are more fuel intensive and have higher relative fuel surcharge rates than the rails, so lower fuel prices reduces the spread between overall rates of the two modes. Conversely, if truckload capacity continues to tighten or if oil prices begin rebounding, we would expect the cost spread between the two modes to widen.

Exhibit 28. Where Rails and Trucks Compete, How Much Cheaper Are Your Railroad Transportation Costs, on Average, Versus Comparable Truckload Movements?



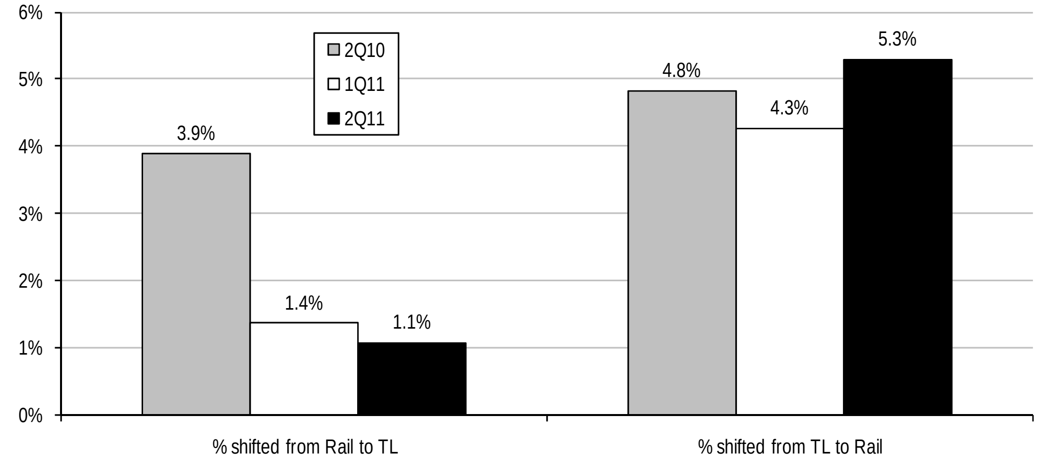

Source: Wolfe Trahan & Co.

We again polled shippers this quarter about their expectations for modal shifts between truck and rail. We believe this question applies to the roughly 5%-10% of freight that lends itself on a daily basis to easy conversion back and forth between modes. The exhibits below summarize our second-quarter survey data about the shift in volumes from rail to truck, and vice versa.

Over the longer term, we expect the rails to take market share from trucks given 1) rising fuel costs as the rails are roughly three times more fuel-efficient than trucks on a per-mile basis; 2) political pressure to divert freight from increasingly congested highways; and 3) improving rail capacity and service levels following decades of deteriorating service trends. While each of these factors should favor rails over the longer term, current shipper preferences to maintain leaner and just-in-time inventories generally favors faster truck over rail transportation.

Our survey results this quarter indicate that shippers diverted 5.3% of their volumes from truck to rail, up further from last quarter and a year ago. On the flip side, shippers moved only 1.1% of their freight volumes from rail to truck during the second quarter, the lowest level in our survey since first-quarter 2004 and down from 1.4% last quarter. This implies a net freight diversion to rail of 4.2 percentage points during the second quarter, accelerated from 2.9 percentage points last quarter and the largest diversion to rail in our survey in the past eight years.

Exhibit 29. Have You Shifted a Significant Percentage of Your Volumes from TL to Railroad or Vice Versa over the Past Six Months?

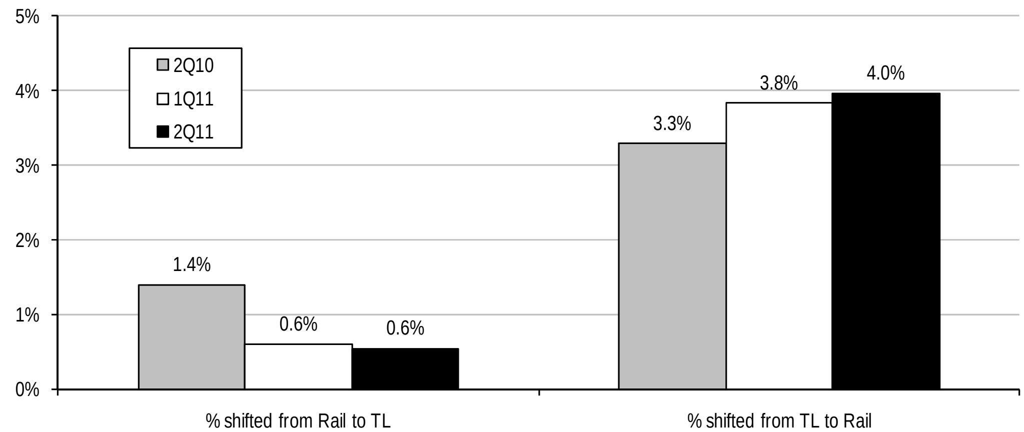



| % Shifted Past 6 Months | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 |
|---|---|---|---|---|---|---|---|---|---|---|
| From Rail to TL | 3.9% | 4.3% | 3.6% | 3.2% | 4.0% | 3.9% | 3.2% | 1.6% | 1.4% | 1.1% |
| From TL to Rail | 4.7% | 4.9% | 2.2% | 3.6% | 5.0% | 4.8% | 3.9% | 3.4% | 4.3% | 5.3% |
| Net Mode Shift to Rail | 0.8% | 0.6% | (1.4%) | 0.5% | 1.0% | 0.9% | 0.7% | 1.7% | 2.9% | 4.2% |

Source: Wolfe Trahan & Co.

Looking forward over the next 6-12 months, our respondents expect the rails to take additional market share from trucks. Our survey participants intend to move only 0.6% of their volumes from rails to TL, similar to last quarter and below the 1.4% in the year-ago period. This compares with the 4.0% of volumes that shippers plan to switch from TL to rail during the next 6-12 months, up slightly from the 3.8% last quarter and 3.3% in the year-ago period. This implies a 3.4 percentage-point gain for the rails going forward, up from the 3.2 percentage-point gain according to our survey data last quarter. This marks the sixth straight quarter in which shippers expect to increase their share of rail volume at the expense of truck going forward. Exhibit 31 takes a longer-term look at shifting volumes from truck to rail compared with WTI crude oil prices. As shown below, freight diversions to rail clearly accelerate during periods of rising fuel costs. Notably, the expected 3.4 percentage point net shift to rail is the highest in our survey since first-quarter 2008 when oil began to spike materially. Crude oil prices have come down recently to almost $80 per barrel, so it's possible to think that the pace of truckload conversion to rail could slow in the coming quarters. Still, oil prices would need to drop below $65 per barrel before shippers would consider shifting back from the rails to trucking.

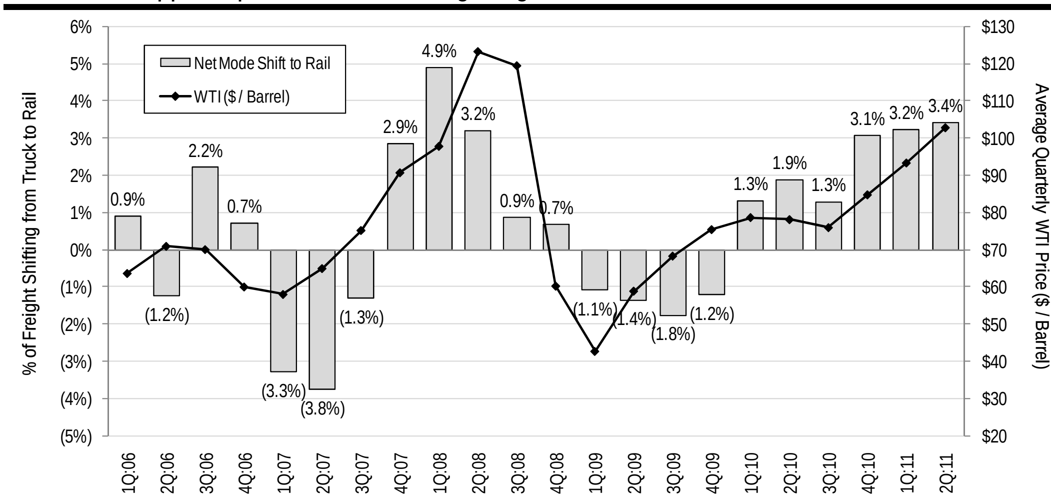
Exhibit 30. Do You Plan to Shift a Significant Percentage of Your Volumes from TL to Railroad or Vice Versa over the Next 6-12 Months?




| % Expected to Shift | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 |
|---|---|---|---|---|---|---|---|---|---|---|
| From Rail to TL | 4.0% | 3.8% | 4.2% | 3.8% | 3.9% | 1.4% | 2.6% | 0.4% | 0.6% | 0.6% |
| From TL to Rail | 2.9% | 2.4% | 2.4% | 2.6% | 5.2% | 3.3% | 3.9% | 3.5% | 3.8% | 4.0% |
| Net Mode Shift to Rail | (1.1%) | (1.4%) | (1.8%) | (1.2%) | 1.3% | 1.9% | 1.3% | 3.1% | 3.2% | 3.4% |

Source: Wolfe Trahan & Co.

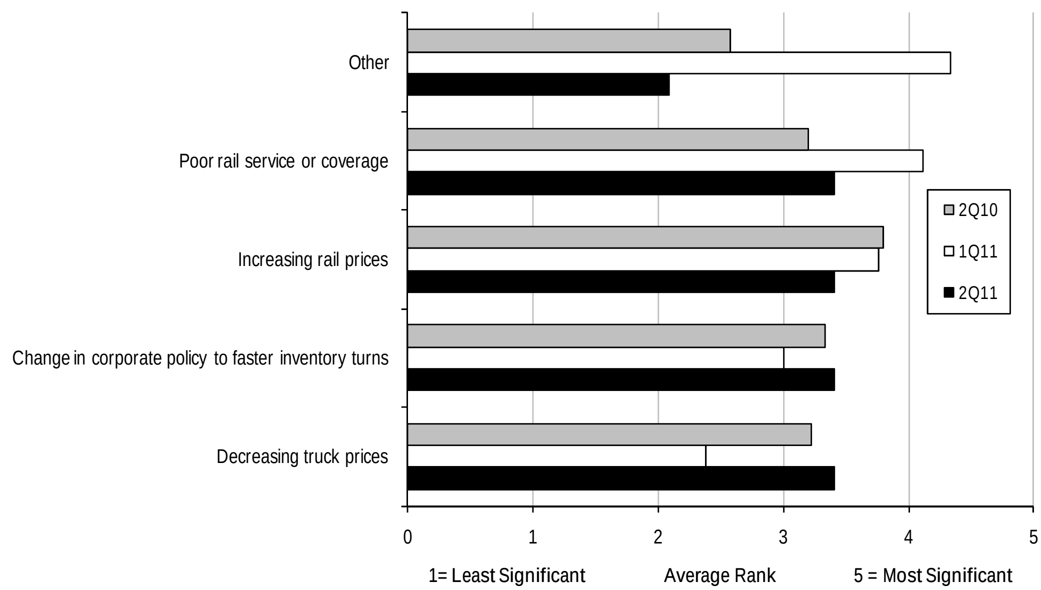
Exhibit 31. Shipper Expectations for Shifting Freight from Truck to Rail vs. WTI Oil Prices




Source: FactSet Research Systems; Wolfe Trahan & Co.

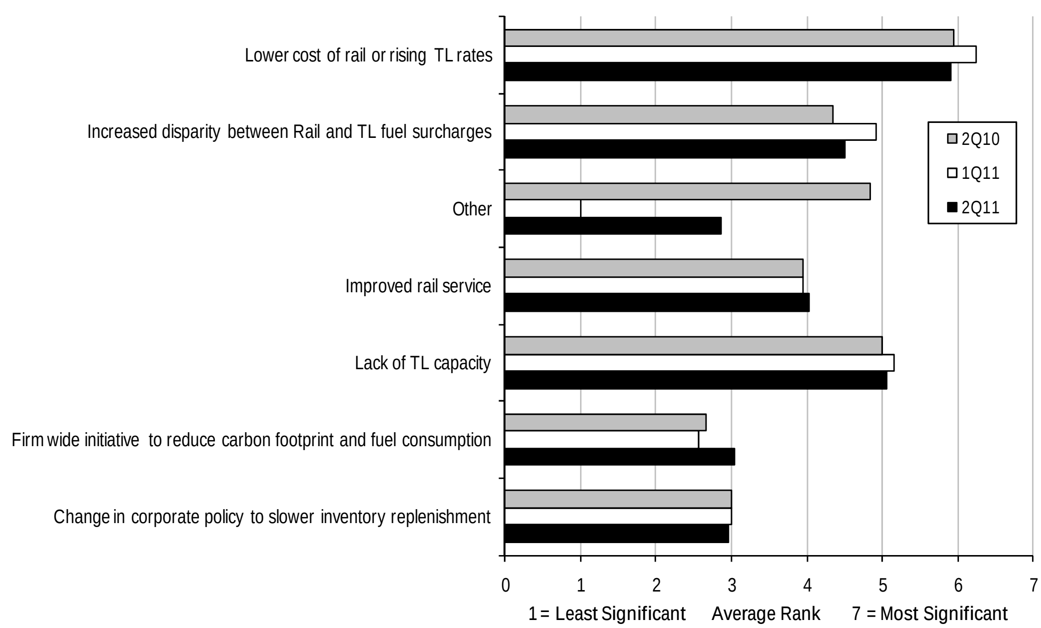
The following exhibits detail the reasons for switching from rail transport to truckload and vice versa. According to our survey results, shippers were mixed in their reasons for switching with a pretty equal distribution of shippers citing poor rail service, increasing rail prices, faster inventory turns, and decreasing truck prices as the main reasons for freight diversion to truck. On the flip side, survey respondents who diverted freight from TL to rail overwhelmingly noted the lower cost of rail or rising TL rates as the main reason for the switch, consistent with the previous four quarters. Shippers also noted a lack of TL capacity as another reason behind the switch.

Exhibit 32. If You Have Diverted Freight from Railroad to TL Over the Past Six Months, What Are the Main Reasons? Please Rank the Following Five Reasons Relative to Each Other from 1-5.




Source: Wolfe Trahan & Co.

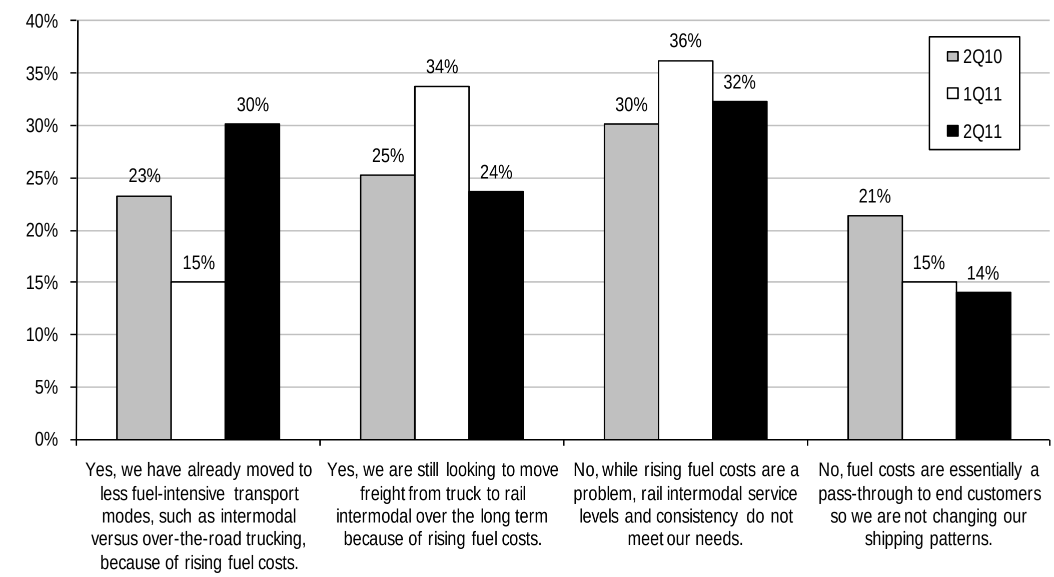
Exhibit 33. If You Have Diverted Freight from TL to Railroad Over the Past Six Months, What Are the Main Reasons? Please Rank the Following Seven Reasons Relative to Each Other from 1-7.




Source: Wolfe Trahan & Co.

We also asked shippers if they were rethinking their supply-chain and shipping patterns as a result of higher long-term fuel costs. According to our survey results, 30% of shippers said they have already moved to intermodal from truck because of rising fuel costs, and another 24% of shippers are currently considering the switch from truck to intermodal over the past year due to rising fuel costs. However, 32% of shippers noted that while rising fuel costs are an issue, rail service levels remain too inconsistent or slow to meet their needs. We suspect this percentage would have been much higher only a few years ago, and we suspect it could come down further over time. The remaining 14% of shippers noted essentially no impact on shipping decisions from rising or falling fuel prices.

Exhibit 34. Are Higher Fuel Costs Allowing You to Re-Examine Your Supply Chain, Particularly Your Use Of Rail Intermodal Versus Over-the-Road Trucking?



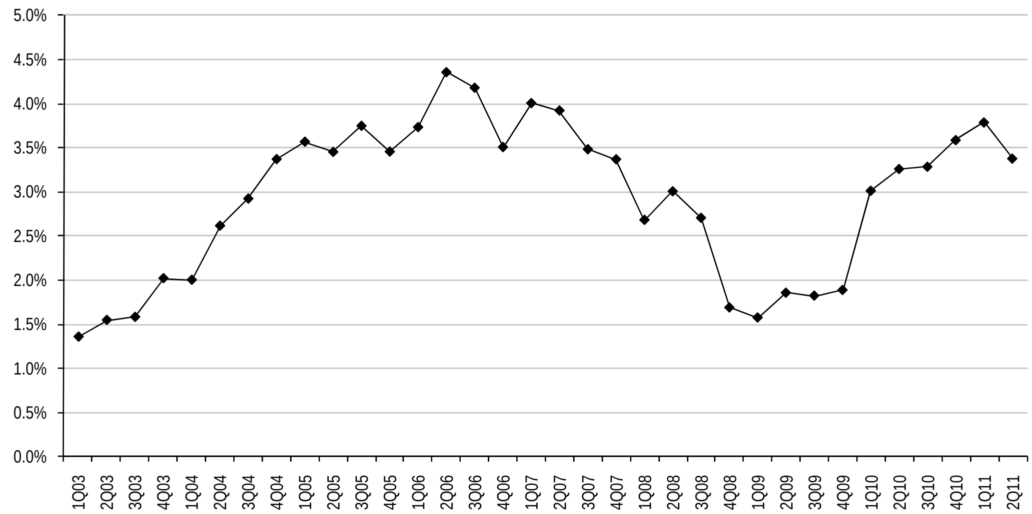

Source: Wolfe Trahan & Co.

## Rail Pricing

### *Rail Rate Expectations Decelerate Modestly From Last Quarter*

Our survey also attempted to assess rail shipper expectations of price increases net of fuel and mix over the next 12 months. The anticipated year-over-year average rate increase indicated by shippers this quarter was 3.4%, decelerated from +3.8% last quarter, but up slightly from 3.3% a year ago. As shown in Exhibit 35 below, this ended a streak of six consecutive quarters of sequentially higher expectations for rail rate increases in our survey. Still, shippers this quarter continue to believe rail rates are increasing at a faster pace than each of the other main modes of transportation covered in this survey. And even with the modest deceleration in shipper expectations, we have not seen signs of slowing pricing gains for the rails and we expect another year of 4%-6% pricing gains, on average, for the major U.S. rails in 2011.

Exhibit 35. Historical Shipper Expectations for Railroad Pricing Increases (Net of Fuel) in our Survey

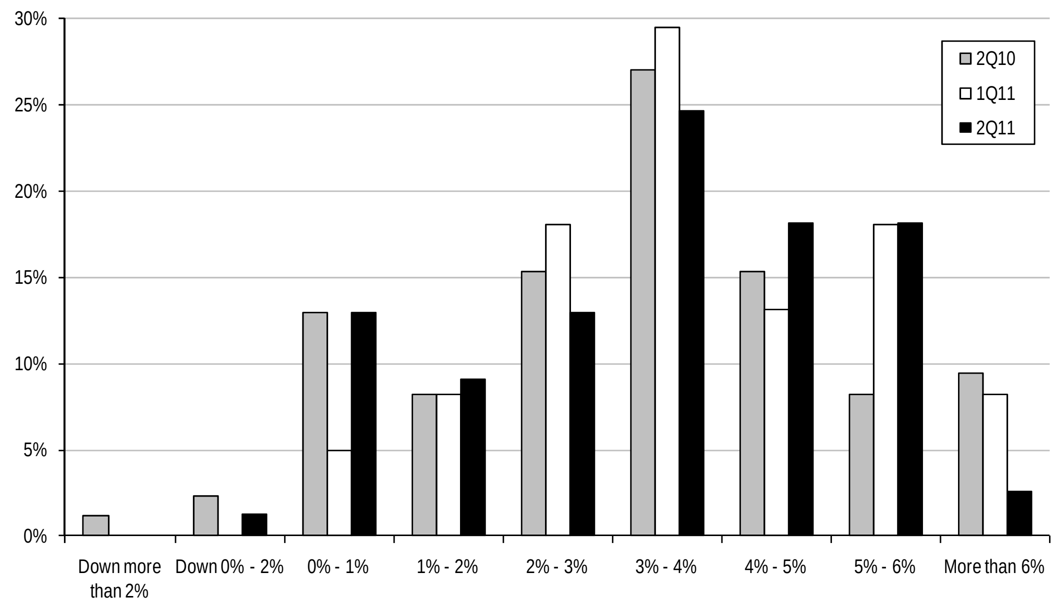



Source: Wolfe Trahan & Co.

We also believe that our survey results for rail pricing consistently have been below reported rate increases of 4%-6% recently because 1) our shipper respondents are disproportionately overrepresented by intermodal and underrepresented by coal and grain shippers; 2) our survey tends to involve a disproportionate mix of mega-shippers with better buying power; and 3) our numbers often do not capture the re-pricing of long-term legacy contracts, which, in some instances, are rising 100% or more as they come due.

Within this quarter's survey results, 21% of respondents indicated that they expect to pay a 5% or higher rate increases over the next 12 months, down from 26% last quarter but higher than 18% a year ago. In total, about 77% of shippers anticipate a rate increase of 2% or more, down from 87% last quarter, but up slightly from 75% a year ago. This includes 18% of shippers who expect to pay rate increases of 4%-5% year over year, another 25% who expect rate increases of 3%-4%, and 13% who expect rate increases of 2%-3%. About 9% expect to pay a rate increase of 1%-2%, while another 13% expect flattish year-over-year rail rates (up less than 1%). Only 1% of shippers this quarter expect rates to decline over the next 12 months, albeit up from none last quarter.

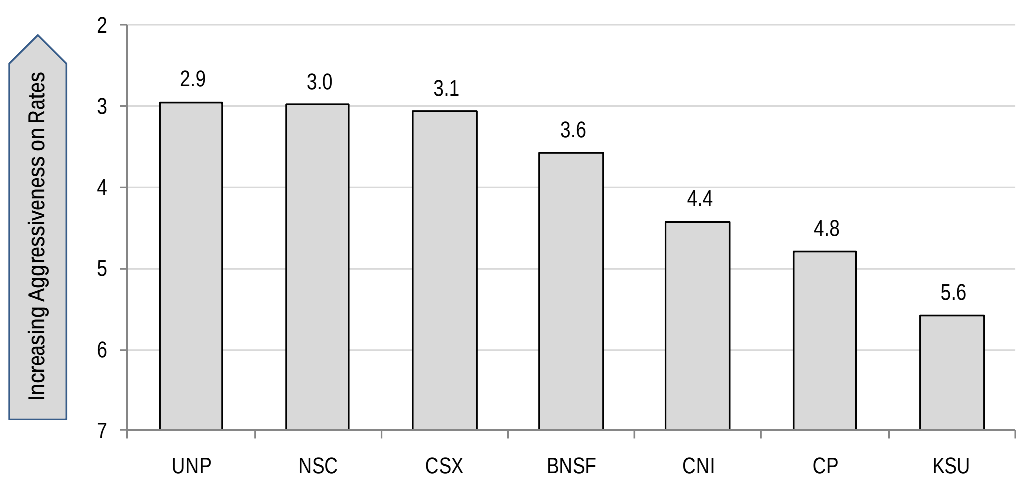
Exhibit 36. What Change in Average Railroad Rates (Net of Fuel Surcharges) Do You Expect to Pay Over the Next 12 Months?




Source: Wolfe Trahan & Co.

For the first time this quarter, we also asked shippers which rails have been most aggressive raising rates. On a scale of 1 to 7, with 1 being the most aggressive, shippers in our survey ranked Union Pacific as most aggressive currently among the rails raising rates, followed by Norfolk Southern and CSX (see Exhibit 37). Note that the Canadian rails and Kansas City Southern ranked lowest in our survey, although as we stated above, we believe these rails are likely underrepresented in our results, which probably skews much more toward the Big 4 U.S. rails.

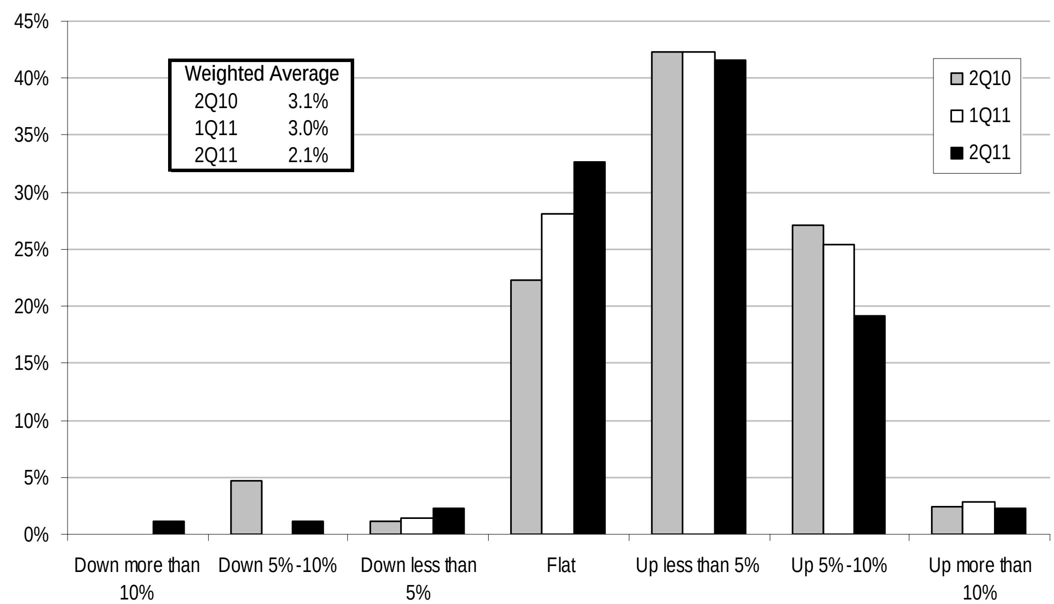
Exhibit 37. Which Rails Are Currently Most Aggressive on Rate Increases *(Rank from 1-7 with 1 Being Most Aggressive)*




Source: Wolfe Trahan & Co.

We also polled our shippers about their intermodal rate expectations, as intermodal shippers generally face a more competitive and, thus, favorable rate environment relative to rail carload shippers. On average, shippers expect intermodal rates to increase 2.1% year over year, decelerated noticeably from 3.0% last quarter and 3.1% a year ago. We suspect this reflects significant new intermodal container capacity that has come online this year. We estimate that overall box capacity is on track to increase 10%-15% this year, while intermodal volumes are tracking up closer to 10%. This is likely pressuring pricing power to some extent for the major intermodal carriers and, as a result, we don't expect any peak season intermodal surcharges this year. According to our results, 33% of shippers expect flattish intermodal rates over the next 12 months, up from 28% last quarter. About 63% of shippers now expect rate increases over the next 12 months, down from 70% last quarter. This includes 42% of shippers expecting a 0%-5% rate increase, 19% expecting a 5%-10% increase, and 2% expecting more than a 10% rate increase. The remaining 4% of shippers expect intermodal rates to decline over the next 12 months.

Exhibit 38. What Increase (Decrease) in Intermodal Rates (Excluding Fuel Charges) Do You Expect to Pay Over the Next 12 Months?




Source: Wolfe Trahan & Co.

# Trucking Topics

Our third-quarter shipper survey covered five key topics impacting truckers:

- Current and future TL and LTL capacity trends;
- Current and future TL and LTL pricing trends;
- Shippers' compliance with TL and LTL fuel surcharges;
- TL spot market rates versus contractual rates; and
- Potential regulatory changes including CSA.

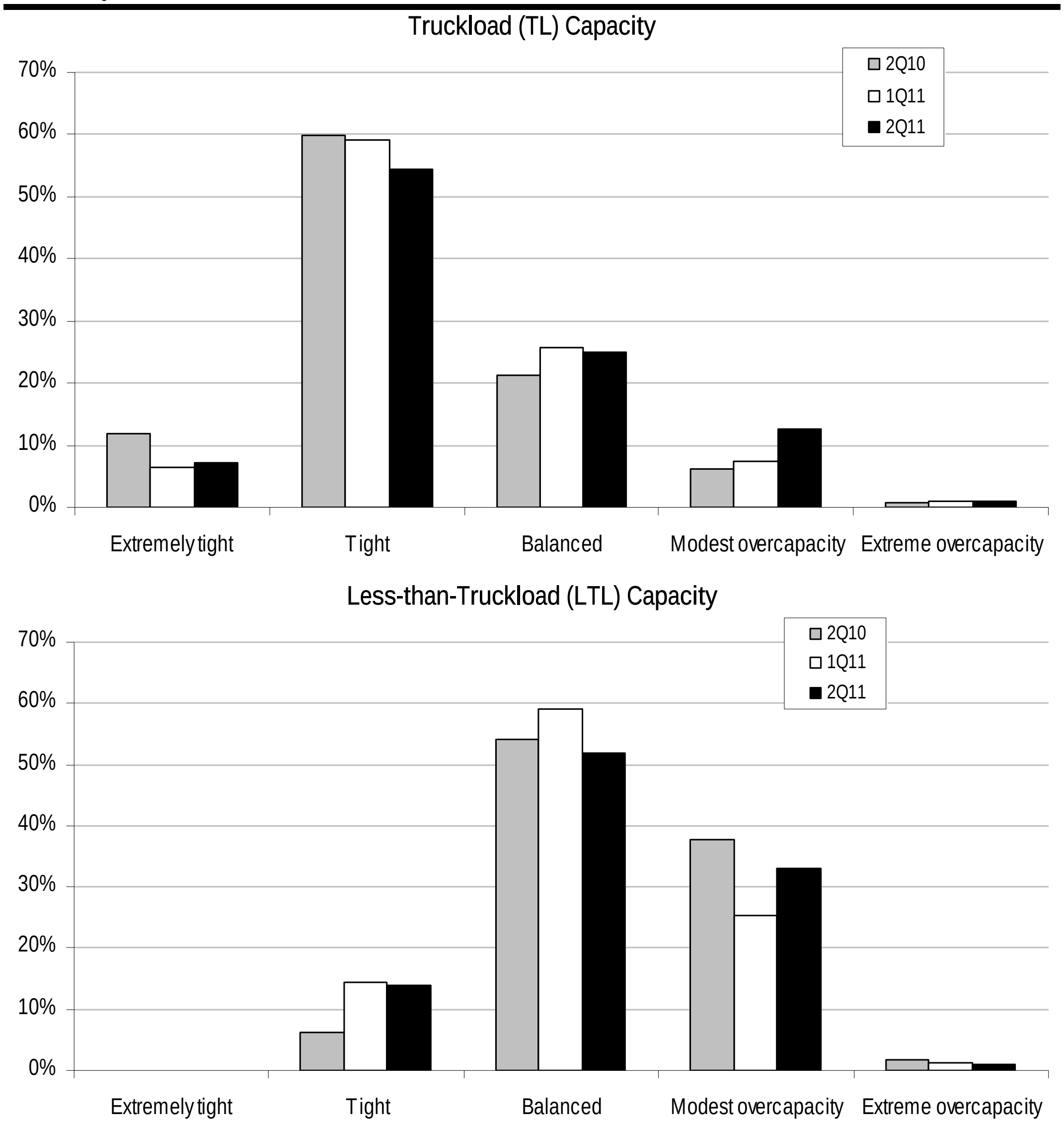
## Truck Capacity

***Shippers Continue to See Much Tighter TL than LTL Capacity***

As always, we begin the truck section of our shipper survey with a look at shipper perceptions of TL and LTL capacity. Our survey respondents this quarter again perceived tight TL capacity, although to a slightly lesser degree than the past couple of quarters. Roughly 62% of respondents described TL capacity as tight in the second quarter, down from 66% in the first quarter and 72% a year ago when we believe freight demand reached its strongest level of the current recovery. Among the 62% of shippers who noted tight capacity in the second quarter, this includes 7% who described the environment as "extremely tight", in line with last quarter but below 12% in the year-ago period. Conversely, 25% of respondents indicated balanced TL capacity in the second quarter, relatively unchanged from 26% in first-quarter 2011 and slightly higher than 21% a year ago. The remaining 13% of respondents perceived modest overcapacity in the second quarter, up from about 9% last quarter and 7% in the year-ago period. These results are generally consistent with commentary we heard from large TL carriers and our channel checks throughout the second quarter which indicated slower demand trends and looser capacity throughout April and May, but tighter capacity in June as demand picked up with the delayed and concurrent arrival of beverage and produce seasons. By region, demand has remained strongest in the Midwest and Southeast, particularly in areas impacted by flooding and storms, as well as Texas. Demand and capacity trends along the West Coast have continued to lag other regions as a result of slower import volumes versus a year ago. However, our channel checks suggest that West Coast demand picked up towards the end of the second quarter and this has continued thus far into the third quarter.

While TL capacity remains tight, our survey respondents continued to see some signs of excess LTL capacity during the second quarter. As shown in Exhibit 39 below, 52% of our respondents indicated balanced LTL capacity during the second quarter and only 14% of shippers reported tight LTL capacity, unchanged from last quarter and up from 7% a year ago. The remaining 34% of respondents indicated continued overcapacity in the LTL market during the second quarter, up from 27% last quarter but down from 40% a year ago, as shippers increasingly have been moving towards the middle over the past few quarters and viewing the LTL market as in balance.

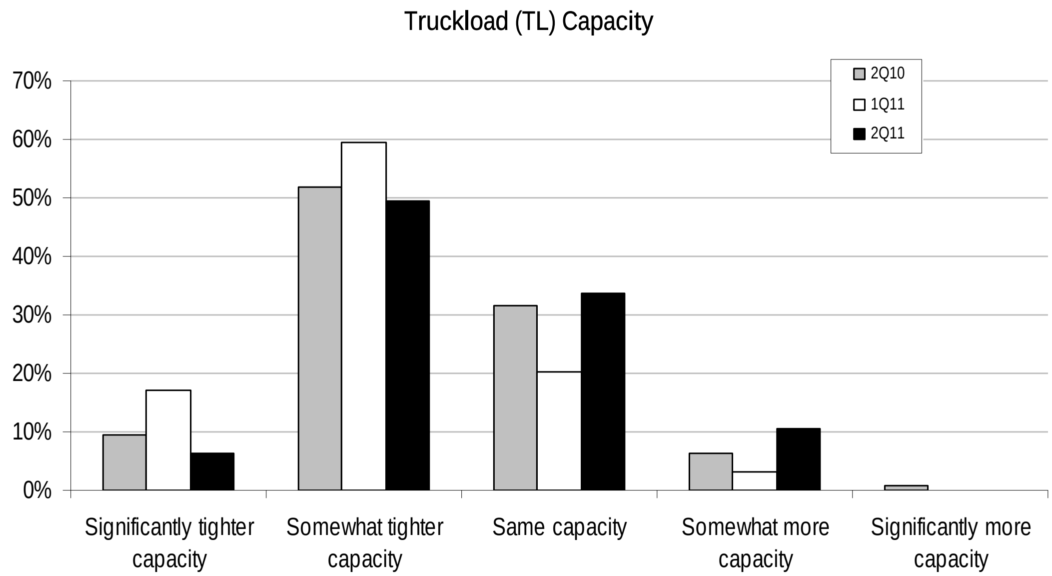
Exhibit 39. How Did You Perceive TL and LTL Capacity During Second-Quarter 2011 Compared with Second Quarters in Recent Years?

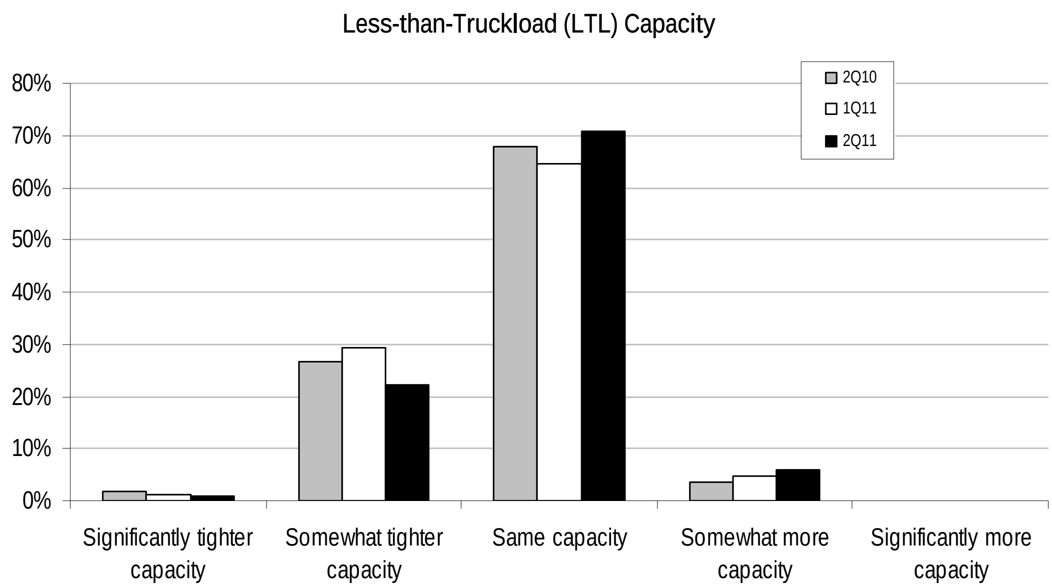



Source: Wolfe Trahan & Co.

Looking forward, shippers expect the TL market to generally remain tight and the LTL market to generally remain stable. Based on second-quarter survey results, 56% of respondents expect tighter TL capacity over the next 12 months versus 11% that expect an increase in capacity. The 56% of shippers expecting tighter TL capacity is lower than 77% the past two quarters and 61% in second-quarter a year ago, and we believe this likely reflects expectations for a weaker demand environment. To a much lesser extent, 23% of respondents foresee tighter LTL capacity over the next 12 months, down from 31% last quarter and still well below the 71% of respondents who expect capacity levels to generally remain constant over the next 12 months.

Exhibit 40. What Do You Expect Regarding the Direction of TL/LTL Capacity Over the Next 12 Months?



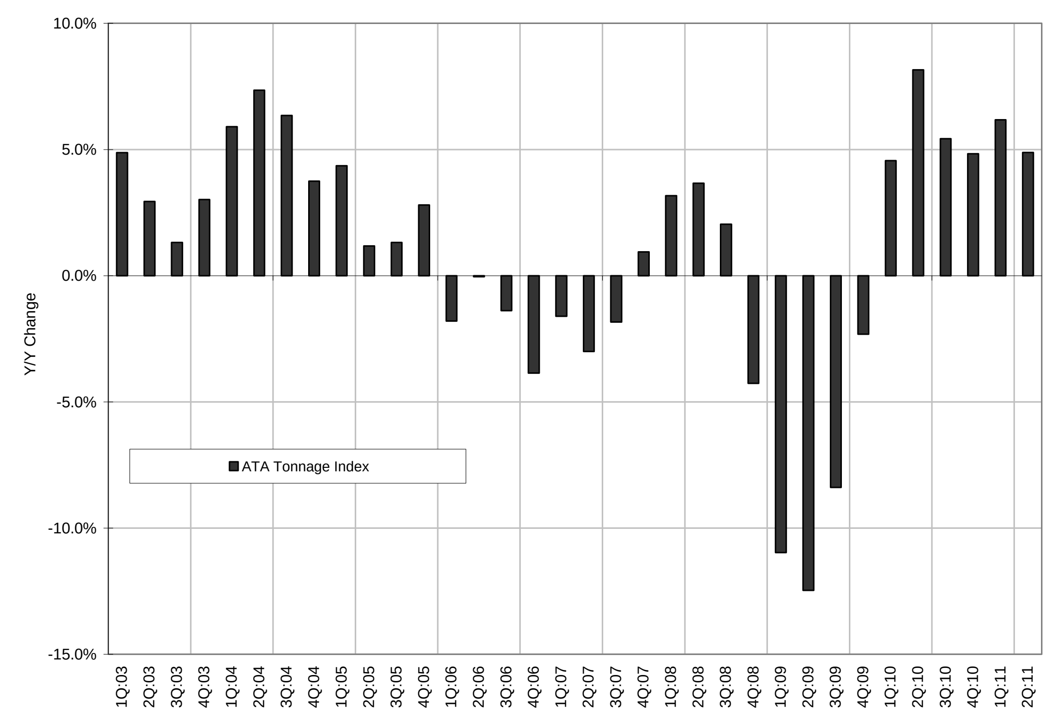




Source: Wolfe Trahan & Co.

As we discuss below, we believe tight TL capacity today reflects improved volumes coming out of the 2008-09 downturn and limited new supply that has entered the market, as truckers have been hesitant to grow fleets into continued economic uncertainty and rising fuel prices. We also believe that shippers are worried that impending truck driver regulations could impair driver productivity and further restrict TL capacity. On the flip side, improving TL fundamentals have resulted in significantly fewer TL bankruptcies, while new truck orders have picked up significantly with year to date orders through July up 124% year over year. Thus, we believe at least some level of stable to improving TL demand will be required to maintain expectations for tight TL capacity outside of capacity constraints emerging from truck regulations.

As shown in Exhibit 41 below, declines in the monthly ATA truck tonnage index moderated significantly year over year in fourth-quarter 2009 and inflected positive in first-quarter 2010. Tonnage levels have remained positive since, and were up nearly 5% year over year in second quarter. Despite strong reported tonnage growth for the overall industry, second-quarter reports from the public TL carriers we follow were generally disappointing against tough year over year comps and with soft demand trends through most of April and May. Demand strengthened in June with the delayed and concurrent arrival of beverage and produce seasons although demand has again been mixed in July and August with no signs yet of a strong peak season. Still, despite weaker than expected utilization, pricing trends have remained strong and overall the tone from carriers was fairly upbeat with expectations for continued strong pricing gains. Looking out to the remainder of 2011, we expect continued sluggish absolute TL demand although TL volume comparisons become increasingly easy the next few month as TL demand began slowing in the middle of last year. Thus, we continue to believe growing demand likely will not be a main driver of tight capacity this year. Rather, we believe tight TL capacity will be more supply driven following several years of below-replacement truck builds and with potential labor constraints around pending truck driver regulations. As a result, we believe recent strong pricing gains the past several quarters will continue.

Exhibit 41. ATA Quarterly Truck Tonnage Year-over-Year Changes (1Q:03-2Q:11)

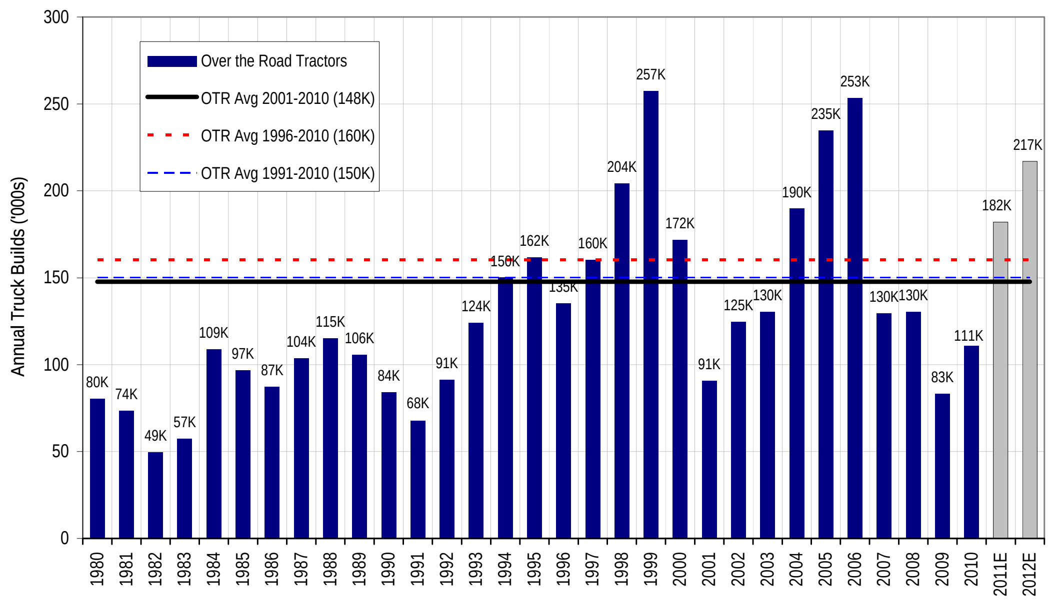



Source: American Trucking Associations; Wolfe Trahan & Co.

On the production side, Exhibit 42 shows annual over-the-road Class 8 tractor builds from ACT Research (i.e. sleepers and day cabs only but excluding straight trucks and vocational trucks such as garbage trucks). From a peak of 253,000 builds in 2006, new truck builds dropped to 130,000 units in both 2007 and 2008 and to only 83,000 units in 2009 before rebounding somewhat to 111,000 in 2010. We believe tractor builds were very strong throughout 2006 and into early 2007, related to pre-buy demand as truck manufacturers drew down their remaining inventories of pre-2007 engines. Since that time, however, builds have dropped off precipitously and have remained weak ever since. The 2009 build level marked the lowest level since 1991, and even with the increase in 2010, we estimate that roughly 138,000 fewer over-the-road Class 8 tractors were cumulatively built over the past four years than historically required for replacement. We estimate this four-year under-build represents roughly a 9% reduction in the U.S. over-the-road truck fleet, assuming normal retirements and a 148,000 average build rate for the past ten years.

In our view, many companies remain hesitant to grow fleets on a net basis given uncertainty surrounding the economic recovery. We also believe potential headwinds from CSA will likely temper net fleet additions to some extent. Commentary from companies out of second-quarter earnings reports supports this view, with indications that most carriers will not resume growing their traditional dry van fleets in 2011, but they will look to ramp up capital expenditures this year to replenish their fleets after under-investing the past few years. We also believe higher capex this year reflects favorable tax treatments from bonus depreciation, as some planned capital spending from 2012 is likely being pulled forward into the current year. We expect total Class 8 builds (including straight trucks) of 260,000 in 2011 and 310,000 in 2012, above the average over the past 20 years of about 220,000 builds.

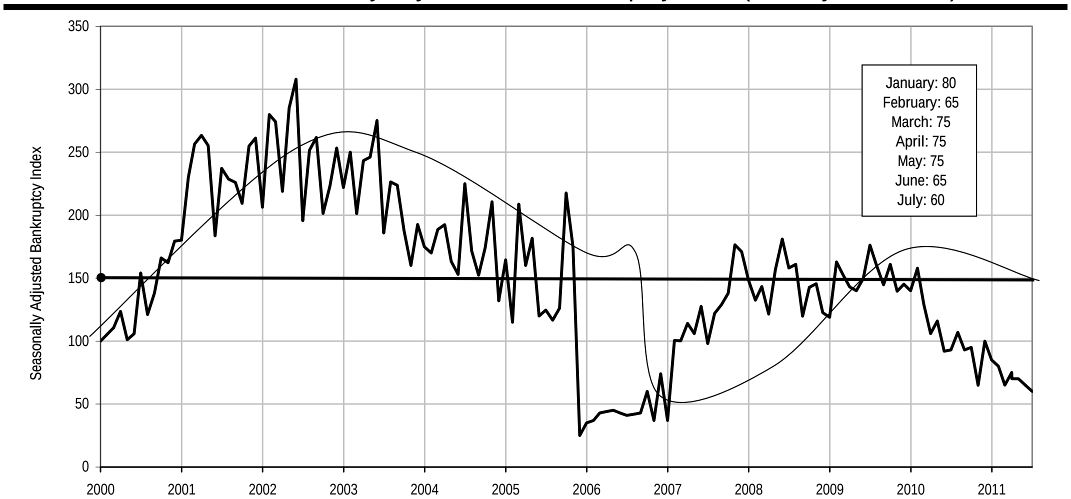
**Exhibit 42. Annual Class 8 Over-the-Road Tractor Builds** (Sleeper and Day Cabs Only; Excluding Straight Trucks)




Source: ACT Research; Wolfe Trahan & Co. estimates.

Elsewhere on the supply side, our proprietary Wolfe Trahan Bankruptcy Index declined in the second quarter to an average of 71 versus 73 in first-quarter 2011, 93 in the year-ago period, and an elevated level of 150 for all of 2009. Further, our bankruptcy index fell to its lowest level in over four years in July. Our sense is that improving demand and contractual pricing have eased pressure on struggling carriers, helping to keep them afloat. The used truck market is also improving as evidenced by increased gains on sales in recent TL reports. Thus, we suspect bankruptcies could be drawn higher in the coming months if demand slows as carriers battle rising expenses and the possibility of foreclosure from lenders increasingly willing to take trucks onto their own balance sheets again. Note that our index tracks federal bankruptcy filings by truck financing companies that are brought in as deep pockets when banks repossess trucks from carriers. We caution that truck bankruptcies can show up in the government databases months after their filing dates, resulting in substantial revisions to the index up or down during the subsequent 2-3 months despite our efforts to adjust for late filings. We set the index equal to 100 in January 2000; a normalized year, in our opinion, and we believe a level materially above 150 signifies substantial capacity exiting the industry.

Exhibit 43. Wolfe Trahan Seasonally Adjusted Truck Bankruptcy Index (January 2000 = 100)




Source: Federal bankruptcy filings; Wolfe Trahan & Co. estimates.

## Truck Pricing

Exhibit 44 below looks at reported quarterly pricing trends for the TL and LTL providers we cover. As shown, TL pricing (revenue per loaded mile, net of fuel) remained solid during the second quarter and increased about 5% year over year for the fourth straight quarter. Truckload yields also improved sequentially as seasonally normal. Meanwhile, LTL pricing (revenue per hundredweight, net of fuel) also improved year over year and sequentially in the second quarter, as the industry seems increasingly committed to improved pricing despite continued excess capacity. LTL yields grew 4.7% year over year, accelerated from +2.8% in the prior quarter. Note that carriers such as Con-way and FedEx Freight benefited from easy comparisons, and both have culled unprofitable freight over the past year, that has also made LTL yield growth appear even stronger than underlying pricing trends. Based on commentary from the trucking companies during second-quarter reports, we expect year-over-year yield growth for TL carriers to hold pretty firm in the third quarter, while LTL yields seem likely to accelerate further following earlier and larger general rate increases (GRIs) this year than a year ago.

Exhibit 44. TL and LTL Year-Over-Year and Sequential Pricing

TL Rev / Loaded Mile, Net of Fuel

Year-over-Year

| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 |
|---|---|---|---|---|---|---|
| CGI | -3.9% | 2.1% | 4.5% | 6.6% | 6.5% | 4.0% |
| CVTI | -3.3% | 1.7% | 3.8% | 4.7% | 4.9% | 5.4% |
| JBHT | -8.0% | 1.2% | 9.4% | 7.6% | 9.0% | 6.7% |
| KNX | -2.0% | 2.3% | 4.0% | 4.2% | 3.0% | 3.6% |
| SWFT | -1.7% | 1.0% | 3.2% | 5.1% | 4.1% | 4.7% |
| WERN | -2.0% | 0.5% | 3.2% | 3.6% | 3.9% | 3.6% |
| Avg. | -3.5% | 1.5% | 4.7% | 5.3% | 5.2% | 4.7% |

Sequential

| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 |
|---|---|---|---|---|---|---|
| CGI | 0.9% | 2.7% | 2.4% | 0.4% | 0.8% | 0.3% |
| CVTI | -0.8% | 2.8% | 1.5% | 1.3% | -0.7% | 3.3% |
| JBHT | -4.8% | 7.2% | 5.4% | -0.1% | -3.5% | 5.0% |
| KNX | -1.1% | 2.1% | 3.2% | 0.1% | -2.3% | 2.7% |
| SWFT | 0.1% | 1.4% | 1.8% | 1.7% | -0.8% | 2.0% |
| WERN | -0.2% | 1.9% | 1.8% | 0.0% | 0.2% | 1.5% |
| Avg. | -1.0% | 3.0% | 2.7% | 0.6% | -1.1% | 2.5% |

LTL Rev / Cwt, Net of Fuel

Year-over-Year

| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 |
|---|---|---|---|---|---|---|
| ABFS | -2.9% | -3.0% | -4.2% | -0.9% | -1.0% | 1.9% |
| CNW Freight | -11.2% | -6.4% | 0.9% | 4.9% | 5.6% | 6.1% |
| FDX Freight | -10.0% | -10.4% | -5.4% | 5.7% | 7.3% | 9.0% |
| ODFL | -1.5% | -1.1% | -0.8% | 3.4% | 6.4% | 8.1% |
| SAIA | -5.1% | -0.6% | 2.4% | 1.1% | 3.1% | 3.8% |
| UPS Freight | 4.8% | 4.1% | 3.6% | 5.7% | 2.7% | 5.3% |
| YRCW National | -9.4% | -7.0% | -4.5% | -2.8% | -4.7% | -1.2% |
| Avg. | -5.0% | -3.5% | -1.1% | 2.4% | 2.8% | 4.7% |

Sequential

| | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 |
|---|---|---|---|---|---|---|
| ABFS | -0.5% | -1.0% | -0.5% | 1.1% | -0.6% | 1.9% |
| CNW | -1.4% | 0.6% | 2.6% | 3.0% | -0.7% | 1.0% |
| FDX Freight | -2.3% | -1.8% | 4.0% | 6.0% | -0.8% | -0.2% |
| ODFL | -0.4% | -0.5% | 1.6% | 2.7% | 2.5% | 1.0% |
| SAIA | -0.2% | 1.6% | 1.4% | -1.8% | 1.8% | 2.3% |
| UPS Freight | 2.5% | -1.8% | 1.5% | 3.5% | -0.5% | 0.6% |
| YRCW | -1.7% | -3.2% | 1.1% | 1.0% | -3.5% | 0.3% |
| Avg. | -0.6% | -0.9% | 1.7% | 2.2% | -0.2% | 1.0% |

Note: ABFS, FDX Freight, SAIA, UPS Freight and YRCW yields net of fuel are WT estimates as they do not report the statistic; HTLD does not report operating statistics.

Source: Company reports; Wolfe Trahan & Co. estimates.

We asked shippers this quarter about their expectations for TL and LTL rates over the next 12 months. On average, shippers expect to pay 3.0% higher TL rates over the next 12 months, decelerated from +3.5% last quarter and +3.3% in the year-ago quarter. Although expectations have come down since last quarter, TL yield expectations remain above LTL yield expectations, which have remained essentially flat for the past four quarters at +2.5%. Thus, this marks the sixth straight quarter of expectations for greater TL rate increases relative to LTL rates.

Exhibit 45. What Increases (Decreases) in TL/LTL Rates Do You Expect to Pay Over the next 12 Months?

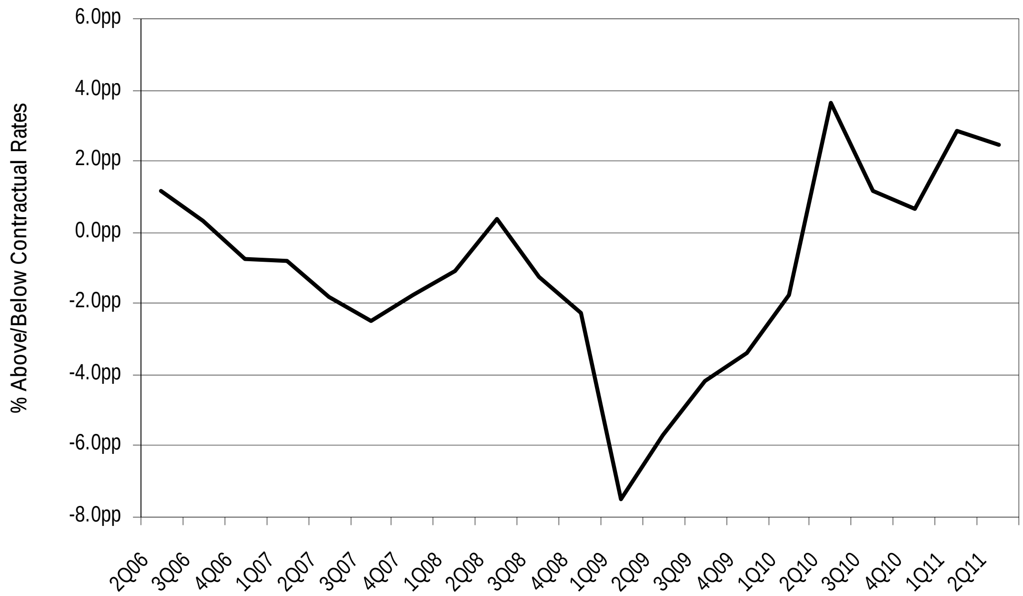

| Weighted Y-o-Y Average | LTL | TL |
|---|---|---|
| 1Q06 | 2.5% | 3.0% |
| 2Q06 | 2.5% | 3.4% |
| 3Q06 | 2.3% | 2.6% |
| 4Q06 | 1.4% | 1.2% |
| 1Q07 | 1.5% | 1.3% |
| 2Q07 | 0.2% | -0.4% |
| 3Q07 | -0.2% | -0.6% |
| 4Q07 | 0.8% | 0.4% |
| 1Q08 | 0.6% | 0.6% |
| 2Q08 | 0.9% | 1.6% |
| 3Q08 | 0.6% | 0.8% |
| 4Q08 | -0.7% | -1.6% |
| 1Q09 | -1.5% | -2.7% |
| 2Q09 | -2.1% | -2.4% |
| 3Q09 | -1.8% | -2.5% |
| 4Q09 | 0.5% | 0.1% |
| 1Q10 | 1.2% | 1.5% |
| 2Q10 | 1.9% | 3.3% |
| 3Q10 | 2.5% | 2.7% |
| 4Q10 | 2.5% | 3.1% |
| 1Q11 | 2.5% | 3.5% |
| 2Q11 | 2.5% | 3.0% |
| Average | 1.4% | 1.6% |

Source: Wolfe Trahan & Co.

We also asked shippers how current spot market TL rates compared with current TL contractual rates. Second-quarter 2011 marked the fifth consecutive quarter in which our respondents indicated higher spot rates compared to contractual rates on TL lanes, which follows 13 of 14 quarters previously when our respondents indicated higher contractual rates. However, this spread narrowed somewhat in the second quarter as shippers estimated spot TL rates were about 2.4% higher than contractual rates, decelerated from +2.9% last quarter but still well above +0.7% in fourth-quarter 2010 (see Exhibit 46). Still, we view this spread as a positive sign that should lead to further improvements in TL contractual rates going forward, in line with our TL thesis.

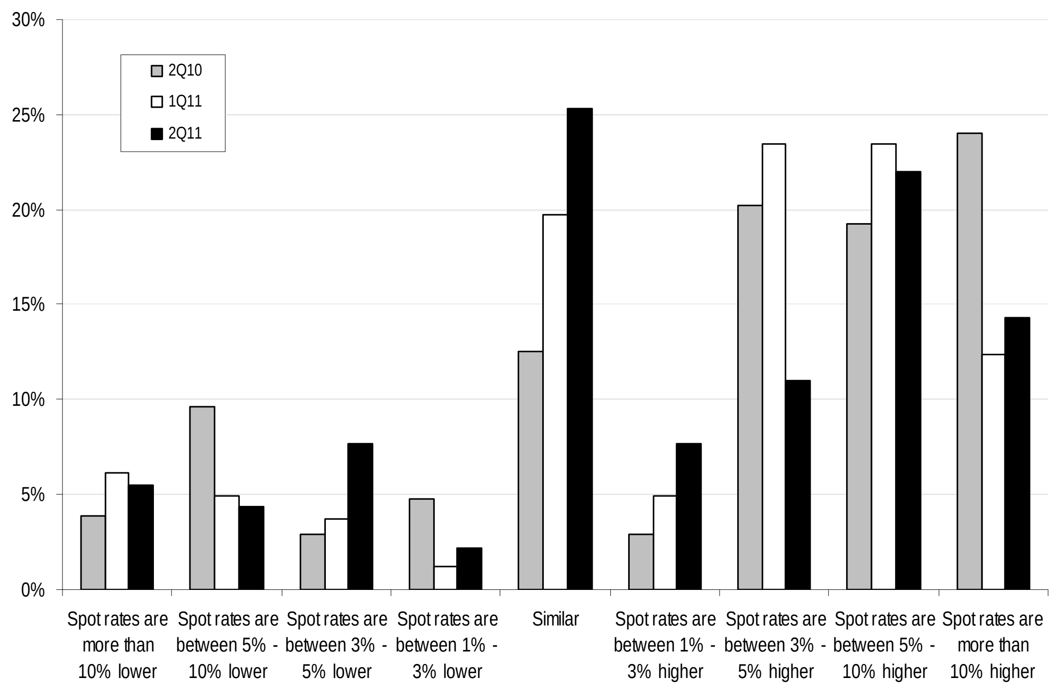
Within our survey results, about 20% of respondents noted that spot market rates remained below contractual rates during the second quarter, while 55% of respondents this quarter saw higher spot rates compared to contractual rates, including 14% of respondents that saw spot rates materially above contractual rates by 10% or more (see Exhibit 47). We continue to believe overall pricing increases in the 4%-5% range are likely in 2011 for TL carriers despite sluggish TL demand to date and expectations for a broader slowing in the macro environment. We also believe that strong pricing trends will continue in 2012 as we expect regulatory pressures such as CSA to increasingly limit truckload supply next year.

Exhibit 46. Weighted Average of Shipper Responses to How Spot Market TL Rates Compare to TL Contractual Rates




Source: Wolfe Trahan & Co.

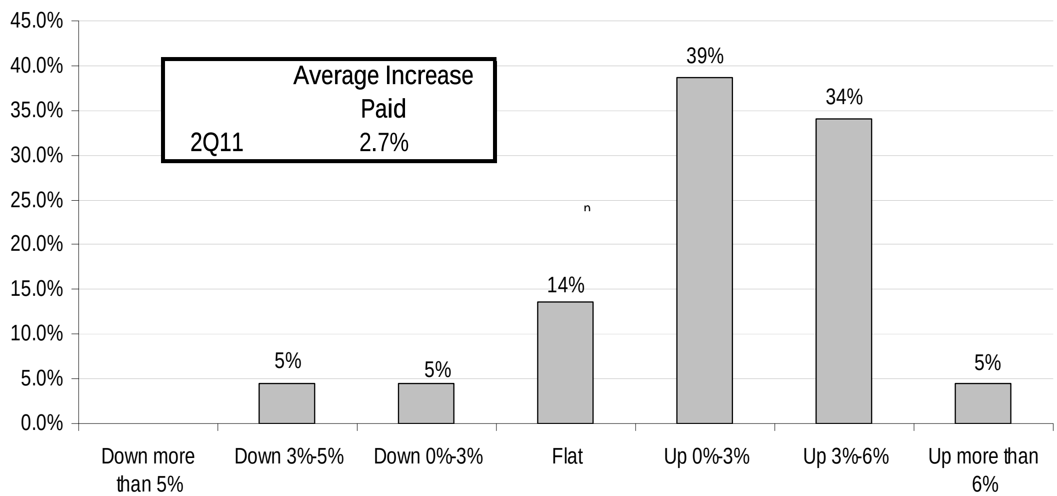
Exhibit 47. How Do Current Spot (Non-Committed, Non-Contractual) TL Rates Compare with Current TL Contractual Rates?




Source: Wolfe Trahan & Co.

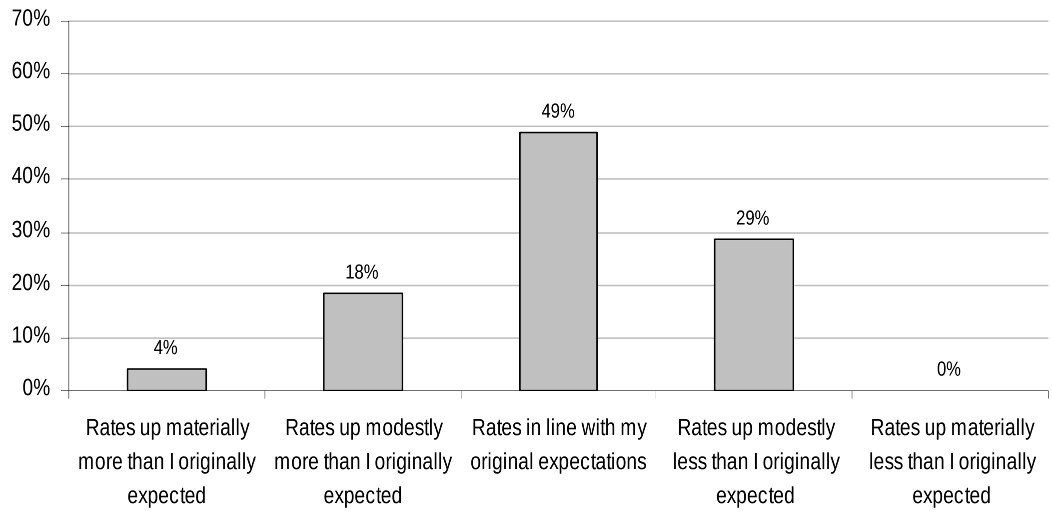
We also asked shippers this quarter about recent experiences with their truckload bids during 2011. First, we asked shippers how much their contractual rates increased following bids they completed during 2011. Among those respondents who recently completed bids, shippers in our survey noted an average contractual rate increase of 2.7% (see Exhibit 48). This includes 39% of shippers who noted contractual rates increases of less than 3%, 34% who noted 3%-6% increases as well as 5% who noted greater than 6% increases on their most recent bid. Conversely, 14% of shippers indicated that their contractual rates were mostly unchanged following a bid this year, while 10% of shippers realized a rate reduction following their TL bid this year. In addition, Exhibit 49 shows that 49% of shippers experienced contractual rate increases in line with their initial expectations heading into bid season. Another 29% of shippers indicated that rates increased less than they initially expected, while 22% of shippers expressed that their contractual rates increased more than initially expected heading into bid season. This includes 4% of shippers who noted that contractual rates increased materially more than their initial expectations.

Exhibit 48. If You Recently Completed A Bid, How Much Did You Pay?




Source: Wolfe Trahan & Co.

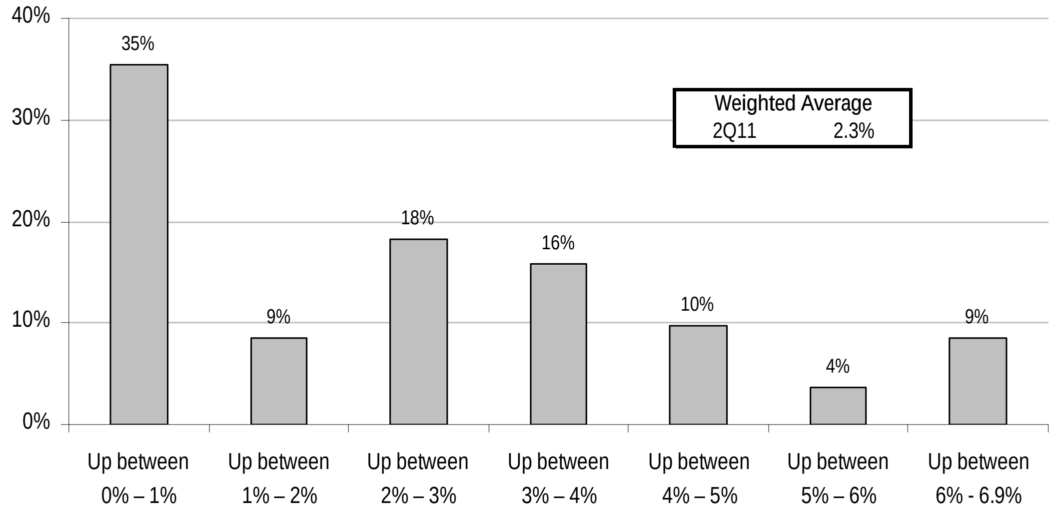
Exhibit 49. If You Recently Completed A TL Bid During 2011, Did Your Rates Increase More Or Less Than You Originally Expected?




Source: Wolfe Trahan & Co.

Lastly, on the pricing side, we asked shippers about their expectations for future LTL rates following the recent round of general rate increases that most large public carriers have implemented. Most LTL carriers implemented 6.9% GRIs that took effect in early August, well above the 5.9% GRIs that most carriers implemented last October. Generally, we believe GRIs impact an increasingly smaller percentage of LTL shippers—typically smaller and mid-sized customers—and we don't expect a significant boost in reported LTL yield growth in the third quarter related to GRIs. As shown in Exhibit 50 below, approximately 35% of shippers in our survey expect essentially no impact from the GRIs, and this likely reflects the larger shippers utilizing contracts who tend to dominate our survey. On the other end of the spectrum, only 9% of shippers expected to pay close to the full 6.9% general rate increase, while 27% of shippers expected to pay 1%-3% rate increases. Another 16% of shippers expected to pay about half of the GRIs, and the remaining 14% expected to pay 4%-6% increases. Into a slowing economy, we suspect the LTLs may have a difficult time enforcing the current round of GRIs, although to date, we have not seen any signs of broad-based discounting among the major carriers to increase market share.

Exhibit 50. The LTL Carriers Are Implementing, On Average, 6.9% General Rate Increases Beginning This Summer. How Much, If Any, Of This 6.9% Increase Do You Expect To Pay Over The Next 12 Months?



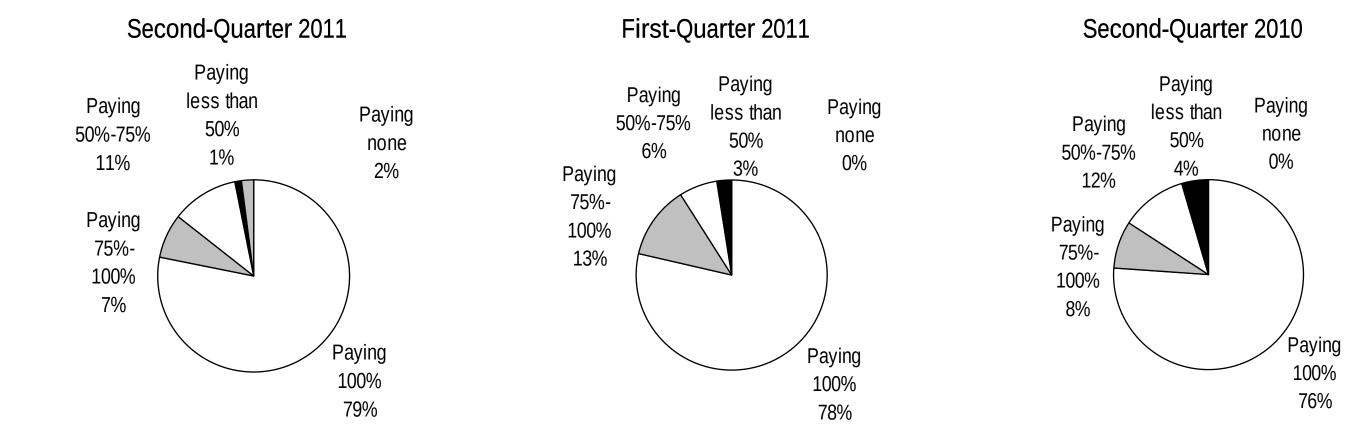

Source: Wolfe Trahan & Co.

## Fuel Surcharges

This quarter, we again included a series of questions in our survey about fuel surcharge compliance levels. Although large corporations with annual transportation budgets of more than $25 million dominate our survey, we believe the majority of our respondents receive little or no break from truckers on fuel surcharges. Generally, we believe that TL fuel surcharge compliance levels have remained more consistent and higher than compliance with LTL fuel surcharges, but both are well below rail fuel surcharge compliance levels. As in past quarters, anecdotal evidence suggests that shippers who are paying some modestly discounted fuel surcharge are doing so by paying their own fuel surcharge schedule or mechanism — sometimes a slower-to-increase sliding scale and sometimes an absolute cap. Generally, TL carriers have the most direct fuel exposure and assuming about $90 average oil prices in the third quarter, we estimate fuel costs will represent roughly 20% of total revenue for TL carriers versus roughly 10% for the more network-intensive LTL carriers.

As shown in the exhibit below, 78% of respondents complied fully with their assigned TL fuel surcharge during the second quarter, in line with last quarter and up from 76% this time a year ago. Only 3% of shippers reported paying less than 50% of the standard TL fuel surcharge requested, in line with the 3% reported last quarter and 4% a year ago. In total, only 14% of our respondents were paying less than 75% of their TL surcharge in second-quarter 2011, versus 9% last quarter and 16% in second-quarter 2010, as TL carriers have seemingly been successful in passing through rising fuel costs.

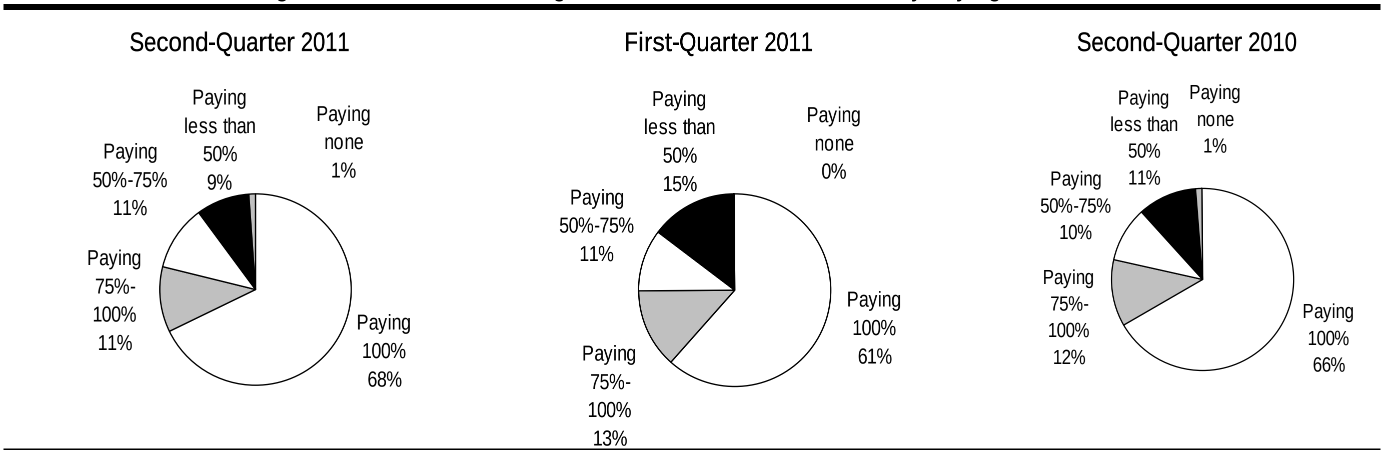
Exhibit 51. What Percentage of the TL Fuel Surcharges Billed to You Are You Currently Paying?




Source: Wolfe Trahan & Co.

Similarly, our survey results suggest that LTL surcharge compliance levels increased in the second quarter as carriers seem increasingly focused on yield improvements. Sixty-eight percent of shippers reported paying 100% of their LTL fuel surcharge bill during the second quarter, up from 61% last quarter and 67% from the year-ago period. On the flip side, 10% of our survey respondents reported paying less than half of their LTL fuel surcharge bill, down from 15% last quarter and 12% in second-quarter 2010.

Exhibit 52. What Percentage of the LTL Fuel Surcharges Billed to You Are You Currently Paying?




Source: Wolfe Trahan & Co.

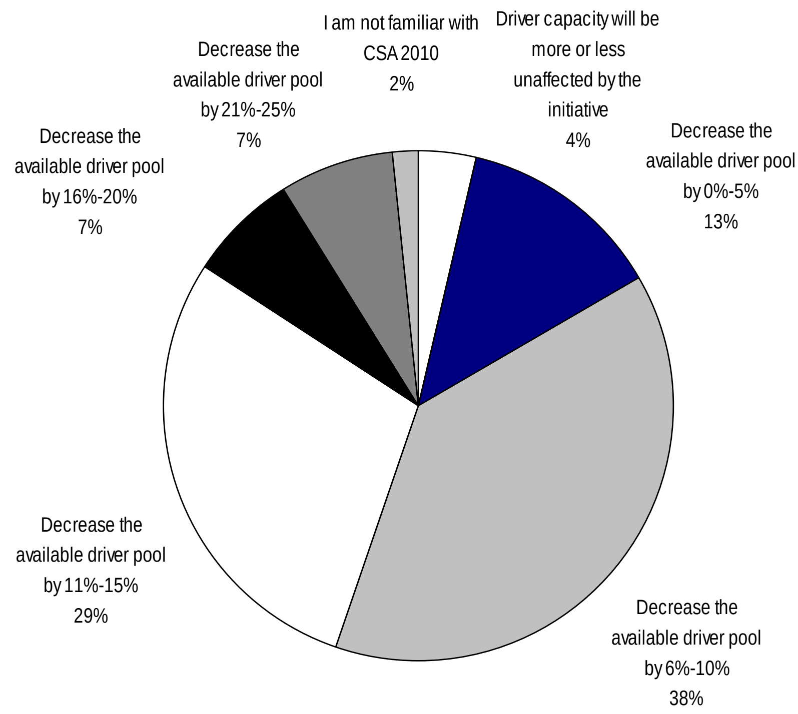
## Regulatory Issues for Truckers

We again asked shippers what potential impact they believe the Federal Motor Carrier Safety Administration's (FMCSA) CSA initiative will have on the trucking industry.

Compliance, Safety, Accountability (CSA) is an FMCSA initiative designed to improve safety on highways by creating a rating system for carriers based on safety standards. The program is designed to push all carriers to improve compliance with safety rules and to force unsafe carriers to improve or leave the industry. While implementation was originally scheduled for July 2010, the public rollout of carrier BASIC scores occurred last December. A formal rulemaking is expected later this year to utilize BASIC percentiles in determining a carrier's Safety Fitness Determination (please refer to our Inside Freight note dated December 27, 2010 for more background on CSA 2010).

Our channel checks with shippers and carriers have indicated expectations for a reduction in driver supply as a result of CSA, and our survey results seemingly support this belief as evidenced in Exhibit 53 below. Roughly 96% of shipper respondents (up from about 90% in first-quarter) believe CSA will increase the number of drivers exiting the industry, including 38% of shippers who expect a 6%-10% impact on driver supply, which is relatively unchanged from 37% last quarter. Another 29% of shippers anticipate a more material 11%-15% reduction in driver supply, up slightly from 27% last quarter, while only 4% believe CSA will have little to no effect on driver supply. Based on our conversations with shippers, carriers and regulators, we expect a modest 3%-5% impact on driver capacity out of CSA.

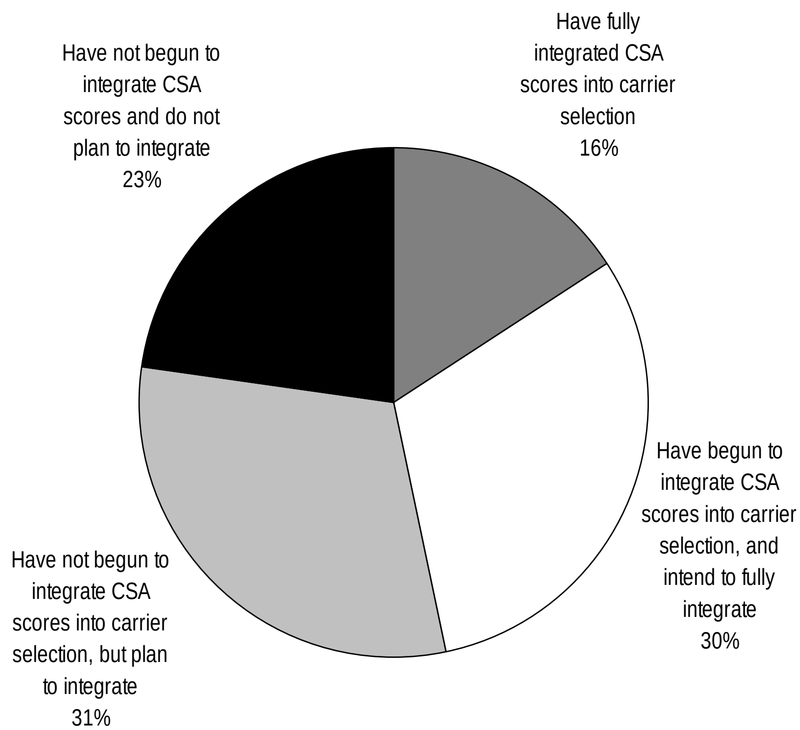
Exhibit 53. What Impact Do You Think FMCSA's CSA Initiative Will Have on Overall Driver Supply?




Source: Wolfe Trahan & Co.

We also asked shippers this quarter if they have integrated or plan to integrate CSA BASIC percentiles into their carrier selection. There are seven Behavior Analysis and Safety Improvement Categories (BASICs) that are components of the Safety Measurement System that was publicly introduced in December 2010 to replace the SafeStat system. The seven specific BASICs include: Unsafe Driving, Fatigued Driving, Driver Fitness, Controlled Substances and Alcohol, Vehicle Maintenance, Cargo Related and the Crash Indicator. Each carrier receives a ranking in each category and potentially a safety alert if it exceeds the mandated FMCSA threshold for that grouping and/or a substantial potential violation exists in any category. An alert prioritizes that carrier for an intervention action by the FMCSA. Sixteen percent of our respondents have already fully integrated BASIC percentiles into their selection process, while 30% have begun to integrate and intend to fully integrate in the future. Another 31% of our respondents have not yet begun to use BASIC percentiles to help them in choosing carriers, but do intend to integrate carrier scores at a later date, while 23% do not ever intend to integrate BASIC percentiles into their carrier selection process. Overall, it seems that most shippers view CSA as a necessary component of their carrier selection process going forward and plan to integrate BASIC percentiles into their processes.

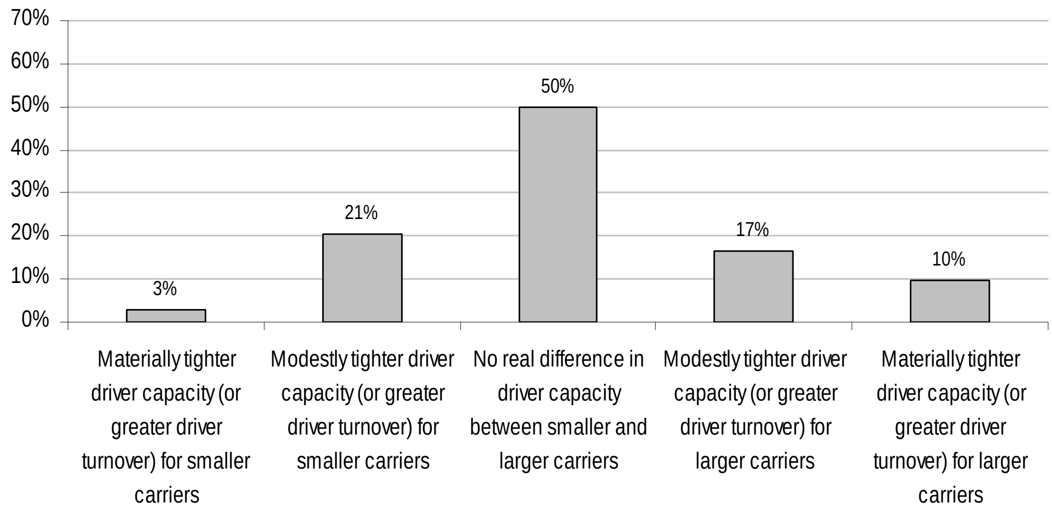
Exhibit 54. Have You Integrated CSA BASIC Percentiles Into Your Carrier Selection?




Source: Wolfe Trahan & Co.

We also asked shippers whether or not they are seeing a material difference in driver availability and turnover between smaller and larger TL carriers. We asked this question since we suspect larger carriers are better positioned to adapt to pending regulatory changes including CSA. In other words, we suspect CSA could be more burdensome for smaller carriers and owner operators that might not have an extensive driver screening process like some of the larger companies. We also suspect smaller carriers may not have the ability to attract new, safer drivers. Currently, it seems shippers are seeing similar levels of driver capacity issues among carriers as 50% of our survey respondents indicated no real difference in driver capacity between smaller and larger carriers and only 3% are seeing materially tighter driver capacity for smaller carriers. Of the remaining survey respondents, 21% are seeing modestly tighter driver capacity for smaller carriers and 17% are seeing modestly tighter driver capacity for larger carriers, while 10% are seeing materially tighter driver capacity for larger carriers. We continue to believe the implementation of CSA will likely evolve gradually over a period of years and the full effects will not be determined for some time. If small carriers end up feeling a bigger impact the next several years from CSA, this could be a risk to brokers such as C.H. Robinson who depend on smaller carriers as capacity providers.

Exhibit 55. Are you currently seeing a material difference in driver availability/turnover for smaller versus larger TL carriers?




Source: Wolfe Trahan & Co.

# Express/Parcel Topics

The express/parcel section of our third-quarter shipper survey focused on two key areas:

- Recent volume trends and expectations for mode shifts between Ground parcel and air express; and

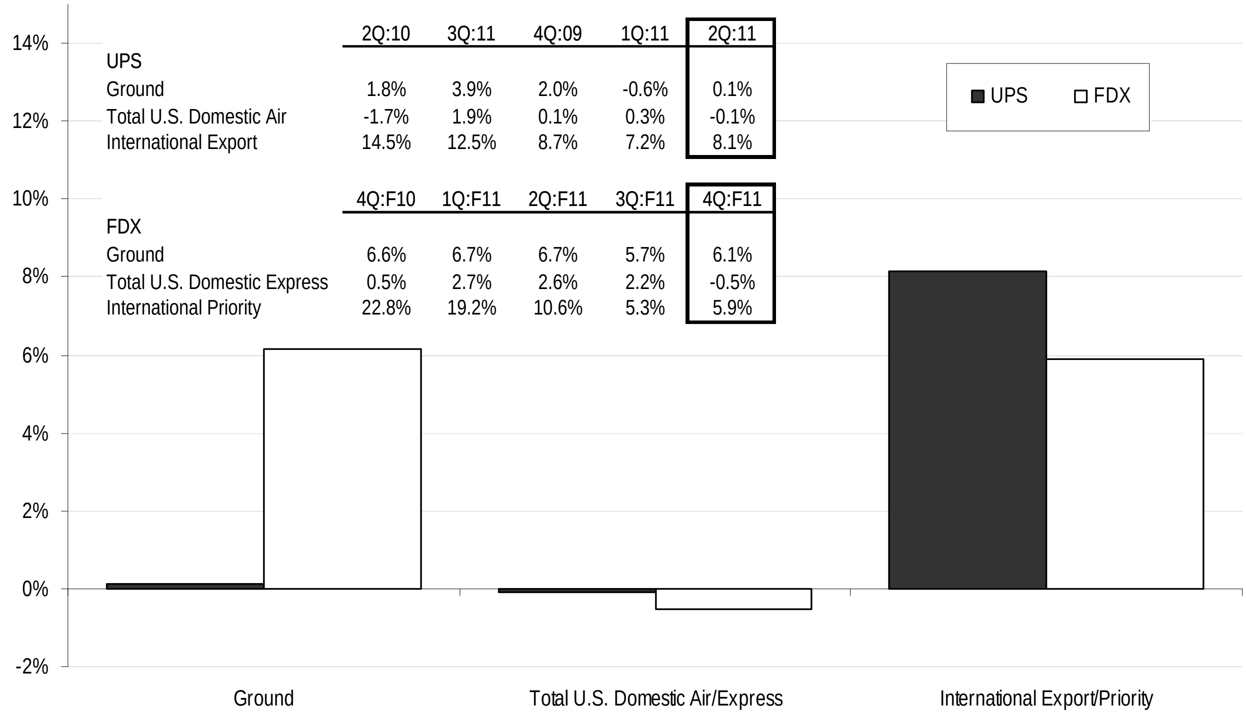
- Expected compliance with proposed list rate increases from FedEx and UPS, and pricing expectations for the express and parcel providers.

## Recent Package Volume Trends

Over the past year, ground parcel volume growth has consistently outpaced domestic air express volume growth for both FedEx and UPS and this trend continued in the second quarter although growth trends overall were sluggish. Total domestic small package volumes for UPS grew 0.1% year over year in the second quarter, as a 0.1% decline in Air Express volumes was offset by a 0.1% increase in Ground volumes. This marks the second straight quarter of sluggish domestic volumes for UPS, and management's guidance implies that domestic volumes will again be flat to down year over year in the third quarter. This compares with UPS's prior expectations for a re-acceleration in the second half of the year. Meanwhile, FedEx's Ground volumes in the same calendar quarter (its fiscal fourth quarter ending May) increased 6.1% year over year, modestly accelerated from +5.7% in the prior quarter and well above UPS. However, FedEx's core U.S. Air Express volumes declined 0.5% year over year, slightly worse than UPS and significantly decelerated from +2.2% last quarter. International volumes were relatively stronger for UPS, up 8.1% year over year versus only 5.9% International Priority volume growth for FedEx.

Looking forward, we expect continued weak underlying domestic volume trends for UPS and FedEx and decelerating international volume growth as well. We also expect ground will continue to take share from the air for both carriers longer term. We believe this modal shift reflects improving ground service levels and technology, which has helped decrease transit times. Thus, ground service offerings have become relatively much more attractive compared with air express movements, which can be two to three times more costly.

Exhibit 56. FedEx F4Q11 vs. UPS C2Q11 Daily Year-over-Year Volume Trends




| UPS | 2Q:10 | 3Q:11 | 4Q:09 | 1Q:11 | 2Q:11 |
|---|---|---|---|---|---|
| Ground | 1.8% | 3.9% | 2.0% | -0.6% | 0.1% |
| Total U.S. Domestic Air | -1.7% | 1.9% | 0.1% | 0.3% | -0.1% |
| International Export | 14.5% | 12.5% | 8.7% | 7.2% | 8.1% |

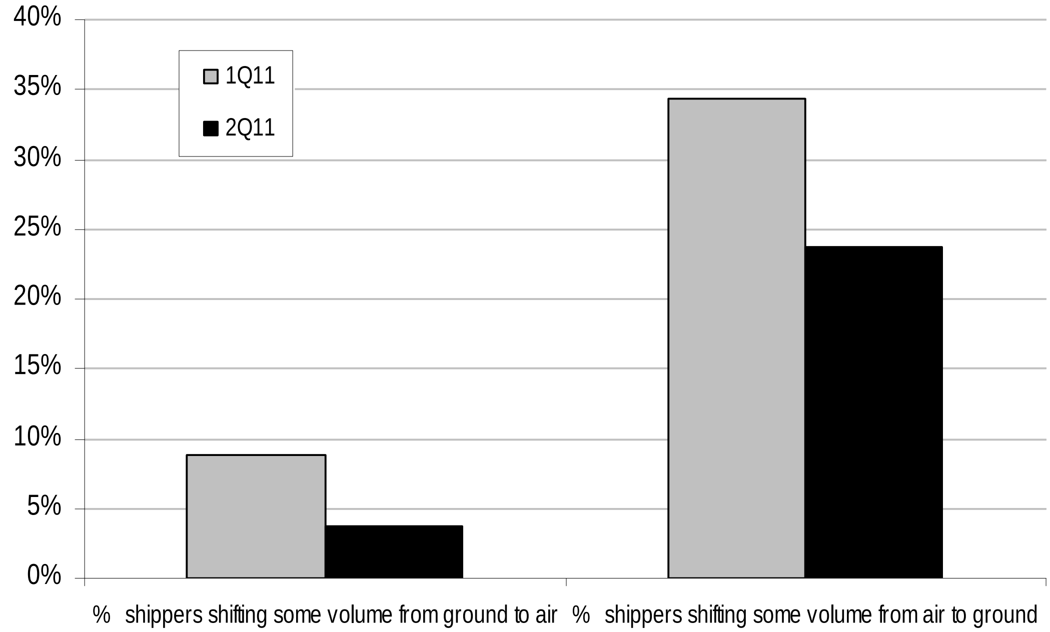
| FDX | 4Q:F10 | 1Q:F11 | 2Q:F11 | 3Q:F11 | 4Q:F11 |
|---|---|---|---|---|---|
| Ground | 6.6% | 6.7% | 6.7% | 5.7% | 6.1% |
| Total U.S. Domestic Express | 0.5% | 2.7% | 2.6% | 2.2% | -0.5% |
| International Priority | 22.8% | 19.2% | 10.6% | 5.3% | 5.9% |

Note: Ground includes UPS Ground and FedEx Ground/Home Delivery. Total U.S. Air/Express includes Next-Day Air and Deferred Air for UPS and Overnight Express and Deferred Express for FedEx. International includes International Export for UPS and International Priority for FedEx. FedEx reports on a fiscal year ending May basis. The above reported results reflect FedEx's fiscal fourth-quarter 2011, ending May 2011 and UPS's second-quarter 2011 volumes.

Source: Company reports; Wolfe Trahan & Co.

To better understand shifts from air to ground and vice versa, we again asked shippers how they expect to shift their small package volumes between air and ground products going forward. Roughly 24% of shippers expect to move at least some of their current air express volumes to the ground over the next 12 months, although this is down from 34% in last quarter's survey. This makes sense to us given that fuel prices have moderated since last quarter's survey. Conversely, only 4% of shippers expect to move some of their current ground business to higher priced air express service, below the 9% of shippers last quarter. For full-year 2011, we currently expect 1.1% year-over-year average ground package growth for FedEx and UPS combined, 110bp stronger than our expectation for flat year-over-year average growth for FedEx/UPS's U.S. air express product offerings.

Exhibit 57. Percentage of Respondents Planning to Shift Some Parcel Volumes from Air to Ground or Ground to Air




Source: Wolfe Trahan & Co.

**Parcel Pricing Trends**

In recent surveys, we have seen rising expectations for shippers to comply with list rate increases, as FedEx and UPS seem increasingly focused on improved domestic pricing and margins. However, this trend did not continue in our current survey which is seasonally normal as compliance with rate increases typically moderates over the course of a year. Approximately 80% of FedEx shippers now expect to comply with a portion of its total 2011 ground/air list rate increases, decelerated from 88% last quarter but still up materially from 73% a year ago. Similarly, about 87% of shippers expect to comply with UPS's list rate increases versus 95% compliance last quarter and 73% in the year-ago quarter. This is also seven percentage points higher than the expected compliance for FedEx. Although expected compliance rates declined somewhat from last quarter, the prior survey marked the highest expected compliance rates for both UPS and FedEx since we began asking this question ten years ago.

By product, 83% of FedEx shippers expect to comply with its 2011 ground rate increases, down from 88% last quarter but up from 76% at this time last year. UPS's 88% Ground compliance level is decelerated from the 95% expected compliance as of last quarter but up from the 75% expected compliance level in our year-ago survey. On the air side, compliance expectations are also down sequentially but up year over year. Shippers that utilize FedEx Express and International Priority expect 78% compliance rates on both, lower than 89% and 86% for Express and International Priority, respectively in our survey conducted last quarter but above last year's survey results of 70% and 72%, respectively. For UPS, 88% and 85% of shippers expect to comply with the company's Domestic Air and International Export proposed rate increases, below 94% and 97% last quarter but higher than 72% for both air products in last year's survey as shown in Exhibit 58.

## Exhibit 58. Anticipated Compliance with Recent FedEx and UPS List Price Increases

### Third-Quarter 2011 Survey Results

| Service | List Price Increase (1) | % of respondents that will pay some part of rate increase | | | | | | Anticipated effective rate increase to be received (average) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Since January 1, 2011 | Since March 31, 2011 | By June 30, 2011 | By December 31, 2011 | By December 31, 2012 | Avg. | Since January 1, 2011 | Since March 31, 2011 | By June 30, 2011 | By December 31, 2011 | C11 Avg. | By December 31, 2012 | Avg. |
| FedEx (2) | | | | | | | | | | | | | | |
| Ground | 4.9% | 62% | 67% | 75% | 83% | 89% | 75% | 1.4% | 1.6% | 2.0% | 2.3% | 1.8% | 2.8% | 2.0% |
| Domestic Express | 3.9% | 63% | 67% | 71% | 78% | 86% | 73% | 1.2% | 1.3% | 1.5% | 1.7% | 1.4% | 2.1% | 1.5% |
| International Priority | 3.9% | 65% | 67% | 71% | 78% | 90% | 74% | 1.3% | 1.3% | 1.5% | 1.7% | 1.5% | 2.3% | 1.6% |
| Average | 4.2% | 63% | 67% | 73% | 80% | 88% | 74% | 1.3% | 1.4% | 1.6% | 1.9% | 1.6% | 2.4% | 1.7% |
| UPS (2) | | | | | | | | | | | | | | |
| Ground | 4.9% | 64% | 68% | 77% | 88% | 93% | 78% | 1.3% | 1.5% | 2.0% | 2.5% | 1.9% | 2.9% | 2.1% |
| Domestic Air | 4.9% | 65% | 70% | 78% | 88% | 94% | 79% | 1.4% | 1.5% | 2.0% | 2.4% | 1.8% | 2.9% | 2.1% |
| International Export | 4.9% | 61% | 65% | 71% | 85% | 93% | 75% | 1.2% | 1.4% | 1.8% | 2.3% | 1.7% | 2.9% | 1.9% |
| Average | 4.9% | 63.2% | 68% | 76% | 87% | 93% | 77% | 1.3% | 1.5% | 2.0% | 2.4% | 1.8% | 2.9% | 2.0% |

### Second-Quarter 2011 Survey Results

| Service | List Price Increase (1) | % of respondents that will pay some part of rate increase | | | | | | Anticipated effective rate increase to be received (average) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Since January 1, 2011 | Since March 31, 2011 | By June 30, 2011 | By December 31, 2011 | By December 31, 2012 | Avg. | Since January 1, 2011 | Since March 31, 2011 | By June 30, 2011 | By December 31, 2011 | C11 Avg. | By December 31, 2012 | Avg. |
| FedEx (2) | | | | | | | | | | | | | | |
| Ground | 4.9% | 74% | 79% | 84% | 88% | 91% | 83% | 2.0% | 2.2% | 2.4% | 2.7% | 2.3% | 2.9% | 2.5% |
| Domestic Express | 3.9% | 73% | 77% | 84% | 89% | 91% | 83% | 1.4% | 1.6% | 1.9% | 2.1% | 1.7% | 2.2% | 1.8% |
| International Priority | 3.9% | 68% | 73% | 78% | 86% | 89% | 79% | 1.3% | 1.5% | 1.8% | 2.1% | 1.7% | 2.2% | 1.8% |
| Average | 4.2% | 72% | 76% | 82% | 88% | 90% | 82% | 1.6% | 1.8% | 2.0% | 2.3% | 1.9% | 2.5% | 2.0% |
| UPS (2) | | | | | | | | | | | | | | |
| Ground | 4.9% | 68% | 73% | 88% | 95% | 95% | 84% | 1.5% | 1.8% | 2.6% | 3.0% | 2.2% | 3.1% | 2.4% |
| Domestic Air | 4.9% | 71% | 74% | 86% | 94% | 97% | 84% | 1.6% | 1.8% | 2.4% | 3.0% | 2.2% | 3.2% | 2.4% |
| International Export | 4.9% | 63% | 70% | 83% | 97% | 97% | 82% | 1.3% | 1.5% | 2.2% | 3.0% | 2.0% | 3.1% | 2.2% |
| Average | 4.9% | 67.4% | 72% | 86% | 95% | 96% | 83% | 1.5% | 1.7% | 2.4% | 3.0% | 2.1% | 3.1% | 2.3% |

### Third-Quarter 2010 Survey Results

| Service | List Price Increase (1) | % of respondents that will pay some part of rate increase | | | | | Anticipated effective rate increase to be received (average) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | By March 31, 2010 | By June 30, 2010 | By December 31, 2010 | By December 31, 2011 | Avg. | By March 31, 2010 | By June 30, 2010 | By December 31, 2010 | C10 Avg. | By December 31, 2011 | Avg. |
| FedEx (2) | | | | | | | | | | | | |
| Ground | 4.9% | 63% | 68% | 76% | 85% | 73% | 1.3% | 1.5% | 1.9% | 1.6% | 2.4% | 1.8% |
| Domestic Express | 3.9% | 58% | 61% | 70% | 78% | 67% | 1.0% | 1.1% | 1.4% | 1.2% | 1.8% | 1.3% |
| International Priority | 3.9% | 55% | 62% | 72% | 81% | 67% | 0.9% | 1.2% | 1.5% | 1.2% | 2.0% | 1.4% |
| Average | 4.2% | 58% | 64% | 73% | 81% | 69% | 1.1% | 1.3% | 1.6% | 1.3% | 2.1% | 1.5% |
| UPS (2) | | | | | | | | | | | | |
| Ground | 4.9% | 60% | 68% | 75% | 84% | 72% | 1.3% | 1.7% | 2.0% | 1.7% | 2.5% | 1.9% |
| Domestic Air | 4.9% | 58% | 68% | 72% | 82% | 70% | 1.3% | 1.8% | 2.0% | 1.7% | 2.5% | 1.9% |
| International Export | 4.9% | 61% | 67% | 72% | 83% | 71% | 1.4% | 1.7% | 2.0% | 1.7% | 2.5% | 1.9% |
| Average | 4.9% | 60% | 68% | 73% | 83% | 71% | 1.3% | 1.7% | 2.0% | 1.7% | 2.5% | 1.9% |

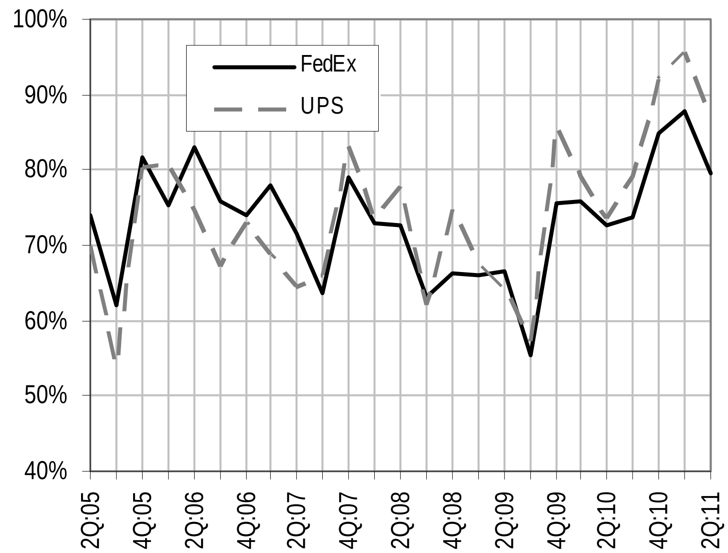
(1) List Rates shown net of changes in fuel surcharge schedules; (2) FedEx and UPS proposed calendar 2010-2011 list rate increases of 5.9% and 6.9%, respectively, at Express/Air offset by a 2.0% surcharge decrease. At Ground, UPS and FedEx proposed a 4.9% list rate increase. Methodology: Compliance based on the percentage of respondents who intend to pay some or all of the respective rate increases by the time periods highlighted above. In addition, for those who indicated an intention to comply, we asked how much of the respective rate increase they intended to pay (as a percentage of the total rate increase). We then multiplied the anticipated participation rate (percentage intending to pay part or all of a rate increase) by the percentage of a given rate increase that shippers intend to pay. We then multiply this value by the announced nominal rate increase to yield an estimate of what may actually be collected.

Source: Wolfe Trahan & Co.

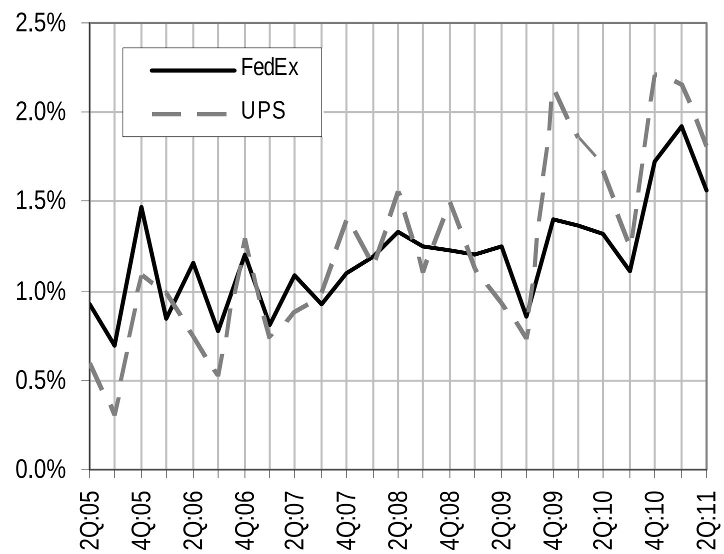
As compliance levels remain high but decelerated, our survey also points to decelerating overall express/ground pricing increases for FedEx and UPS. Our survey results indicate that shippers expect a 1.8% average rate increase from UPS over the next 12 months, modestly below the 2.1% increase expected as of last quarter but still better than the 1.7% increase expected a year ago. This is also modestly above the 1.6% average increase expected from FedEx, which is decelerated from +1.9% last quarter but still above +1.3% a year ago. By segment, FedEx shippers expect a 1.8% average rate increase this year on the ground, above the 1.4% increase for Domestic Air Express, while rates for comparable UPS products are expected to increase 1.9% and 1.8% respectively.

Exhibit 59. Percentage of Expected Year-over-Year Compliance with UPS and FedEx Rate Increases and Average Forward-Year Base Rate Increase Expectations from Our Past Surveys

Percentage of Respondents That Will Pay Some Part of Proposed Rate Increase



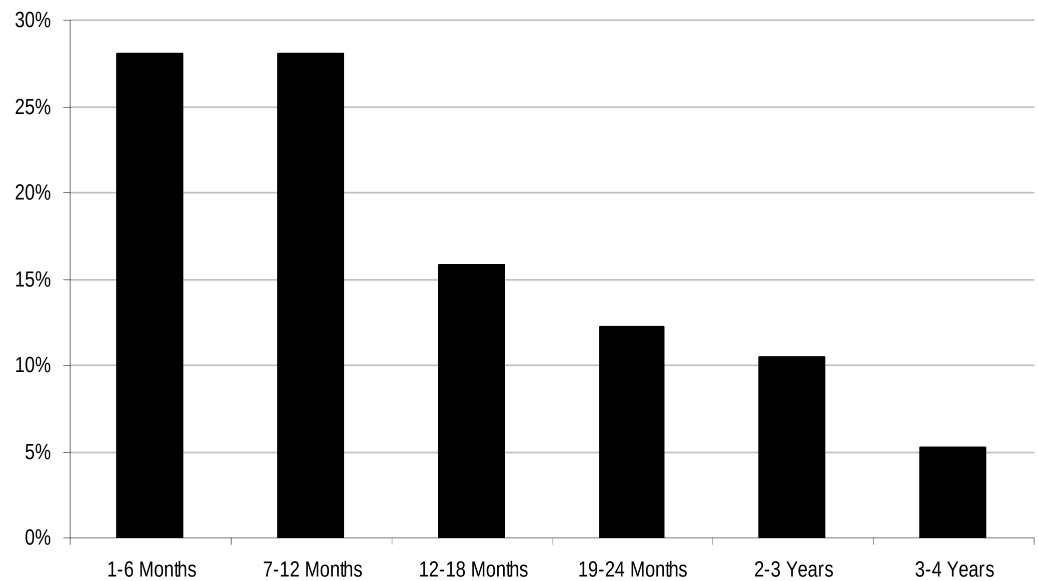

Anticipated Effective Base Rate Increase to Be Received After One Year (average percent increase)




Source: Wolfe Trahan & Co.

Despite slightly decelerated compliance levels this quarter, we still believe that material pricing improvements for UPS and FedEx are likely to become increasingly apparent about a year from now. However, in the near term, we continue to believe overall pricing gains will remain constrained due to poorly priced, multi-year contracts FedEx and UPS signed at the bottom of the market during 2009. As these contracts increasingly come up for re-pricing over the next couple of years, we believe reported pricing trends should begin improving materially for FedEx and UPS as they no longer face competitive pricing pressures from DHL. This quarter, we asked shippers how many months were remaining on their existing contracts with either UPS or FedEx. Roughly 56% of respondents indicated that there is less than a year remaining, up from 48% last quarter while another 28% indicated there is between 1-2 years remaining until their contract comes up for renegotiation, down from 36% last quarter. The final 16% of shippers indicated they still had at least two years remaining on their current contracts with UPS and/or FedEx, essentially flat with last quarter's 17% as shown in Exhibit 60. Based on these data points, we continue to believe that more material pricing gains for UPS and FedEx should become increasingly apparent towards the end of 2012 and into 2013 as the number of near term contract expirations creeps upward.

Exhibit 60. How Many Months Remain on Your Contract with Either UPS or FDX Before You Expect to Renegotiate or Rebid it?




Source: Wolfe Trahan & Co.

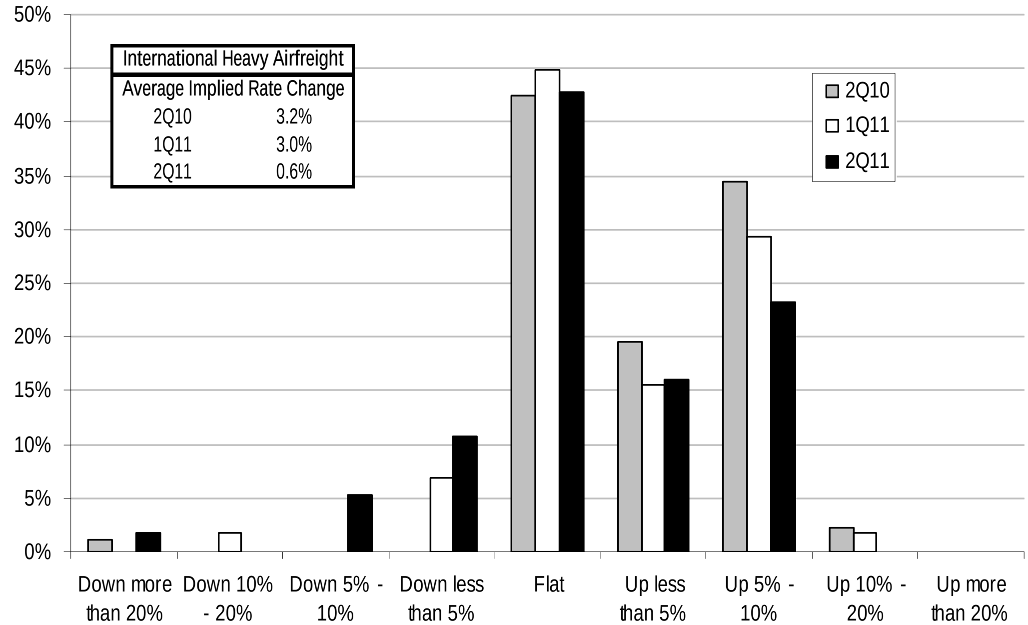
## Import and Export Demand

The Import and Export Demand section of our third-quarter survey relates principally to rate expectations for ocean container and heavy airfreight services, but it also examines recent supply and demand dynamics. As part of our ongoing effort to monitor the overall macroeconomic backdrop as it relates to the transportation sector, we track a number of U.S. and international trade lanes and other global freight indicators across modes, which we typically publish in our *Wolfe Monthly Macro Watch* report around the first week of each month. For a copy of the most recent *Monthly Macro* report, please contact your Wolfe Trahan salesperson or visit our research library at WolfeTrahan.com.

This quarter, we first asked shippers about their heavy airfreight pricing expectations over the next 12 months. Our respondents now anticipate a 0.6% year-over-year average increase (excluding fuel) over the next 12 months, which is decelerated from the 3.0% increase expected last quarter and the lowest result in our survey since the third quarter of 2009. This makes sense as global IATA air volumes inflected negative in May and June, down 4.3% and 3.0% respectively. And despite negative airfreight volumes, global supply continued to increase, up 3.6% in May and 3.0% in June. Our survey responses this quarter also are more in line with the Drewry Airfreight pricing index, which declined roughly 14% year over year during the second quarter, decelerated from the 10% decline in the first quarter. Recall that inventory restocking drove a strong and early peak season in 2010 which led to tightness in airfreight capacity and high airfreight rates a year ago.

Historically, moderating airfreight rates typically lead to gross yield expansion for international freight forwarders such as Expeditors International and UTi Worldwide. Airfreight gross yields have expanded for three straight quarters at Expeditors, and we expect the same for UTi once it reports its fiscal second quarter ending July. We expect continued airfreight gross yield expansion for international freight forwarders during 2011.

Exhibit 61. By How Much Do You Expect Your International Heavy Airfreight Rates (Excluding Fuel Surcharges) to Change Over the Next 12 Months?

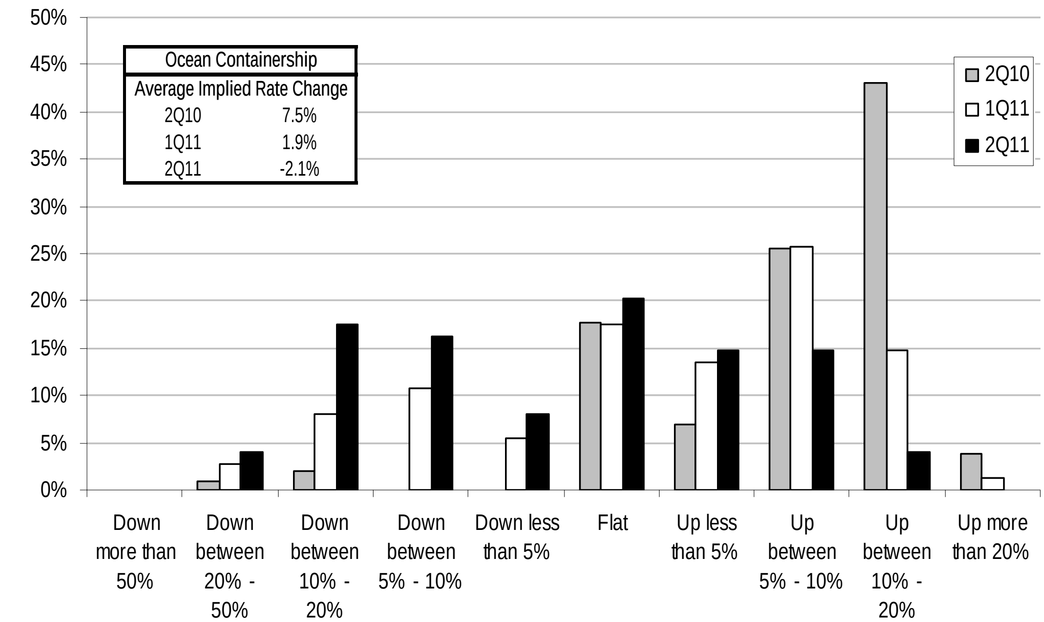



Source: Wolfe Trahan & Co.

We also asked our survey participants about their ocean pricing expectations for the next 12 months. As shown in Exhibit 62 below, our respondents anticipate 2.1% year-over-year average reduction in ocean container rates (excluding fuel surcharges) over the next 12 months, inflecting negative for the first time since the third quarter of 2009. This is also decelerated further from an expected 1.9% increase last quarter and below +7.5% a year ago. This again represents the mode with the relatively lowest pricing expectations over the next year, a material inflection from a year ago when shippers in our survey expected ocean freight rates to have the largest increase across the various modes we track.

Lower expectations for ocean pricing are consistent with recent data from Drewry Shipping Consultants' Container Rate Benchmark (Exhibit 63), which tracks the average spot market freight rate from Hong Kong to Los Angeles. Spot ocean rates reached a peak of $2,838 per container last August, but rates have plummeted roughly 35% since then. However, rates jumped about 22% sequentially for the week ended August 15 as carriers finally implemented peak season surcharges. We remain skeptical about the ability to maintain peak surcharges and would expect spot rates to begin moderating again in the near term given expectations for material capacity increases as significant new boats are on order for delivery over the next several years. According to Alphaliner, current order books from the 15 largest containerships represent roughly 20% of the current global fleet capacity. However, if spot rates continue to decline, we would expect carriers to begin pulling ships out of service and/or re-deploying them to lanes where capacity is relatively tighter.

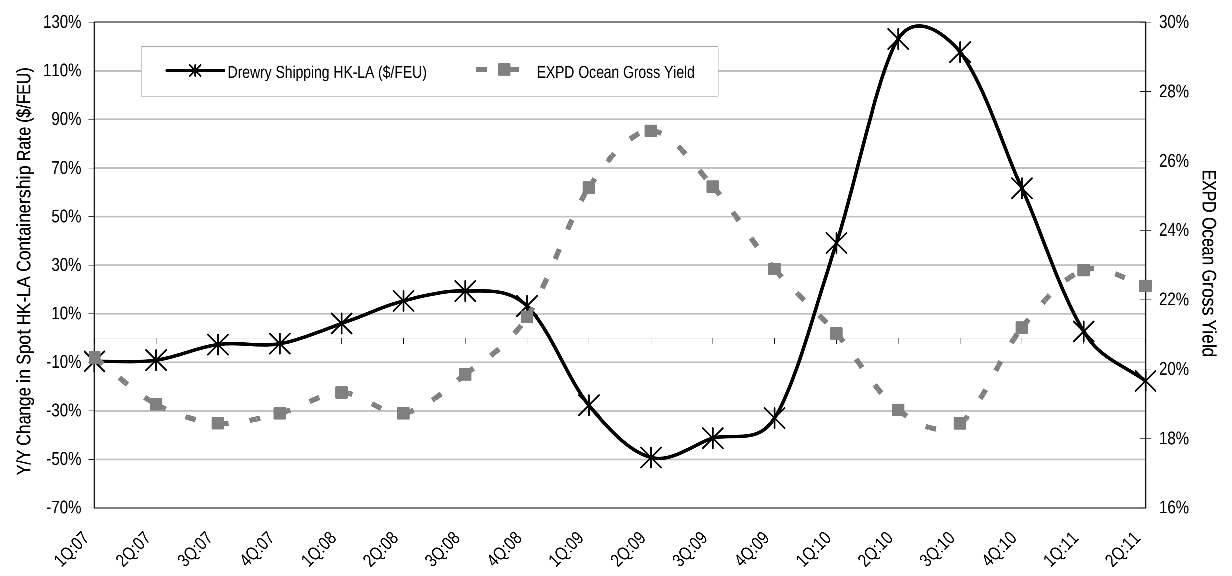
Exhibit 62. By How Much Do You Expect Your Ocean Containership Rates (Excluding Fuel Surcharges) to Change During the Next 12 Months?




Source: Wolfe Trahan & Co.

Similar to the airfreight story above, we believe declining ocean pricing should lead to strong ocean gross yield improvement for Expeditors and UTi Worldwide. Ocean gross yields were strongly positive year over year for Expeditors in the second quarter, and we expect similar results for UTi.

Exhibit 63. Weekly Rate/FEU Hong Kong to Los Angeles

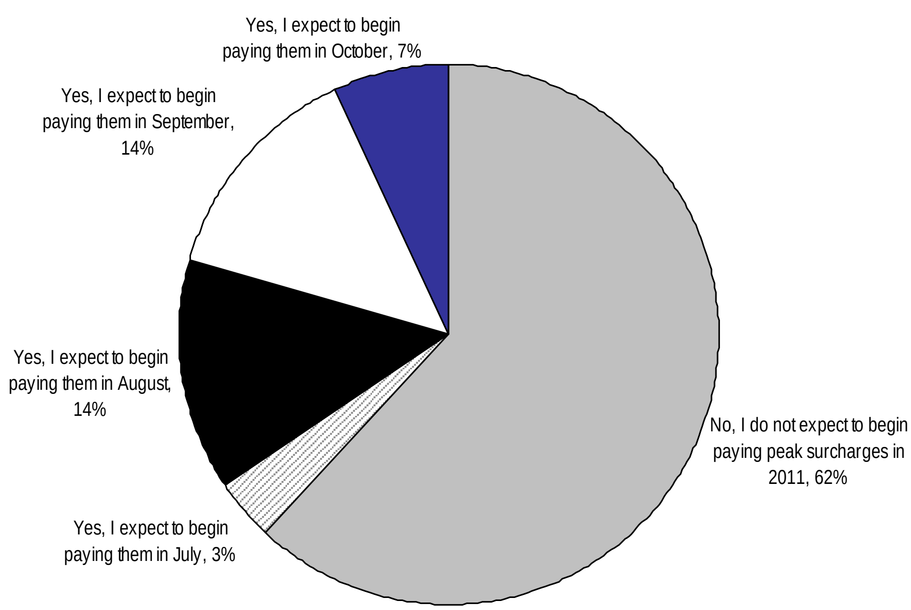



Note: The rate benchmark is based on Drewry Shipping Consultants' research and derived from NVOs shipping Hong Kong to Los Angeles. The rate is in dollars and based on a full 40-foot containerload, excluding terminal-handling charges in Hong Kong.

Source: Drewry Shipping Consultants London, EXPD Company Reports, Wolfe Trahan & Co.

Next, this quarter we asked shippers if they expected to pay peak season surcharges on ocean container shipments in 2011. Recall that the steamship lines initially delayed $400/FEU (forty-foot equivalent unit) surcharges on freight moving from Asia to the West Coast from July 15 to August 1 and then again from August 1 to August 15. As shown in Exhibit 64, over 60% of our survey respondents do not expect to pay any peak season surcharges this year while 14% anticipate paying surcharges in August with another 14% expecting to begin paying them in September. Only 3% of respondents paid peak season surcharges in July and just 7% expect to begin paying them in October. However, the most recent data point from Drewry Shipping Consultants' Container Rate Benchmark, which tracks spot rates from Hong Kong to Los Angeles, jumped 22% sequentially for the week ended August 15 as carriers finally implemented peak season charges. However, as we noted above, we doubt the sustainability of this recent increase.

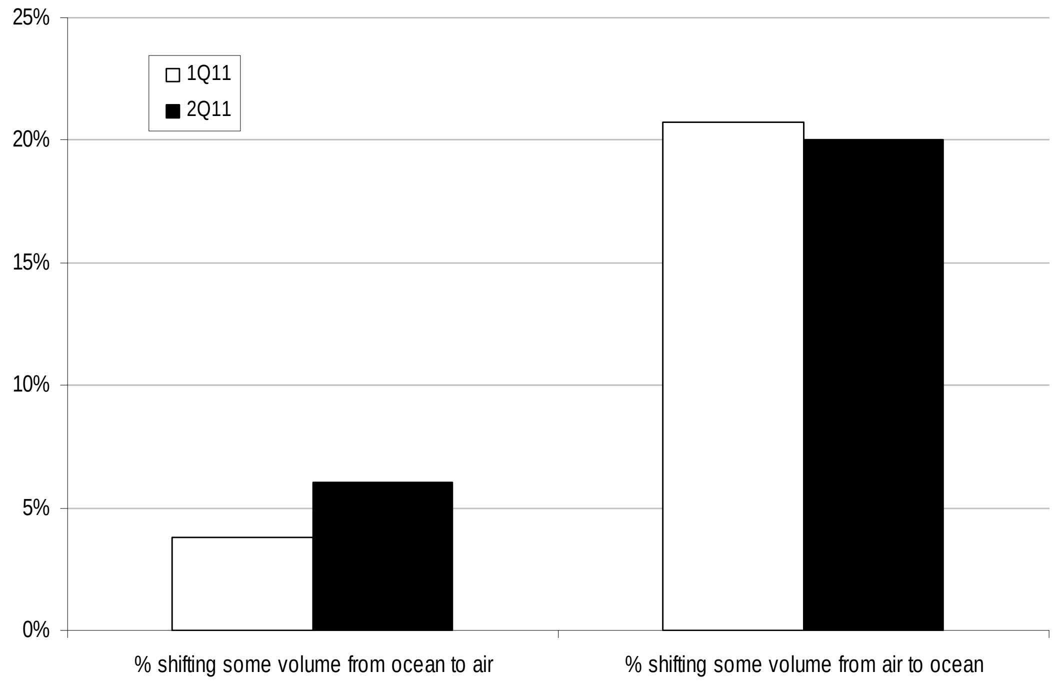
Exhibit 64. Do You Expect to Pay Peak Season Surcharges on Ocean Container Shipments in 2011?




Source: Wolfe Trahan & Co.

Lastly, we asked shippers if they have plans to shift modes from ocean to air or vice versa. While airfreight lends itself to highly time-sensitive, short shelf-life goods such as perishables, high-tech and retail, ocean freight can take weeks to arrive and is directionally 10 times more cost efficient than airfreight movements. Thus, many shippers do not even consider the two modes competitors, although during periods of very tight inventories like we saw in the first half of 2010, shippers increasingly used airfreight to get their product to market quickly and meet customer demand. However, with inventories now more in line with targeted levels and with fuel prices higher than a year ago, we would expect shippers to increasingly shift back to ocean freight where possible. About 6% of shippers in our survey this quarter plan on shifting some ocean freight to airfreight, up slightly from just under 4% last quarter and 5% in the preceding quarter. This could reflect plans for tighter inventory levels into increasing economic uncertainty. Conversely, roughly 20% of shippers plan on shifting some airfreight to ocean freight, which is essentially in line with the 21% of shippers polled last quarter and slightly lower than the 23% polled two quarters ago.

Exhibit 65. Percentage of Respondents Planning to Shift Some Volumes from Air to Ocean or Ocean to Air




Source: Wolfe Trahan & Co.

# Universe Tables

## Exhibit 66. Wolfe Trahan Railroad Universe — EPS and Book Value Multiples, 2008-12E

Footnotes:
(1) Most recently reported (quarterly basis) fully-diluted share count.
(2) Date of last rating change along with direction of change (U=Upgrade, D=Downgrade, S=Suspended, I=Initiated).
(3) Shown as year-end 2011 target prices are based on forward P/E multiples.
(4) Please go to WolfeTrahan.com/Disclosures for risks to our price targets for Outperform and Underperform rated stocks.
(5) Historical P/E multiples represent blended forward P/E estimates.
(6) "FactSet average rating" -- 1 = "Buy", 2="Hold", 3 = "Sell", all of which as defined by FactSet. "#Analysts" -- number of sell side analysts covering the stock.
(7) Enterprise value defined as market cap plus debt minus cash and cash equivalents. Includes OBD. EBITDAR adds back rental expense on off-balance sheet debt for all rails.
(8) Enterprise value defined as market cap plus debt minus cash and cash equivalents. Excludes OBD.
(9) S&P 500 forward EPS based on FactSet Consensus estimates.
(10) Blended 12-Month Rolling Forward P/E and EV/EBITDA consist of 12-month forward estimates from current date.
(11) Based on Adjusted EBITDA(R) for RA beginning in C09, which removes $17M sale of Section 45G tax credits shown as contra expense in Other expenses.

| SECTOR WEIGHTING: Market Weight | Price ($) 8/19/2011 | 52 week range High | 52 week range Low | Share Count (MM)(1) | Market Cap (MM) | Rating | Rating Since (U/D)(2) | Target Price (3,4) | FactSet Avg. Rating/ # Analysts (6) | Dividend Yield (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | | | | | | |
| Canadian National (CNI) | $67.77 | $81.26 | $57.93 | 457.1 | $30,978 | Peer Perform | 8/11/09 (D) | - | 1.8 / 28 firms | 2.0% |
| Canadian Pacific (CP) | $54.29 | $69.92 | $54.21 | 170.7 | $9,267 | Underperform | 3/9/09 (D) | $56 | 1.6 / 26 firms | 2.3% |
| CSX Corp. (CSX) | $20.40 | $27.06 | $15.50 | 1,109.0 | $22,624 | Peer Perform | 4/13/09 (D) | - | 1.3 / 30 firms | 2.4% |
| Norfolk Southern Corp. (NSC) | $63.06 | $78.40 | $51.53 | 357.3 | $22,531 | Peer Perform | 11/23/10 (D) | - | 1.3 / 31 firms | 2.7% |
| Union Pacific (UNP) | $85.69 | $107.89 | $70.34 | 492.4 | $42,194 | Outperform | 10/28/09 (U) | $120 | 1.3 / 31 firms | 2.2% |
| Small-Cap Railroads | | | | | | | | | | |
| Genesee and Wyoming (GWR) | $45.19 | $63.73 | $35.71 | 42.8 | $1,932 | Peer Perform | 11/3/10 (D) | - | 1.5 / 16 firms | - |
| Kansas City Southern (KSU) | $46.00 | $62.78 | $31.73 | 109.8 | $5,051 | Peer Perform | 4/28/10 (D) | - | 1.5 / 23 firms | - |
| RailAmerica (RA) | $11.22 | $17.34 | $9.16 | 52.3 | $587 | Peer Perform | 3/3/10 (D) | - | 1.6 / 13 firms | - |
| Other Rail | | | | | | | | | | |
| Wabtec Corporation (WAB) | $52.47 | $72.43 | $41.18 | 48.5 | $2,543 | Peer Perform | 5/20/10 (I) | - | 1.6 / 9 firms | 0.2% |
| S&P 500 | 1,123.53 | 1,370.58 | 1,039.70 | - | - | - | - | - | - | 2.2% |

| Absolute Estimates 2008-2012E | EPS Estimates 2008 | 2009 | 2010 | 2011E | 2012E | Book Value / Share 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | | | | | | |
| Canadian National (CNI) | $3.50 | $2.86 | $4.07 | $4.85 | $5.51 | $20.81 | $20.94 | $23.28 | $26.96 | $29.41 |
| Canadian Pacific (CP) | $3.92 | $2.22 | $3.74 | $3.40 | $4.30 | $26.62 | $24.45 | $27.64 | $31.17 | $33.10 |
| CSX Corp. (CSX) | $1.17 | $0.90 | $1.38 | $1.68 | $1.85 | $6.58 | $7.46 | $7.54 | $9.19 | $11.29 |
| Norfolk Southern Corp. (NSC) | $4.54 | $2.74 | $3.92 | $5.17 | $5.60 | $25.28 | $27.83 | $28.69 | $33.71 | $38.27 |
| Union Pacific (UNP) | $4.47 | $3.56 | $5.54 | $6.49 | $8.00 | $30.00 | $33.19 | $35.36 | $38.24 | $41.90 |
| Small-Cap Railroads | | | | | | | | | | |
| Genesee and Wyoming (GWR) | $1.85 | $1.55 | $2.11 | $2.77 | $3.40 | $13.15 | $17.69 | $19.53 | $22.29 | $25.70 |
| Kansas City Southern (KSU) | $1.86 | $0.62 | $2.07 | $2.75 | $3.19 | $19.87 | $23.74 | $25.85 | $25.24 | $27.56 |
| RailAmerica (RA) | $0.32 | $0.33 | $0.58 | $0.80 | $1.05 | $10.87 | $14.38 | $12.86 | $13.02 | $14.26 |
| Wabtec Corporation (WAB) | $2.67 | $2.36 | $2.56 | $3.60 | $3.90 | $13.21 | $16.24 | $18.82 | $21.65 | $25.16 |
| S&P 500 (9) | 67.80 | 60.00 | 85.00 | 95.91 | 104.59 | - | - | - | - | - |

| 2008-2012E | Absolute P/E Multiples (5) 2008 Range | 2009 Range | 2010 Range | 2011E | 2012E | Rolling 12 Month Forward (10) | Price / Book Value (Absolute) 2009 Range | 2010 Range | 2011E | 2012E |
|---|---|---|---|---|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | | | | | | |
| Canadian National (CNI) | 8.7x-16.7x | 10.3x-19.7x | 12.1x-16.7x | 14.0x | 12.3x | 12.9x | 1.4x-2.7x | 2.1x-2.9x | 2.5x | 2.3x |
| Canadian Pacific (CP) | 6.8x-19.4x | 11.3x-25.0x | 12.3x-17.9x | 16.0x | 12.6x | 13.8x | 1.0x-2.3x | 1.7x-2.4x | 1.7x | 1.6x |
| CSX Corp. (CSX) | 8.5x-20.1x | 7.7x-18.9x | 10.2x-15.7x | 12.1x | 11.0x | 11.5x | 0.9x-2.3x | 1.9x-2.9x | 2.2x | 1.8x |
| Norfolk Southern Corp. (NSC) | 9.1x-16.7x | 9.7x-19.9x | 11.8x-16.2x | 12.2x | 11.3x | 11.6x | 1.0x-2.0x | 1.6x-2.2x | 1.9x | 1.6x |
| Union Pacific (UNP) | 9.4x-19.2x | 9.3x-18.7x | 10.9x-17.3x | 13.2x | 10.7x | 11.6x | 1.0x-2.0x | 1.7x-2.7x | 2.2x | 2.0x |
| Group Average | 8.5x-18.4x | 9.7x-20.4x | 11.5x-16.8x | 13.5x | 11.6x | 12.3x | 1.1x-2.2x | 1.8x-2.6x | 2.1x | 1.9x |
| Small-Cap Railroads | | | | | | | | | | |
| Genesee and Wyoming (GWR) | 11.9x-25.6x | 10.6x-22.1x | 13.5x-25.4x | 16.3x | 13.3x | 14.4x | 0.9x-1.9x | 1.5x-2.7x | 2.0x | 1.8x |
| Kansas City Southern (KSU) | 8.5x-30.1x | 19.6x-55.3x | 14.3x-24.2x | 16.8x | 14.4x | 15.3x | 0.5x-1.5x | 1.1x-1.9x | 1.8x | 1.7x |
| RailAmerica (RA) | NA | 32.7x-44.2x | 15.8x-25.0x | 14.0x | 10.7x | 11.8x | 0.8x-1.0x | 0.7x-1.1x | 0.9x | 0.8x |
| Group Average | 10.2x-27.9x | 21.0x-40.6x | 14.5x-24.9x | 15.7x | 12.8x | 13.8x | 0.7x-1.5x | 1.1x-1.9x | 1.6x | 1.4x |
| Wabtec Corporation (WAB) | 10.7x-22.7x | 9.8x-18.2x | 14.1x-20.8x | 14.6x | 13.5x | 13.9x | 1.4x-2.6x | 1.9x-2.8x | 2.4x | 2.1x |
| Railroad Average | 9.2x-21.3x | 13.5x-26.9x | 12.8x-19.9x | 14.3x | 12.2x | 13.0x | 1.0x-2.0x | 1.6x-2.4x | 2.0x | 1.7x |
| S&P 500 | 9.0x-17.8x | 11.1x-18.8x | 11.9x-14.9x | 11.7x | 10.7x | | - | - | - | - |

| 2008-2012E | Enterprise Value / EBITDAR (7) 2008 Range | 2009 Range | 2010 Range | 2011E | 2012E | Rolling 12 Month Forward (10) | Enterprise Value / EBITDA (8) 2009 Range | 2010 Range | 2011E | 2012E |
|---|---|---|---|---|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | | | | | | |
| Canadian National (CNI) | 6.2x-9.9x | 6.5x-10.6x | 7.4x-9.7x | 8.3x | 7.5x | 7.8x | 6.7x-11.2x | 7.6x-10.0x | 8.6x | 7.7x |
| Canadian Pacific (CP) | 5.6x-10.1x | 6.6x-10.6x | 6.9x-9.0x | 8.2x | 7.3x | 7.7x | 6.8x-11.2x | 7.5x-9.7x | 8.7x | 7.7x |
| CSX Corp. (CSX) | 4.9x-8.9x | 4.4x-7.8x | 5.4x-7.5x | 6.1x | 5.8x | 5.9x | 4.9x-8.7x | 5.8x-8.0x | 6.6x | 6.3x |
| Norfolk Southern Corp. (NSC) | 5.4x-8.5x | 5.5x-9.0x | 6.4x-8.1x | 6.6x | 6.2x | 6.4x | 5.8x-9.5x | 6.7x-8.5x | 7.0x | 6.5x |
| Union Pacific (UNP) | 5.3x-8.9x | 5.1x-8.2x | 5.9x-8.4x | 6.7x | 5.8x | 6.2x | 5.2x-8.7x | 5.9x-8.7x | 6.9x | 6.0x |
| Group Average | 5.4x-9.3x | 5.6x-9.2x | 6.4x-8.5x | 7.2x | 6.5x | 6.8x | 5.9x-9.9x | 6.7x-9.0x | 7.5x | 6.8x |
| Small-Cap Railroads | | | | | | | | | | |
| Genesee and Wyoming (GWR) | 8.5x-14.0x | 6.5x-10.7x | 7.5x-12.2x | 9.1x | 7.8x | 8.4x | 6.6x-11.2x | 9.3x-14.8x | 9.6x | 8.2x |
| Kansas City Southern (KSU) | 5.8x-11.4x | 6.4x-10.2x | 6.5x-9.0x | 7.4x | 6.9x | 7.1x | 6.9x-11.9x | 7.0x-10.3x | 8.5x | 7.9x |
| RailAmerica (RA) (11) | N/A | 6.8x-8.0x | 5.5x-7.0x | 6.1x | 5.6x | 5.8x | 7.1x-8.4x | 6.0x-7.9x | 6.2x | 5.8x |
| Group Average | 7.2x-12.7x | 6.6x-9.7x | 6.5x-9.4x | 7.6x | 6.8x | 7.1x | 6.8x-10.5x | 7.4x-11.0x | 8.1x | 7.3x |
| Wabtec Corporation (WAB) | 7.0x-13.2x | 6.0x-10.0x | 8.1x-11.4x | 8.6x | 8.0x | 8.3x | 6.1x-10.2x | 1.0x-1.0x | 8.8x | 8.2x |
| Railroad Average | 6.1x-10.6x | 6.0x-9.5x | 6.6x-9.1x | 7.5x | 6.8x | 7.1x | 6.2x-10.1x | 6.3x-8.8x | 7.9x | 7.1x |

Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co. estimates.

## Exhibit 67. Wolfe Trahan Railroad Universe — Comparative Financial Returns, 2008-12E

Footnotes:
(1) Reported revenue and operating expenses include fuel surcharge revenue and gross fuel expense, respectively.
(2) Total operating expenses as a percentage of total revenue.
(3) Total Capital defined as total debt including off balance sheet debt plus total equity. Return on average total capital defined as net income + tax affected interest / total capital.
(4 )Net Debt ratio defined as total debt (including OBD) - cash / total debt (including OBD) - cash + equity.
(5) Revenue and Operating Income shown for consolidated businesses (i.e. excludes ARG).
(6) Free Cash Flow defined as Cash from Operating activities - Net Capex and before dividends, acquisitions and share repurchases.
(7) Free Cash Flow (Cash from Operating activities - Net Capex and before dividends, acquisitions and share repurchases.) / Total debt + Total leases + Total equity.
(8)Total Debt excludes off balance sheet leases.
(9) Represents Operating Ratio for consolidated company including U.S. and Mexico.
(10) Shown as Adjusted EBIT growth and OR for RA beginning in C09, which removes $17M sale of Section 45G tax credits shown as contra expense in Other expenses.

| COMPOUND ANNUAL GROWTH RATES 2008-2012E (1) | Gross Revenue | Op. Inc. | EPS |
|---|---|---|---|
| Large-Cap Railroads | | | |
| Canadian National (CNI) | 4.2% | 4.5% | 11.7% |
| Canadian Pacific (CP) | 3.6% | 0.9% | 1.4% |
| CSX Corp. (CSX) | 4.5% | 10.8% | 15.5% |
| Norfolk Southern Corp. (NSC) | 4.6% | 6.5% | 8.7% |
| Union Pacific (UNP) | 5.5% | 15.1% | 18.3% |
| Group Average | 4.5% | 7.6% | 11.1% |
| Small-Cap Railroads | | | |
| Genesee and Wyoming (GWR) (5) | 12.1% | 20.4% | 17.1% |
| Kansas City Southern (KSU) | 5.6% | 11.8% | 15.3% |
| RailAmerica (RA) (10) | 3.6% | 11.4% | 9.3% |
| Group Average | 7.1% | 14.5% | 13.9% |
| Wabtec Corporation (WAB) | 8.3% | 10.7% | 11.9% |
| Railroad Average | 5.8% | 10.2% | 12.1% |

| OPERATING RATIOS (2) | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | |
| Canadian National (CNI) | 65.9% | 66.7% | 63.6% | 63.2% | 63.0% |
| Canadian Pacific (CP) | 78.8% | 81.6% | 77.6% | 80.4% | 78.3% |
| CSX Corp. (CSX) | 75.4% | 75.6% | 70.9% | 70.1% | 70.1% |
| Norfolk Southern Corp. (NSC) | 71.0% | 75.6% | 71.9% | 70.6% | 70.2% |
| Union Pacific (UNP) | 77.3% | 76.3% | 70.6% | 70.8% | 68.4% |
| Group Average | 73.7% | 75.2% | 70.9% | 71.0% | 70.0% |
| Small-Cap Railroads | | | | | |
| Genesee and Wyoming (GWR) | 82.1% | 81.3% | 78.3% | 76.7% | 75.0% |
| Kansas City Southern (KSU) (9) | 78.9% | 82.3% | 73.5% | 72.3% | 72.4% |
| RailAmerica (RA) (10) | 82.7% | 81.9% | 80.7% | 80.9% | 79.9% |
| Group Average | 81.3% | 81.8% | 77.5% | 76.6% | 75.8% |
| Wabtec Corporation (WAB) | 86.5% | 86.3% | 86.5% | 85.2% | 85.3% |
| Railroad Average | 77.6% | 78.6% | 74.8% | 74.5% | 73.6% |

| RETURN ON AVERAGE EQUITY | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | |
| Canadian National (CNI) | 17.1% | 14.1% | 17.5% | 18.5% | 19.2% |
| Canadian Pacific (CP) | 13.1% | 9.4% | 13.8% | 11.3% | 13.6% |
| CSX Corp. (CSX) | 17.1% | 12.6% | 18.1% | 19.7% | 17.8% |
| Norfolk Southern Corp. (NSC) | 17.8% | 10.2% | 13.9% | 16.2% | 15.4% |
| Union Pacific (UNP) | 14.8% | 11.2% | 16.1% | 17.5% | 19.8% |
| Group Average | 16.0% | 11.5% | 15.9% | 16.6% | 17.2% |
| Small-Cap Railroads | | | | | |
| Genesee and Wyoming (GWR) | 14.8% | 10.3% | 11.7% | 13.4% | 14.2% |
| Kansas City Southern (KSU) | 9.9% | 3.3% | 8.6% | 10.9% | 12.1% |
| RailAmerica (RA) | 2.8% | 2.7% | 4.6% | 6.1% | 7.6% |
| Group Average | 9.2% | 5.5% | 8.3% | 10.1% | 11.3% |
| Wabtec Corporation (WAB) | 20.7% | 15.9% | 14.6% | 17.8% | 16.6% |
| Railroad Average | 14.2% | 10.0% | 13.2% | 14.6% | 15.2% |

| RETURN ON AVERAGE TOTAL CAPITAL (3) | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | |
| Canadian National (CNI) | 11.4% | 9.7% | 12.2% | 13.0% | 13.6% |
| Canadian Pacific (CP) | 8.5% | 6.9% | 9.0% | 7.8% | 9.2% |
| CSX Corp. (CSX) | 10.5% | 8.3% | 11.0% | 11.9% | 11.5% |
| Norfolk Southern Corp. (NSC) | 11.5% | 7.1% | 9.3% | 10.8% | 10.5% |
| Union Pacific (UNP) | 9.4% | 7.4% | 10.5% | 11.5% | 13.1% |
| Group Average | 10.3% | 7.9% | 10.4% | 11.0% | 11.6% |
| Small-Cap Railroads | | | | | |
| Genesee and Wyoming (GWR) | 7.7% | 6.5% | 7.2% | 8.7% | 9.4% |
| Kansas City Southern (KSU) | 6.0% | 3.6% | 6.2% | 7.6% | 8.4% |
| RailAmerica (RA) | 6.5% | 4.5% | 5.3% | 6.1% | 7.0% |
| Group Average | 6.7% | 4.9% | 6.3% | 7.5% | 8.3% |
| Wabtec Corporation (WAB) | 13.2% | 9.4% | 9.1% | 10.5% | 10.5% |
| Railroad Average | 9.4% | 7.0% | 8.9% | 9.8% | 10.4% |

| FREE CASH FLOW YIELD (7) | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | |
| Canadian National (CNI) | 2.0% | 3.8% | 4.1% | 4.1% | 5.0% |
| Canadian Pacific (CP) | 2.5% | 0.6% | (0.9%) | 1.1% | 1.5% |
| CSX Corp. (CSX) | 4.2% | 2.9% | 4.7% | 3.6% | 3.8% |
| Norfolk Southern Corp. (NSC) | 4.4% | 3.0% | 4.6% | 2.9% | 3.0% |
| Union Pacific (UNP) | 3.0% | 2.9% | 3.0% | 3.7% | 4.6% |
| Group Average | 3.2% | 2.6% | 3.1% | 3.1% | 3.6% |
| Small-Cap Railroads | | | | | |
| Genesee and Wyoming (GWR) | 3.0% | 4.3% | 3.6% | 2.1% | 3.6% |
| Kansas City Southern (KSU) | (1.6%) | (0.9%) | 3.0% | 1.7% | 3.4% |
| RailAmerica (RA) | N/A | N/A | 4.8% | 5.6% | 7.8% |
| Group Average | 0.7% | 1.7% | 3.8% | 3.1% | 4.9% |
| Wabtec Corporation (WAB) | 5.5% | 7.8% | 5.5% | 6.4% | 7.0% |
| Railroad Average | 2.9% | 3.0% | 3.6% | 3.5% | 4.4% |

| FREE CASH FLOW RETURN ON AVG. TOTAL CAPITAL (3,6) | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | |
| Canadian National (CNI) | 3.4% | 6.0% | 8.8% | 8.3% | 9.5% |
| Canadian Pacific (CP) | 3.4% | 0.7% | (1.4%) | 1.5% | 2.1% |
| CSX Corp. (CSX) | 7.1% | 3.6% | 8.1% | 5.9% | 5.8% |
| Norfolk Southern Corp. (NSC) | 7.6% | 3.7% | 7.4% | 4.5% | 4.3% |
| Union Pacific (UNP) | 4.8% | 3.7% | 5.4% | 6.5% | 7.6% |
| Group Average | 5.3% | 3.5% | 5.7% | 5.3% | 5.9% |
| Small-Cap Railroads | | | | | |
| Genesee and Wyoming (GWR) | 5.6% | 5.2% | 6.8% | 3.5% | 5.3% |
| Kansas City Southern (KSU) | (2.3%) | (0.9%) | 4.4% | 2.5% | 5.0% |
| RailAmerica (RA) | 1.8% | (3.0%) | 3.9% | 4.8% | 7.0% |
| Group Average | 1.7% | 0.4% | 5.0% | 3.6% | 5.8% |
| Wabtec Corporation (WAB) | 14.2% | 12.2% | 11.5% | 11.1% | 11.2% |
| Railroad Average | 5.1% | 3.5% | 6.1% | 5.4% | 6.4% |

| NET DEBT RATIO (4) | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | |
| Canadian National (CNI) | 43.4% | 36.9% | 34.6% | 33.7% | 31.8% |
| Canadian Pacific (CP) | 56.1% | 50.1% | 48.1% | 46.6% | 44.1% |
| CSX Corp. (CSX) | 48.7% | 45.2% | 46.8% | 44.2% | 41.0% |
| Norfolk Southern Corp. (NSC) | 40.8% | 39.0% | 38.2% | 36.8% | 34.3% |
| Union Pacific (UNP) | 42.1% | 40.0% | 38.5% | 37.9% | 36.3% |
| Group Average | 46.2% | 42.2% | 41.3% | 39.8% | 37.5% |
| Small-Cap Railroads | | | | | |
| Genesee and Wyoming (GWR) | 56.9% | 39.5% | 44.8% | 41.5% | 34.5% |
| Kansas City Southern (KSU) | 56.6% | 51.2% | 43.6% | 42.4% | 37.4% |
| RailAmerica (RA) | 58.5% | 43.0% | 39.6% | 39.7% | 32.5% |
| Group Average | 57.3% | 44.6% | 42.7% | 41.2% | 34.8% |
| Wabtec Corporation (WAB) | 34.7% | 28.0% | 24.1% | 28.7% | -8.9% |
| Railroad Average | 48.6% | 41.4% | 39.8% | 39.1% | 31.5% |

| DEBT / EBITDA (8) | 2008 | 2009 | 2010E | 2011E | 2012E |
|---|---|---|---|---|---|
| Large-Cap Railroads | | | | | |
| Canadian National (CNI) | 2.2x | 2.0x | 1.6x | 1.5x | 1.3x |
| Canadian Pacific (CP) | 3.1x | 3.6x | 2.7x | 2.7x | 2.3x |
| CSX Corp. (CSX) | 2.1x | 2.6x | 2.1x | 1.9x | 1.8x |
| Norfolk Southern Corp. (NSC) | 1.7x | 2.6x | 2.0x | 1.8x | 1.7x |
| Union Pacific (UNP) | 1.6x | 2.1x | 1.4x | 1.3x | 1.1x |
| Group Average | 2.1x | 2.6x | 2.0x | 1.8x | 1.7x |
| Small-Cap Railroads | | | | | |
| Genesee and Wyoming (GWR) | 3.8x | 3.0x | 3.1x | 2.4x | 2.1x |
| Kansas City Southern (KSU) | 3.7x | 4.5x | 2.5x | 2.0x | 1.9x |
| RailAmerica (RA) | 4.9x | 4.8x | 3.7x | 2.9x | 2.3x |
| Group Average | 4.1x | 4.1x | 3.1x | 2.5x | 2.1x |
| Wabtec Corporation (WAB) | 1.9x | 2.0x | 2.0x | 2.5x | 1.3x |
| Railroad Average | 2.8x | 3.0x | 2.3x | 2.1x | 1.8x |

Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co. estimates.

## Exhibit 68. Wolfe Trahan Truck Universe — EPS and Book Value Multiples, 2008-12E

Footnotes:
(1) Most recently reported (quarterly basis) fully-diluted share count.
(2) Date of last rating change along with direction of change (U=Upgrade, D=Downgrade, S=Suspended, I=Initiated).
(3) Shown as year-end 2011 target prices. All based on forward P/E multiples, except YRCW, which is based on EV/EBITDA.
(4) Please go to WolfeTrahan.com/Disclosures for risks to our price targets for Outperform and Underperform rated stocks.
(5) "FactSet average rating" -- 1 = "Buy", 2="Hold", 3 = "Sell", all of which as defined by FactSet. "#Analysts" -- number of sell side analysts covering the stock.
(6) CGI's EPS are calendarized and P/E and EV/EBITDA are based on these calendarized estimates. All other numbers represent its June end Fiscal year. Our F11 and F12 EPS estimates are $0.62 and $0.76, respectively.
(7) Historical P/E multiples represent blended forward P/E estimates based on Consensus estimates. Blended forward multiples based on Wolfe Trahan estimates.
(8) Blended 12-Month Rolling Forward P/E, EV/EBITDA, and P/B consist of 12-month forward estimates from current date. Any NMs excluded from LTL, TL and Trucking P/E averages.
(9) Enterprise value defined as market cap plus debt minus cash and cash equivalents. Excludes OBD.
(10) S&P 500 forward EPS based on FactSet Consensus estimates.
(11) YRCW has been excluded from average P/E and P/B calculations. We assume 355.2M outstanding shares for C11 as a result of an impending shareholder dilution related to a significant debt for equity swap, an equity issuance to the Teamsters and a $300M capital raise that are contingencies of the amended labor agreement.

| SECTOR WEIGHTING: Market Overweight | Price ($) 8/19/2011 | 52 week range Low | 52 week range High | Share Count (MM) (1) | Market Cap (MM) | Rating | Rating Since (U/D) (2) | Target Price (3,4) | FactSet Avg. Rating / # Analysts (5) | Dividend Yield (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Truckload (TL) | | | | | | | | | | |
| Celadon Group, Inc. (CGI) | $10.26 | $9.97 | $16.80 | 22.7 | $233 | Peer Perform | 6/6/11 (U) | - | 1.3 / 12 firms | 0.8% |
| Covenant Transportation (CVTI) | $3.87 | $3.74 | $10.00 | 14.8 | $57 | Outperform | 10/21/10 (I) | $9 | 1.3 / 5 firms | - |
| Heartland Express (HTLD) | $13.06 | $12.75 | $18.12 | 90.7 | $1,184 | Peer Perform | 8/10/11 (U) | - | 1.8 / 19 firms | 0.6% |
| Knight Transportation (KNX) | $13.86 | $13.67 | $20.16 | 84.5 | $1,171 | Outperform | 6/7/10 (U) | $21 | 1.8 / 26 firms | 1.7% |
| Swift Transportation Co. (SWFT) | $6.40 | $6.33 | $15.57 | 140.7 | $901 | Outperform | 1/26/11 (I) | $17 | 1.3 / 16 firms | - |
| Werner Enterprises (WERN) | $20.51 | $19.67 | $27.17 | 73.2 | $1,502 | Outperform | 8/4/11 (U) | $29 | 1.4 / 25 firms | 1.0% |
| Less-than-Truckload (LTL) | | | | | | | | | | |
| Arkansas Best Corp. (ABFS) | $18.39 | $18.33 | $29.08 | 25.4 | $467 | Peer Perform | 9/8/10 (D) | - | 1.8 / 18 firms | 0.7% |
| Con-way Inc. (CNW) | $23.00 | $23.00 | $42.38 | 56.1 | $1,291 | Peer Perform | 4/12/10 (D) | - | 1.7 / 26 firms | 1.7% |
| Old Dominion (ODFL) | $28.03 | $23.14 | $40.12 | 57.4 | $1,610 | Outperform | 11/11/09 (U) | $51 | 1.4 / 20 firms | - |
| Saia, Inc. (SAIA) | $11.41 | $11.31 | $18.36 | 16.1 | $184 | Outperform | 3/17/11 (U) | $20 | 1.4 / 8 firms | - |
| YRC Worldwide Inc. (YRCW) (11) | $0.68 | $0.55 | $8.31 | 47.8 | $32 | Underperform | 10/12/10 (D) | $0 | 2.5 / 11 firms | - |
| Other Truck | | | | | | | | | | |
| Ryder System Inc. (R) | $40.86 | $37.00 | $60.38 | 51.0 | $2,084 | Underperform | 4/13/09 (D) | $50 | 1.4 / 15 firms | 2.8% |
| S&P 500 | 1,123.53 | 1,039.70 | 1,370.58 | - | - | - | - | - | - | 2.2% |

| Absolute Estimates 2008-2012E | EPS Estimates 2008 | 2009 | 2010 | 2011E | 2012E | Absolute P/E Multiples (7) 2009 Range | 2010 Range | 2011E | 2012E | Rolling 12 Month Forward (8) |
|---|---|---|---|---|---|---|---|---|---|---|
| Truckload (TL) | | | | | | | | | | |
| Celadon Group, Inc. (CGI) (6) | $0.31 | ($0.01) | $0.46 | $0.71 | $0.90 | NM | 16.6x-34.8x | 14.5x | 11.3x | 12.5x |
| Covenant Transportation (CVTI) | ($1.33) | ($0.85) | $0.20 | $0.33 | $0.70 | NM | 15.3x-50.1x | 11.9x | 5.5x | 7.1x |
| Heartland Express (HTLD) | $0.70 | $0.50 | $0.63 | $0.76 | $0.80 | 23.7x-33.7x | 21.3x-27.1x | 17.2x | 16.4x | 16.7x |
| Knight Transportation (KNX) | $0.65 | $0.60 | $0.72 | $0.74 | $1.05 | 20.1x-33.0x | 24.4x-31.2x | 18.7x | 13.2x | 15.0x |
| Swift Transportation Co. (SWFT) | ($2.03) | ($1.83) | ($0.62) | $0.55 | $0.96 | NA | NM | 11.6x | 6.6x | 8.1x |
| Werner Enterprises (WERN) | $0.94 | $0.78 | $1.10 | $1.45 | $1.62 | 16.0x-27.3x | 17.4x-22.4x | 14.1x | 12.7x | 13.2x |
| Group Average | - | - | - | - | - | 19.9x-31.4x | 19.0x-33.1x | 14.7x | 11.0x | 12.1x |
| Less-than-Truckload (LTL) | | | | | | | | | | |
| Arkansas Best Corp. (ABFS) | $1.16 | ($2.38) | ($1.30) | $0.19 | $1.00 | NM | NM | NM | 18.4x | 27.8x |
| Con-way Inc. (CNW) | $2.48 | $0.61 | $0.47 | $1.65 | $2.20 | 21.1x-78.7x | 56.0x-86.4x | 14.0x | 10.4x | 11.7x |
| Old Dominion (ODFL) | $1.23 | $0.62 | $1.35 | $2.22 | $2.55 | 20.0x-41.4x | 13.0x-23.8x | 12.6x | 11.0x | 11.6x |
| Saia, Inc. (SAIA) | $0.63 | ($0.66) | $0.08 | $0.65 | $1.15 | NM | NM | 17.5x | 9.9x | 12.1x |
| YRC Worldwide Inc. (YRCW) (11) | ($60.47) | ($253.75) | ($8.30) | ($0.23) | ($0.07) | NM | NM | NM | NM | NM |
| Group Average | - | - | - | - | - | 20.6x-60.0x | 34.5x-55.1x | 14.7x | 12.4x | 15.8x |
| Other Truck | | | | | | | | | | |
| Ryder System Inc. (R) | $4.53 | $1.56 | $2.25 | $3.41 | $4.00 | 12.2x-29.9x | 14.2x-23.5x | 12.0x | 10.2x | 10.9x |
| Trucking Average | - | - | - | - | - | 18.9x-40.7x | 22.3x-37.4x | 14.4x | 11.4x | 14.1x |
| S&P 500 (10) | 67.80 | 60.00 | 85.00 | 95.91 | 104.59 | 11.1x-18.8x | 11.9x-14.9x | 11.7x | 10.7x | 11.1x |

| 2009-2012E | Enterprise Value / EBITDA (9) 2009 Range | 2010 Range | 2011E | 2012E | Rolling 12 Month Forward (8) | Price / Book Value (Absolute) 2009 Range | 2010 Range | 2011E | 2012E | Rolling 12 Month Forward (8) |
|---|---|---|---|---|---|---|---|---|---|---|
| Truckload (TL) | | | | | | | | | | |
| Celadon Group, Inc. (CGI) (6) | 4.4x-9.7x | 3.8x-7.6x | 3.7x | 3.7x | 3.7x | 0.7x-2.3x | 1.1x-2.3x | 1.4x | 1.3x | 1.3x |
| Covenant Transportation (CVTI) | 3.7x-3.7x | 2.8x-2.8x | 3.9x | 3.2x | 3.5x | 0.2x-0.9x | 0.4x-1.4x | 0.5x | 0.5x | 0.5x |
| Heartland Express (HTLD) | 8.6x-12.5x | 7.4x-9.7x | 6.6x | 6.2x | 6.4x | 2.9x-4.2x | 3.7x-4.7x | 3.3x | 3.0x | 3.1x |
| Knight Transportation (KNX) | 6.7x-11.0x | 8.6x-11.0x | 6.6x | 5.3x | 5.9x | 2.0x-3.2x | 2.9x-3.7x | 2.4x | 2.2x | 2.2x |
| Swift Transportation Co. (SWFT) | NA | 5.2x-5.5x | 5.4x | 4.6x | 4.9x | NA | -8.1x--9.9x | 10.2x | 3.7x | 6.4x |
| Werner Enterprises (WERN) | 3.5x-6.0x | 4.8x-6.2x | 4.4x | 4.1x | 4.2x | 1.3x-2.2x | 2.0x-2.5x | 2.1x | 2.0x | 2.1x |
| Group Average | 5.4x-8.6x | 5.4x-7.1x | 5.1x | 4.5x | 4.8x | 1.4x-2.5x | 0.3x-0.8x | 3.3x | 2.1x | 2.6x |
| Less-than-Truckload (LTL) | | | | | | | | | | |
| Arkansas Best Corp. (ABFS) | NM | 19.8x-39.8x | 4.1x | 3.0x | 3.4x | 0.8x-1.7x | 1.0x-1.8x | 1.0x | 0.9x | 0.9x |
| Con-way Inc. (CNW) | 4.3x-9.9x | 6.1x-8.7x | 4.0x | 3.6x | 3.7x | 0.9x-3.4x | 1.7x-2.6x | 1.5x | 1.3x | 1.4x |
| Old Dominion (ODFL) | 5.6x-10.1x | 5.7x-9.5x | 6.1x | 5.1x | 5.5x | 1.2x-2.4x | 1.5x-2.7x | 1.6x | 1.6x | 1.6x |
| Saia, Inc. (SAIA) | 6.0x-10.5x | 5.0x-7.1x | 4.0x | 3.1x | 3.5x | 0.5x-1.3x | 0.9x-1.4x | 0.9x | 0.8x | 0.8x |
| YRC Worldwide Inc. (YRCW) (11) | NM | NM | 6.4x | 5.0x | NM | 0.3x-2.2x | NM | NM | NM | NM |
| Group Average | 5.3x-10.2x | 9.1x-16.3x | 4.9x | 4.0x | 4.1x | 0.7x-2.2x | 1.3x-2.1x | 1.2x | 1.2x | 1.2x |
| Other Truck | | | | | | | | | | |
| Ryder System Inc. (R) | 3.3x-4.6x | 3.6x-4.6x | 3.8x | 3.5x | 3.6x | 0.7x-1.8x | 1.2x-2.1x | 1.4x | 1.3x | 1.3x |
| Trucking Average | 5.1x-8.7x | 6.6x-10.2x | 4.9x | 4.2x | 4.4x | 1.0x-2.3x | 0.8x-1.4x | 2.4x | 1.7x | 2.0x |

Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co. estimates.

## Exhibit 69. Wolfe Trahan Truck Universe — Comparative Financial Returns, 2008-12E

Footnotes:
(1) Total operating expenses as a percentage of total revenue.
(2) Total Capital defined as total debt including off balance sheet debt plus total equity. Return on average total capital defined as net income + tax affected interest / total capital.
(3) Free Cash Flow defined as Cash from Operating activities - Net Capex and before dividends, acquisitions and share repurchases.
(4) Net Debt ratio defined as total debt (including OBD) - cash / total debt (including OBD) - cash + equity.
(5) Free Cash Flow (Cash from Operating activities - Net Capex and before dividends, acquisitions and share repurchases.) / Total debt + Total leases + Total equity. CGI is calendarized for comparability.
(6) CGI is on a June 30 Fiscal year end. Balance Sheet and Cash Flow figures are fiscal year-end numbers.
(7) Reported revenue and operating expenses include fuel surcharge revenue and gross fuel expense, respectively.
(8) Many TL and LTL Companies carry large Net Cash positions, resulting in the 0% Net Debt Ratios displayed.

| COMPOUND ANNUAL GROWTH RATES 2008 - 2012E (7) | Gross Revenue | Op. Inc. | EPS |
|---|---|---|---|
| Truckload (TL) | | | |
| Celadon Group, Inc. (CGI) (6) | 3.2% | 4.2% | 9.9% |
| Covenant Transportation (CVTI) | 1.2% | 5.7% | NM |
| Heartland Express (HTLD) | (1.8%) | (0.4%) | 0.4% |
| Knight Transportation (KNX) | 7.1% | 5.7% | 7.1% |
| Swift Transportation Co. (SWFT) | 2.9% | 24.7% | NM |
| Werner Enterprises (WERN) | 1.0% | 7.9% | 8.5% |
| Group Average | 2.2% | 8.0% | 6.5% |
| Less-than-Truckload (LTL) | | | |
| Arkansas Best Corp. (ABFS) | 1.3% | (13.8%) | (15.3%) |
| Con-way Inc. (CNW) | 4.8% | (3.2%) | (8.3%) |
| Old Dominion (ODFL) | NM | NM | NM |
| Saia, Inc. (SAIA) | 2.2% | 0.2% | (1.4%) |
| YRC Worldwide. (YRCW) | (14.5%) | NM | NM |
| Group Average | (1.5%) | (5.6%) | (8.3%) |
| Other Truck | | | |
| Ryder System Inc. (R) | 0.0% | (0.1%) | NM |
| Trucking Average | 0.7% | 3.1% | 0.1% |

| OPERATING RATIOS (1) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Truckload (TL) | | | | | |
| Celadon Group, Inc. (CGI) (6) | 96.7% | 97.8% | 97.5% | 95.2% | 94.8% |
| Covenant Transportation (CVTI) | 102.1% | 100.8% | 96.1% | 96.1% | 95.2% |
| Heartland Express (HTLD) | 85.0% | 85.5% | 82.8% | 81.0% | 80.0% |
| Knight Transportation (KNX) | 87.9% | 87.4% | 86.6% | 88.4% | 86.2% |
| Swift Transportation Co. (SWFT) | 95.9% | 94.8% | 90.3% | 91.4% | 90.3% |
| Werner Enterprises (WERN) | 94.8% | 94.2% | 92.6% | 91.2% | 90.8% |
| Group Average | 93.7% | 93.4% | 91.0% | 90.5% | 89.5% |
| Less-than-Truckload (LTL) | | | | | |
| Arkansas Best Corp. (ABFS) | 97.4% | 106.8% | 103.2% | 99.6% | 98.0% |
| Con-way Inc. (CNW) | 94.8% | 97.2% | 97.9% | 96.1% | 95.4% |
| Old Dominion (ODFL) | 94.3% | 90.7% | 88.2% | 87.5% | 0.0% |
| Saia, Inc. (SAIA) | 97.5% | 100.4% | 98.7% | 97.3% | 96.4% |
| YRC Worldwide. (YRCW) | 101.7% | 112.0% | 104.7% | 100.9% | 100.0% |
| Group Average | 97.1% | 101.4% | 98.5% | 96.3% | 78.0% |
| Other Truck | | | | | |
| Ryder System Inc. (R) | 90.6% | 94.1% | 93.8% | 93.0% | 92.6% |
| Trucking Average | 94.9% | 96.8% | 94.4% | 93.1% | 85.0% |

| RETURN ON AVERAGE TOTAL CAPITAL (2) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Truckload (TL) | | | | | |
| Celadon Group, Inc. (CGI) (6) | 2.5% | 1.0% | 1.5% | 4.1% | 5.2% |
| Covenant Transportation (CVTI) | (2.1%) | (0.7%) | 1.9% | 2.5% | 3.6% |
| Heartland Express (HTLD) | 19.0% | 15.2% | 17.5% | 21.2% | 18.9% |
| Knight Transportation (KNX) | 11.3% | 9.8% | 11.2% | 12.0% | 16.6% |
| Swift Transportation Co. (SWFT) | 5.4% | 4.9% | 22.6% | 8.1% | 11.1% |
| Werner Enterprises (WERN) | 8.3% | 7.7% | 11.5% | 15.3% | 16.3% |
| Group Average | 7.4% | 6.3% | 11.0% | 10.5% | 11.9% |
| Less-than-Truckload (LTL) | | | | | |
| Arkansas Best Corp. (ABFS) | 4.0% | (9.8%) | (5.6%) | 1.2% | 4.6% |
| Con-way Inc. (CNW) | 8.2% | 4.0% | 3.3% | 6.9% | 8.2% |
| Old Dominion (ODFL) | 8.1% | 4.2% | 7.6% | 10.3% | 10.1% |
| Saia, Inc. (SAIA) | 5.1% | (0.7%) | 2.8% | 6.2% | 8.5% |
| YRC Worldwide. (YRCW) | (4.9%) | (36.7%) | (20.8%) | 901.2% | (1.0%) |
| Group Average | 4.1% | (7.8%) | (2.6%) | 185.2% | 6.1% |
| Other Truck | | | | | |
| Ryder System Inc. (R) | 7.3% | 3.9% | 4.6% | 5.5% | 5.6% |
| Trucking Average | 6.0% | 0.2% | 4.8% | 82.9% | 9.0% |

| FREE CASH FLOW RETURN ON AVG. TOTAL CAPITAL (2,3) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Truckload (TL) | | | | | |
| Celadon Group, Inc. (CGI) (6) | 1.7% | 20.7% | 8.5% | 6.8% | 1.1% |
| Covenant Transportation (CVTI) | (5.3%) | (7.7%) | (2.6%) | (3.7%) | (1.7%) |
| Heartland Express (HTLD) | 25.0% | 6.0% | 30.1% | 6.1% | 16.0% |
| Knight Transportation (KNX) | 12.3% | 6.2% | 15.1% | 11.3% | 11.7% |
| Swift Transportation Co. (SWFT) | (0.7%) | 5.9% | (3.6%) | 5.7% | 8.5% |
| Werner Enterprises (WERN) | 17.5% | 13.2% | 15.9% | 25.7% | 12.1% |
| Group Average | 8.4% | 7.4% | 10.6% | 8.6% | 8.0% |
| Less-than-Truckload (LTL) | | | | | |
| Arkansas Best Corp. (ABFS) | 8.8% | 5.2% | 2.9% | (0.3%) | 2.1% |
| Con-way Inc. (CNW) | 4.8% | 12.1% | 0.5% | 1.4% | 3.3% |
| Old Dominion (ODFL) | 2.0% | (7.6%) | 3.4% | (5.9%) | (0.4%) |
| Saia, Inc. (SAIA) | 13.9% | 3.7% | 7.0% | (5.6%) | 3.4% |
| YRC Worldwide. (YRCW) | 9.4% | (21.7%) | 7.7% | 2058.0% | 0.0% |
| Group Average | 7.8% | (1.7%) | 4.3% | 409.5% | 1.7% |
| Other Truck | | | | | |
| Ryder System Inc. (R) | 7.2% | 14.0% | 5.9% | (6.7%) | (3.7%) |
| Trucking Average | 8.0% | 4.2% | 7.6% | 174.4% | 4.4% |

| NET DEBT RATIO (4,8) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Truckload (TL) | | | | | |
| Celadon Group, Inc. (CGI) (6) | 60.5% | 61.6% | 56.6% | 48.8% | 46.4% |
| Covenant Transportation (CVTI) | 69.9% | 77.3% | 77.2% | 77.6% | 76.6% |
| Heartland Express (HTLD) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Knight Transportation (KNX) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Swift Transportation Co. (SWFT) | 121.4% | 153.9% | 104.2% | 95.3% | 86.6% |
| Werner Enterprises (WERN) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Group Average | 42.0% | 48.8% | 39.7% | 36.9% | 34.9% |
| Less-than-Truckload (LTL) | | | | | |
| Arkansas Best Corp. (ABFS) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Con-way Inc. (CNW) | 58.0% | 50.2% | 42.2% | 41.4% | 37.8% |
| Old Dominion (ODFL) | 33.3% | 37.7% | 32.5% | 32.2% | 29.1% |
| Saia, Inc. (SAIA) | 44.8% | 37.1% | 32.4% | 34.6% | 30.8% |
| YRC Worldwide. (YRCW) | 70.9% | 86.1% | 126.1% | (204.0%) | 323.0% |
| Group Average | 41.4% | 42.2% | 46.7% | (19.2%) | 84.1% |
| Other Truck | | | | | |
| Ryder System Inc. (R) | 69.8% | 65.3% | 66.6% | 69.6% | 69.5% |
| Trucking Average | 44.0% | 47.4% | 44.8% | 16.3% | 58.3% |

| FREE CASH FLOW YIELD (5) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Truckload (TL) | | | | | |
| Celadon Group, Inc. (CGI) (6) | 9.4% | 12.1% | 6.3% | 3.2% | 0.5% |
| Covenant Transportation (CVTI) | (8.0%) | (9.9%) | (4.4%) | (6.6%) | (3.2%) |
| Heartland Express (HTLD) | 5.9% | 1.8% | 8.6% | 1.7% | 4.8% |
| Knight Transportation (KNX) | 4.3% | 2.5% | 4.7% | 3.4% | 3.5% |
| Swift Transportation Co. (SWFT) | NA | NA | (2.4%) | 4.1% | 5.9% |
| Werner Enterprises (WERN) | 8.9% | 7.9% | 7.0% | 11.3% | 5.6% |
| Group Average | 4.1% | 2.9% | 3.3% | 2.8% | 2.9% |
| Less-than-Truckload (LTL) | | | | | |
| Arkansas Best Corp. (ABFS) | 9.3% | 6.1% | 2.9% | (0.3%) | 2.3% |
| Con-way Inc. (CNW) | 4.1% | 10.8% | 1.0% | (0.1%) | 2.2% |
| Old Dominion (ODFL) | 1.3% | (21.7%) | 2.2% | (4.6%) | (0.3%) |
| Saia, Inc. (SAIA) | 13.9% | 3.4% | 5.9% | (4.6%) | 2.9% |
| YRC Worldwide. (YRCW) | 8.8% | (19.0%) | 3.6% | (4.9%) | (5.6%) |
| Group Average | 7.5% | (4.1%) | 3.1% | (2.9%) | 0.3% |
| Other Truck | | | | | |
| Ryder System Inc. (R) | 5.7% | 13.6% | 4.6% | (5.7%) | (3.5%) |
| Trucking Average | 5.8% | 0.7% | 3.3% | (0.3%) | 1.3% |

Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co. estimates.

## Exhibit 70. Wolfe Trahan Airfreight Universe — EPS and Book Value Multiples, 2008-12E

Footnotes:
(1) TNTE price and EPS denominated in Euros (€); traded on Euronext Amsterdam. Historical per share numbers based on current sharecount of 542M.
(2) "FactSet average rating" -- 1 = "Buy", 2= "Hold", 3 = "Sell", all of which as defined by FactSet. "#Analysts" -- number of sell side analysts covering the stock.
(3) FDX earnings model numbers are calendarized. We are estimating F11, F12, and F13 at $4.83, $5.75, and $6.60 ending May 31, 2011, 2012, and 2013. Actual F09 and F10 EPS of $3.71 and $3.80.
(4) S&P 500 forward EPS based on FactSet Consensus estimates.
(5) Most recently reported (quarterly basis) fully diluted share count.
(6) Date of last rating change along with direction of change (U=Upgrade, D=Downgrade, S=Suspended, I=Initiated).
(7) UTIW fiscal year ends January 31. F11, F12, and F13 end Jan. 31, 2011, 2012 and 2013, and represent calendar years 2010, 2011, and 2012 respectively.
(8) Enterprise value defined as market cap plus debt minus cash and cash equivalents. Excludes OBD (FDX, TNT, UPS, AAWW and PACR EV/EBITDARs include Off-Balance Sheet Debt in EV and includes associated Rental Expense).
(9) Historical P/E multiples represent blended forward P/E estimates.
(10) Shown as year-end 2011 target price based on forward P/E multiples; Year-end 2012 target price for TNTE.
(11) Please go to WolfeTrahan.com/Disclosures for risks to our price targets for Outperform and Underperform rated stocks.
(12) Blended 12-Month Rolling Forward P/E, EV/EBITDA, and P/B consist of 12-month forward estimates from current date. FDX's Forward EV/EBITDAR is calendarized for comparability.

| SECTOR WEIGHTING: Market Overweight | Price ($) 8/19/2011 | 52 week range Low | High | Share Count (MM) (5) | Market Cap (MM) | Rating | Rating Since (U/D) (6) | Target Price (10,11) | FactSet Avg. Rating/ # Analysts (2) | Dividend Yield (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | | | | | | |
| FedEx Corp. (FDX) | $73.16 | $72.89 | $98.66 | 318.0 | $23,265 | Peer Perform | 3/18/10 (D) | - | 1.3 / 30 firms | 0.7% |
| TNT Express N.V. (TNTE €) (1) | € 6.20 | € 6.11 | € 10.00 | 542.0 | €3,362 | Outperform | 7/18/11 (I) | €10 | 2.0 / 25 firms | 1.3% |
| United Parcel Service (UPS) | $61.70 | $60.74 | $77.00 | 998.0 | $61,577 | Outperform | 1/11/10 (U) | $81 | 1.3 / 30 firms | 3.4% |
| Atlas Air Worldwide (AAWW) | $41.51 | $39.66 | $73.19 | 26.5 | $1,100 | Peer Perform | 11/23/10 (D) | - | 1.3 / 10 firms | - |
| Non-Asset-Based Forwarders | | | | | | | | | | |
| C.H. Robinson (CHRW) | $63.67 | $62.30 | $82.61 | 165.2 | $10,518 | Outperform | 10/3/08 (U) | $88 | 1.7 / 28 firms | 1.8% |
| Expeditors International (EXPD) | $40.33 | $39.21 | $57.15 | 215.7 | $8,698 | Outperform | 11/23/10 (U) | $59 | 1.7 / 19 firms | 1.2% |
| Asset-Light Forwarders | | | | | | | | | | |
| Forward Air (FWRD) | $24.25 | $22.39 | $36.32 | 29.9 | $724 | Underperform | 11/23/10 (D) | $29 | 1.5 / 14 firms | 1.2% |
| Hub Group (HUBG) | $28.15 | $25.47 | $40.86 | 37.0 | $1,042 | Outperform | 8/10/11 (U) | $38 | 1.1 / 17 firms | - |
| J.B. Hunt Transport (JBHT) | $36.93 | $32.05 | $49.12 | 123.3 | $4,553 | Outperform | 10/14/09 (U) | $63 | 1.3 / 29 firms | 1.3% |
| Landstar System (LSTR) | $37.06 | $35.10 | $49.66 | 47.9 | $1,776 | Underperform | 10/15/10 (D) | $44 | 1.4 / 23 firms | 0.6% |
| Pacer International (PACR) | $4.00 | $3.76 | $7.29 | 35.1 | $140 | Underperform | 10/12/10 (D) | $3.50 | 1.9 / 11 firms | - |
| Universal Truckload (UACL) | $12.26 | $11.14 | $17.69 | 15.6 | $191 | Peer Perform | 3/9/09 (D) | - | 1.8 / 5 firms | - |
| UTi Worldwide (UTIW) | $12.27 | $12.21 | $24.05 | 104.0 | $1,276 | Peer Perform | 3/24/11 (D) | - | 1.7 / 16 firms | 0.5% |
| S&P 500 | 1,123.53 | 1,039.70 | 1,370.58 | - | - | - | - | - | - | 2.2% |

| Absolute Estimates 2008-2012E | EPS Estimates 2008 | 2009 | 2010 | 2011E | 2012E | Absolute P/E Multiples (9) 2009 Range | 2010 Range | 2011E | 2012E | 12 Month Rolling Forward (12) |
|---|---|---|---|---|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | | | | | | |
| FedEx Corp. (FDX) (3) | $5.21 | $2.73 | $4.51 | $5.78 | $6.61 | 18.2x-35.8x | 15.5x-21.9x | 12.7x | 11.1x | 11.7x |
| TNT Express N.V. (TNTE €) (1) | €0.39 | €0.21 | €0.27 | €0.29 | €0.47 | NA | NA | 21.2x | 13.2x | 15.7x |
| United Parcel Service (UPS) | $3.50 | $2.31 | $3.56 | $4.27 | $4.90 | 16.5x-25.9x | 15.7x-20.8x | 14.4x | 12.6x | 13.3x |
| Group Average | - | - | - | - | - | 17.3x-30.8x | 15.6x-21.3x | 16.1x | 12.3x | 13.6x |
| Atlas Air Worldwide (AAWW) | $1.34 | $3.45 | $5.78 | $4.54 | $5.30 | 2.9x-11.1x | 6.1x-10.7x | 9.2x | 7.8x | 8.3x |
| Non-Asset-Based Forwarders | | | | | | | | | | |
| C.H. Robinson (CHRW) | $2.08 | $2.13 | $2.33 | $2.69 | $3.20 | 17.5x-28.9x | 21.9x-34.7x | 23.7x | 19.9x | 21.3x |
| Expeditors International (EXPD) | $1.37 | $1.11 | $1.59 | $1.85 | $2.15 | 21.5x-34.3x | 20.4x-36.0x | 21.8x | 18.8x | 19.9x |
| Group Average | - | - | - | - | - | 19.5x-31.6x | 21.1x-35.4x | 22.7x | 19.3x | 20.6x |
| Asset-Light Forwarders | | | | | | | | | | |
| Forward Air (FWRD) | $1.46 | $0.49 | $1.10 | $1.52 | $1.70 | 27.5x-53.6x | 19.9x-27.5x | 16.0x | 14.3x | 14.9x |
| Hub Group (HUBG) | $1.58 | $0.95 | $1.16 | $1.60 | $1.80 | 15.5x-30.1x | 18.5x-31.9x | 17.6x | 15.7x | 16.4x |
| J.B. Hunt Transport (JBHT) | $1.53 | $1.10 | $1.58 | $2.07 | $2.50 | 16.4x-31.5x | 18.6x-26.1x | 17.8x | 14.8x | 15.9x |
| Landstar (LSTR) | $2.09 | $1.37 | $1.81 | $2.25 | $2.52 | 19.9x-30.4x | 19.2x-25.5x | 16.5x | 14.7x | 15.4x |
| Pacer International (PACR) | $1.54 | ($0.64) | $0.08 | $0.31 | $0.35 | NM | NM | 12.7x | 11.5x | 12.0x |
| Universal Truckload (UACL) | $1.07 | $0.36 | $0.60 | $0.90 | $1.10 | 28.3x-54.2x | 21.5x-32.0x | 13.6x | 11.2x | 12.1x |
| UTi Worldwide (UTIW) (7) | $0.91 | $0.45 | $0.69 | $0.76 | $0.92 | 22.2x-35.3x | 17.9x-32.5x | 16.1x | 13.3x | 14.3x |
| Group Average | - | - | - | - | - | 21.6x-39.2x | 19.3x-29.3x | 15.8x | 13.6x | 14.4x |
| Universe Average | - | - | - | - | - | 18.8x-33.7x | 17.7x-27.2x | 16.4x | 13.8x | 14.7x |
| S&P 500 (4) | 67.80 | 60.00 | 85.00 | 95.91 | 104.59 | 11.1x-18.8x | 11.9x-14.9x | 11.7x | 11.1x | 11.1x |

| 2009-2012E | Enterprise Value / EBITDA(R) (8) 2009 Range | 2010 Range | 2011E | 2012E | 12 Month Rolling Forward (12) | Price / Book Value (Absolute) 2009 Range | 2010 Range | 2011E | 2012E | 12 Month Rolling Forward (12) |
|---|---|---|---|---|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | | | | | | |
| FedEx Corp. (FDX) (3) | 5.3x-8.5x | 6.1x-7.8x | 5.5x | 5.0x | 5.2x | 1.1x-2.2x | 1.5x-2.1x | 1.4x | 1.3x | 1.3x |
| TNT Express N.V. (TNTE €) (1) | NA | NA | 5.1x | 5.0x | 5.0x | NA | NA | 1.1x | 1.1x | 1.1x |
| United Parcel Service (UPS) | 7.9x-11.5x | 8.1x-10.4x | 7.7x | 7.0x | 7.3x | 5.0x-7.8x | 7.0x-9.2x | 7.1x | 6.9x | 7.0x |
| Group Average | 5.7x-8.7x | 7.1x-9.1x | 6.1x | 5.7x | 5.9x | 3.0x-5.0x | 4.2x-5.7x | 3.2x | 3.1x | 3.1x |
| Atlas Air Worldwide (AAWW) | 4.9x-6.7x | 4.8x-6.4x | 7.3x | 5.9x | 6.5x | 0.2x-0.9x | 0.8x-1.4x | 0.9x | 0.8x | 0.9x |
| Non-Asset-Based Forwarders | | | | | | | | | | |
| C.H. Robinson (CHRW) | 9.6x-16.3x | 11.9x-19.1x | 13.6x | 11.7x | 12.5x | 5.9x-9.7x | 7.1x-11.2x | 8.1x | 7.4x | 7.7x |
| Expeditors International (EXPD) | 10.0x-17.2x | 9.5x-17.9x | 11.2x | 9.8x | 10.4x | 3.3x-5.3x | 4.0x-7.1x | 4.7x | 4.3x | 4.5x |
| Group Average | 9.8x-16.8x | 11.3x-19.7x | 12.4x | 10.7x | 11.4x | 4.6x-7.5x | 5.5x-9.1x | 6.4x | 5.9x | 6.1x |
| Asset-Light Forwarders | | | | | | | | | | |
| Forward Air (FWRD) | 8.9x-17.0x | 7.0x-9.4x | 7.5x | 6.7x | 7.0x | 1.7x-3.4x | 2.5x-3.4x | 2.5x | 2.2x | 2.3x |
| Hub Group (HUBG) | 6.5x-14.4x | 8.4x-15.1x | 9.9x | 8.8x | 9.3x | 1.6x-3.0x | 2.1x-3.7x | 2.4x | 2.1x | 2.3x |
| J.B. Hunt Transport (JBHT) | 6.6x-11.4x | 8.0x-10.8x | 8.0x | 7.0x | 7.4x | 3.6x-7.0x | 6.6x-9.2x | 8.0x | 6.7x | 7.2x |
| Landstar (LSTR) | 10.2x-15.6x | 10.7x-14.1x | 9.2x | 8.7x | 8.9x | 5.2x-8.0x | 6.9x-9.1x | 6.8x | 6.7x | 6.7x |
| Pacer International (PACR) | 12.9x-3.0x | 4.5x-6.9x | 4.5x | 4.8x | 4.5x | 0.6x-4.0x | 1.0x-3.3x | 1.3x | 1.1x | 1.2x |
| Universal Truckload (UACL) | 7.5x-15.0x | 6.5x-10.1x | 5.3x | 4.6x | 4.9x | 1.0x-2.0x | 1.3x-1.9x | 1.1x | 1.0x | 1.0x |
| UTi Worldwide (UTIW) | 7.1x-11.4x | 4.9x-8.1x | 6.0x | 5.3x | 5.6x | 1.3x-2.0x | 1.4x-2.6x | 1.2x | 1.3x | 1.3x |
| Group Average | 7.8x-14.2x | 8.3x-12.6x | 7.2x | 6.6x | 6.8x | 2.4x-4.2x | 3.5x-5.0x | 3.3x | 3.0x | 3.1x |
| Universe Average | 7.2x-12.9x | 8.0x-12.6x | 7.7x | 7.0x | 7.3x | 2.7x-4.7x | 3.7x-5.5x | 3.6x | 3.3x | 3.4x |

Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co. estimates.

## Exhibit 71. Wolfe Trahan Airfreight Universe — Comparative Financial Returns, 2008-12E

Footnotes:
(1) Total Capital defined as total debt including off balance sheet debt plus total equity. Return on average total capital defined as net income + tax affected interest / total capital.
(2) Net Debt ratio defined as total debt (including OBD) - cash / total debt (including OBD) - cash + equity.
(3) Free Cash Flow defined as Cash from Operating activities - Net Capex and before dividends, acquisitions and share repurchases.
(4) Balance Sheet and Cash Flow figures for FDX are fiscal year-end numbers.
(5) Total operating expenses as a percentage of total revenue
(6) Reported revenue and operating expenses include fuel surcharge revenue and gross fuel expense, respectively.
(7) TNTE debt includes provisions and off-balance-sheet debt.
(8) Fiscal year ending January data for UTIW (e.g. 2010 data based on fiscal 2011 results).
(9) Non-Asset Based Operating Ratios are Net Operating Ratio (Operating Expenses divided by Net Revenue [Gross Rev less Purchased Trans]).
(10) Our Non-Asset Based and many of our Asset-Light Companies carry large Net Cash positions, resulting in the 0% Net Debt Ratios displayed.
(11) Free Cash Flow (Cash from Operating activities - Net Capex and before dividends, acquisitions and share repurchases.) / Total debt + Total leases + Total equity. FDX is calendarized for comparability.
(12) TNTE denominated in Euros (€) traded on Euronext Amsterdam.

| COMPOUND ANNUAL GROWTH RATES 2008-2012E (6) | Gross Revenue | Op. Inc. | EPS |
|---|---|---|---|
| Express/Parcel Carriers | | | |
| FedEx Corp. (FDX) (4) | 4.3% | 1.3% | 0.8% |
| TNT Express N.V. (TNTE €) (12) | 2.3% | 2.9% | 3.8% |
| United Parcel Service (UPS) | 2.6% | 1.6% | 3.5% |
| Group Average | 3.1% | 1.9% | 2.7% |
| Atlas Air Worldwide (AAWW) | 1.0% | 8.8% | (3.0%) |
| Non-Asset-Based Forwarders | | | |
| C.H. Robinson (CHRW) | 10.5% | 10.6% | 11.4% |
| Expeditors International (EXPD) | 6.2% | 11.8% | 12.1% |
| Group Average | 8.3% | 11.2% | 11.8% |
| Asset-Light Forwarders | | | |
| Forward Air (FWRD) | 7.6% | 3.2% | 2.5% |
| Hub Group (HUBG) | 13.0% | 3.7% | 3.8% |
| J.B. Hunt Transport (JBHT) | 8.2% | 6.6% | 11.0% |
| Landstar System (LSTR) | 1.9% | (0.5%) | 4.3% |
| Pacer International (PACR) | (4.4%) | (25.4%) | (26.6%) |
| Universal Truckload (UACL) | 2.0% | (1.3%) | (0.2%) |
| UTi Worldwide (UTIW) (8) | 4.1% | 1.1% | (2.0%) |
| Group Average | 4.6% | (1.8%) | (1.0%) |
| Universe Average | 4.6% | 1.9% | 1.7% |

| OPERATING RATIOS (5) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | |
| FedEx Corp. (FDX) (4) | 93.1% | 95.5% | 93.6% | 92.9% | 92.4% |
| TNT Express N.V. (TNT €) (12) | lying Ope | 94.4% | 96.1% | 95.4% | 95.8% |
| United Parcel Service (UPS) | 88.4% | 91.2% | 88.1% | 87.3% | 86.6% |
| Group Average | 90.8% | 93.7% | 92.6% | 91.9% | 91.6% |
| Atlas Air Worldwide (AAWW) | 94.6% | 85.9% | 81.8% | 86.0% | 85.8% |
| Non-Asset-Based Forwarders (9) | | | | | |
| C.H. Robinson (CHRW) | 93.3% | 92.3% | 93.3% | 93.0% | 93.0% |
| Expeditors International (EXPD) | 91.6% | 90.6% | 90.8% | 90.0% | 89.5% |
| Group Average | 92.5% | 91.4% | 92.1% | 91.5% | 91.3% |
| Asset-Light Forwarders | | | | | |
| Forward Air (FWRD) | 85.2% | 93.8% | 88.9% | 86.0% | 85.3% |
| Hub Group (HUBG) | 94.9% | 96.23% | 96.19% | 96.5% | 96.4% |
| J.B. Hunt Transport (JBHT) | 90.3% | 91.9% | 90.7% | 90.3% | 90.0% |
| Landstar System (LSTR) | 92.9% | 94.4% | 94.0% | 93.2% | 93.3% |
| Pacer International (PACR) | 79.0% | 112.2% | 96.2% | 92.3% | 91.2% |
| Universal Truckload (UACL) | 96.4% | 98.2% | 97.5% | 96.8% | 96.5% |
| UTi Worldwide (UTIW) (8) | 96.8% | 97.6% | 97.3% | 97.1% | 96.9% |
| Group Average | 90.8% | 97.8% | 94.4% | 93.2% | 92.8% |
| Universe Average | 91.4% | 94.9% | 92.7% | 92.1% | 91.7% |

| RETURN ON AVERAGE TOTAL CAPITAL (1) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | |
| FedEx Corp. (FDX) (4) | 7.3% | 4.6% | 5.0% | 6.4% | 7.5% |
| TNT Express N.V. (TNTE €) (12) | 5.1% | 2.9% | 4.5% | 4.6% | 6.7% |
| United Parcel Service (UPS) | 18.0% | 14.1% | 19.8% | 21.9% | 23.9% |
| Group Average | 10.1% | 7.2% | 9.8% | 11.0% | 12.7% |
| Atlas Air Worldwide (AAWW) | 5.8% | 8.9% | 13.3% | 8.6% | 8.5% |
| Non-Asset-Based Forwarders | | | | | |
| C.H. Robinson (CHRW) | 30.7% | 30.5% | 31.3% | 32.7% | 35.7% |
| Expeditors International (EXPD) | 22.0% | 15.5% | 19.6% | 21.0% | 22.6% |
| Group Average | 26.3% | 23.0% | 25.4% | 26.8% | 29.2% |
| Asset-Light Forwarders | | | | | |
| Forward Air (FWRD) | 14.9% | 3.0% | 9.0% | 12.0% | 12.5% |
| Hub Group (HUBG) | 16.3% | 8.8% | 10.3% | 12.5% | 12.4% |
| J.B. Hunt Transport (JBHT) | 18.2% | 13.4% | 17.9% | 20.5% | 21.6% |
| Landstar System (LSTR) | 25.7% | 16.2% | 21.7% | 25.6% | 27.2% |
| Pacer International (PACR) | 7.7% | -4.5% | 0.0% | 2.1% | 2.2% |
| Universal Truckload (UACL) | 10.5% | 3.4% | 5.6% | 7.8% | 8.5% |
| UTi Worldwide (UTIW) (8) | 7.5% | 4.0% | 5.4% | 5.8% | 6.7% |
| Group Average | 14.4% | 6.3% | 10.0% | 12.3% | 13.0% |
| Universe Average | 14.6% | 9.3% | 12.6% | 14.0% | 15.1% |

| FREE CASH FLOW RETURN ON AVG. TOTAL CAPITAL (1,3) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | |
| FedEx Corp. (FDX) (4) | 2.3% | 1.4% | 1.4% | 2.8% | (0.6%) |
| TNT Express N.V. (TNTE €) (12) | 6.1% | 3.0% | 2.3% | 3.5% | 5.9% |
| United Parcel Service (UPS) | 28.1% | 20.7% | 14.3% | 24.7% | 25.8% |
| Group Average | 12.2% | 8.4% | 6.0% | 10.3% | 10.4% |
| Atlas Air Worldwide (AAWW) | 10.0% | 9.9% | 14.7% | 10.9% | 11.4% |
| Non-Asset-Based Forwarders | | | | | |
| C.H. Robinson (CHRW) | 36.6% | 28.7% | 24.7% | 34.4% | 36.8% |
| Expeditors International (EXPD) | 25.5% | 19.0% | 20.1% | 21.1% | 23.5% |
| Group Average | 31.1% | 23.9% | 22.4% | 27.8% | 30.1% |
| Asset-Light Forwarders | | | | | |
| Forward Air (FWRD) | 11.1% | 8.7% | 11.2% | 12.7% | 13.7% |
| Hub Group (HUBG) | 12.9% | 10.2% | 3.0% | (1.3%) | 8.7% |
| J.B. Hunt Transport (JBHT) | 24.2% | 9.7% | 16.5% | 4.2% | 16.0% |
| Landstar System (LSTR) | 27.0% | 30.6% | 20.5% | 31.2% | 30.9% |
| Pacer International (PACR) | 5.4% | 5.1% | 2.9% | 4.4% | 0.7% |
| Universal Truckload (UACL) | 15.4% | 0.7% | 1.7% | 6.4% | 10.4% |
| UTi Worldwide (UTIW) (8) | 6.2% | 7.0% | 0.9% | 5.4% | 5.9% |
| Group Average | 14.6% | 10.3% | 8.1% | 9.0% | 12.3% |
| Universe Average | 16.2% | 11.9% | 10.3% | 12.3% | 14.6% |

| NET DEBT RATIO (2) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | |
| FedEx Corp. (FDX) (4) | 42.2% | 41.8% | 39.6% | 35.6% | 34.0% |
| TNT Express N.V. (TNTE €) (7,12) | 16.8% | 6.1% | 24.3% | 22.6% | 17.3% |
| United Parcel Service (UPS) | 59.5% | 52.7% | 49.5% | 42.0% | 38.1% |
| Group Average | 50.8% | 47.3% | 44.6% | 38.8% | 36.1% |
| Atlas Air Worldwide (AAWW) | 72.5% | 62.5% | 54.3% | 64.0% | 67.4% |
| Non-Asset-Based Forwarders (10) | | | | | |
| C.H. Robinson (CHRW) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Expeditors International (EXPD) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Group Average | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Asset-Light Forwarders (10) | | | | | |
| Forward Air (FWRD) | 31.2% | 25.0% | 15.7% | 1.5% | 0.0% |
| Hub Group (HUBG) | 0.0% | 0.0% | 0.0% | 5.2% | 0.0% |
| J.B. Hunt Transport (JBHT) | 54.7% | 46.7% | 53.2% | 59.9% | 55.4% |
| Landstar System (LSTR) | 19.0% | 8.3% | 25.4% | 21.1% | 22.8% |
| Pacer International (PACR) | 58.8% | 79.1% | 78.7% | 76.7% | 74.9% |
| Universal Truckload (UACL) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| UTi Worldwide (UTIW) (8) | 33.8% | 27.1% | 26.8% | 17.6% | 14.7% |
| Group Average | 28.2% | 26.6% | 28.6% | 26.0% | 24.0% |
| Universe Average | 29.9% | 26.9% | 28.3% | 26.6% | 25.0% |

| FREE CASH FLOW YIELD (11) | 2008 | 2009 | 2010 | 2011E | 2012E |
|---|---|---|---|---|---|
| Express/Parcel Carriers | | | | | |
| FedEx Corp. (FDX) (4) | 1.5% | 1.1% | 1.6% | 0.6% | 0.8% |
| TNT Express N.V. (TNTE €) (12) | NA | NA | NA | 3.2% | 5.6% |
| United Parcel Service (UPS) | 8.4% | 6.5% | 3.9% | 7.4% | 7.9% |
| Group Average | 4.9% | 3.8% | 2.7% | 4.0% | 4.3% |
| Atlas Air Worldwide (AAWW) | (13.6%) | 8.3% | 7.8% | (11.6%) | (11.7%) |
| Non-Asset-Based Forwarders | | | | | |
| C.H. Robinson (CHRW) | 5.0% | 4.2% | 2.8% | 4.5% | 5.2% |
| Expeditors International (EXPD) | 4.7% | 5.0% | 4.1% | 5.2% | 6.2% |
| Group Average | 4.8% | 4.6% | 3.4% | 4.9% | 5.7% |
| Asset-Light Forwarders | | | | | |
| Forward Air (FWRD) | 3.5% | 4.5% | 5.0% | 6.3% | 7.2% |
| Hub Group (HUBG) | 4.0% | 5.6% | 1.1% | (0.6%) | 4.4% |
| J.B. Hunt Transport (JBHT) | 6.4% | 2.9% | 3.9% | 1.1% | 4.6% |
| Landstar System (LSTR) | 5.1% | 8.1% | 5.1% | 7.3% | 7.3% |
| Pacer International (PACR) | 3.9% | 4.8% | 2.3% | 3.9% | 0.6% |
| Universal Truckload (UACL) | 8.2% | 0.5% | 1.1% | 6.3% | 11.2% |
| UTi Worldwide (UTIW) (8) | 4.4% | 5.9% | 0.6% | 5.3% | 5.9% |
| Group Average | 5.1% | 4.6% | 2.7% | 4.2% | 5.9% |
| Universe Average | 3.5% | 4.8% | 3.3% | 3.0% | 4.2% |

Source: FactSet Research Systems Inc.; Company reports; Wolfe Trahan & Co. estimates.

## DISCLOSURE SECTION

**<u>Analyst Certification</u>:**

The analyst of Wolfe Trahan & Co. primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

**<u>Other Disclosures</u>:**

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Trahan & Co. and its affiliates, including but not limited to WR Securities, LLC, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Trahan & Co. or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeTrahan.com/Disclosures.

The views expressed in Wolfe Trahan & Co. fundamental research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in Wolfe Trahan & Co. portfolio strategy and quantitative research modeling screens.



This report is limited for the sole use of clients of Wolfe Trahan & Co. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Trahan & Co. content. Any distribution of the content produced by Wolfe Trahan & Co. will violate the understanding of the terms of our relationship.

Wolfe Trahan & Co.
420 Lexington Avenue, Suite 648
New York, NY 10170
(646) 845-0700
WolfeTrahan.com