Transport Capital Partners, LLC

Business Expectations Survey Results

Fourth Quarter 2009

Transport Capital Partners

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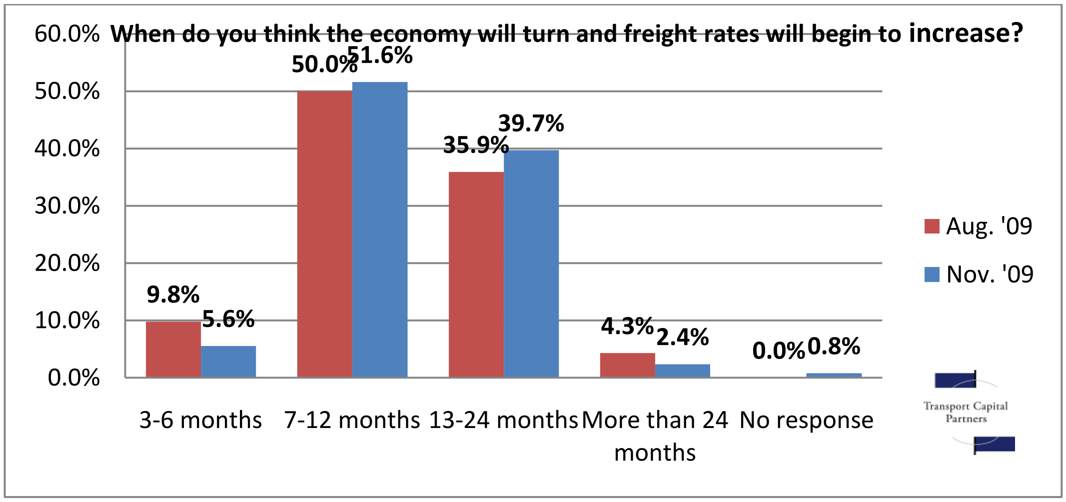
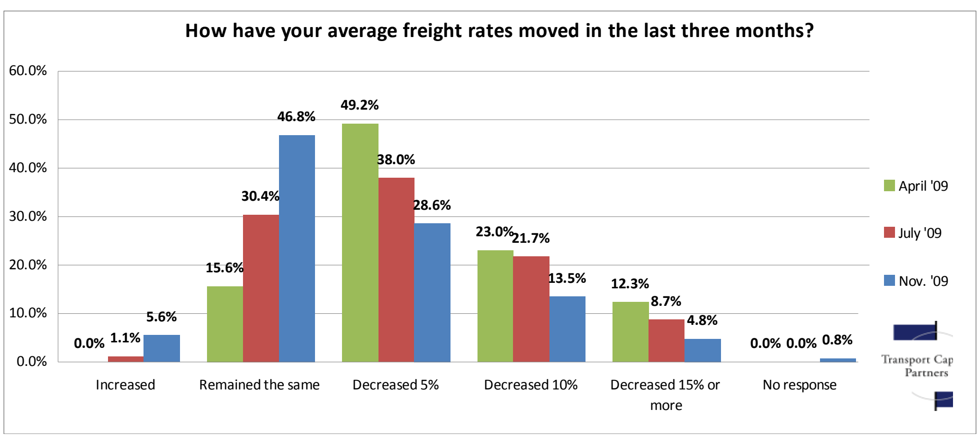
Table 1a



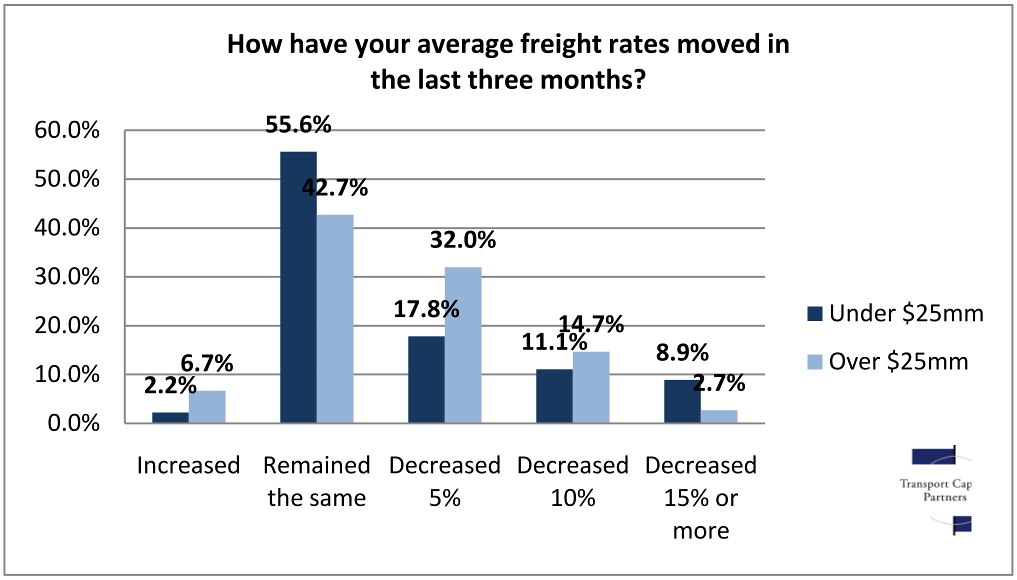
Like most economic forecasts, a slight majority of the trucking industry believes that the economy will begin to turn during the second half of 2010. However, 40% still think that recovery will not happen until 2011. Fewer carriers expect a quick turnaround than they did in August. An analysis of carriers with revenue under $25 million and those above $25 million indicates similar responses.

Table 1b



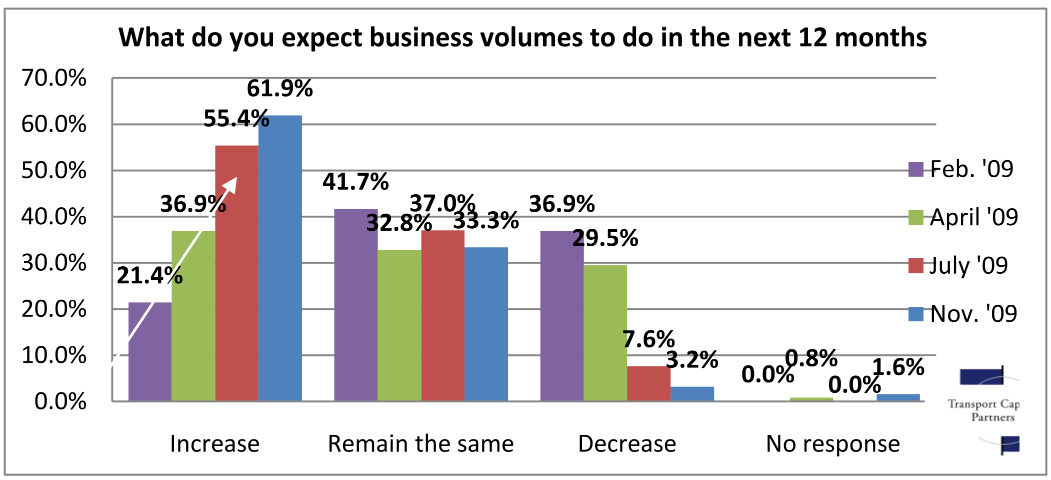
Part of the reason for the carriers' optimism about the economy is probably attributable to the fact that over the last three months, 46.8% of the carriers have seen rates remain the same. About an equal amount -- 46.9% -- have seen rates decrease from 5 to 15% or more. The good news is that a small percentage has seen an increase in rates.

Table 2a



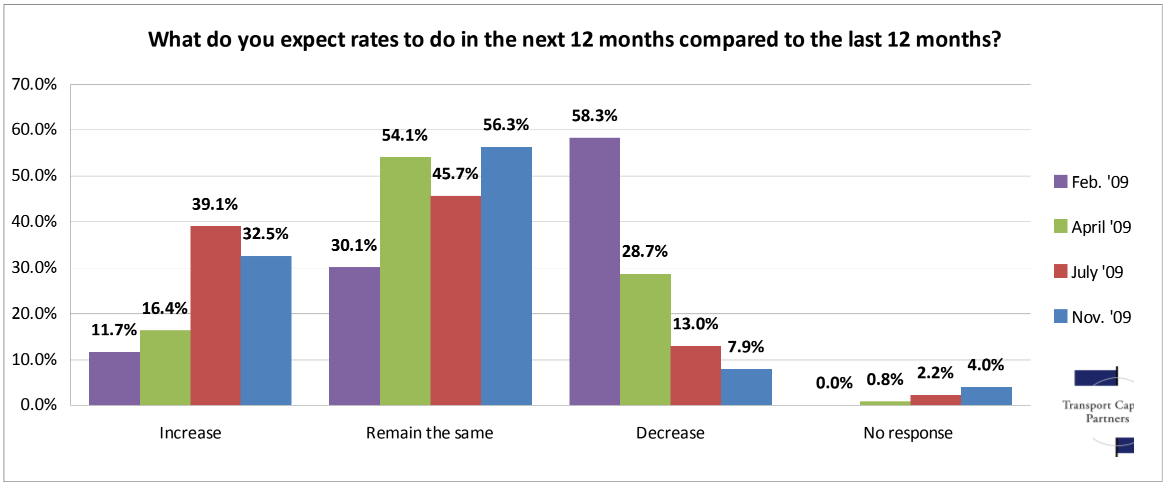
However, most of the rate increases and rate stabilization have been experienced by carriers under $25 million. On the flip side, larger carriers have continued to see greater rate erosion more than their smaller brethren. Clearly the recent reports of large mega-bid packages that are limited to larger carriers are taking their toll.

Table 2b



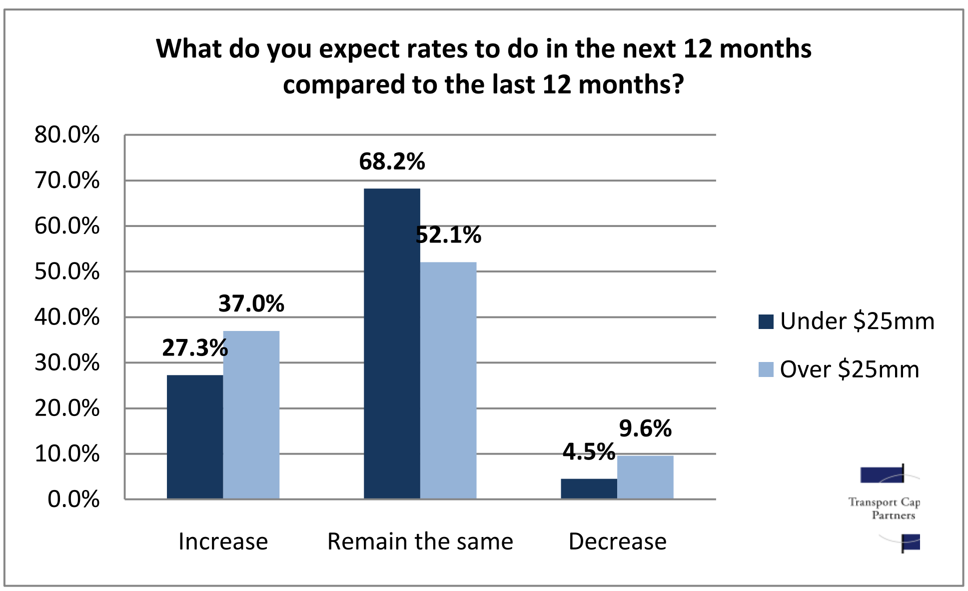
62% of carriers are more optimistic that volume will increase over the next 12 months compared with the last 12 months. Carrier expectations for increased volume have been up for four consecutive quarters. However, a third of carriers believe volume will remain the same. Expectations for business volumes were similar for both large and small carriers.

Table 3a



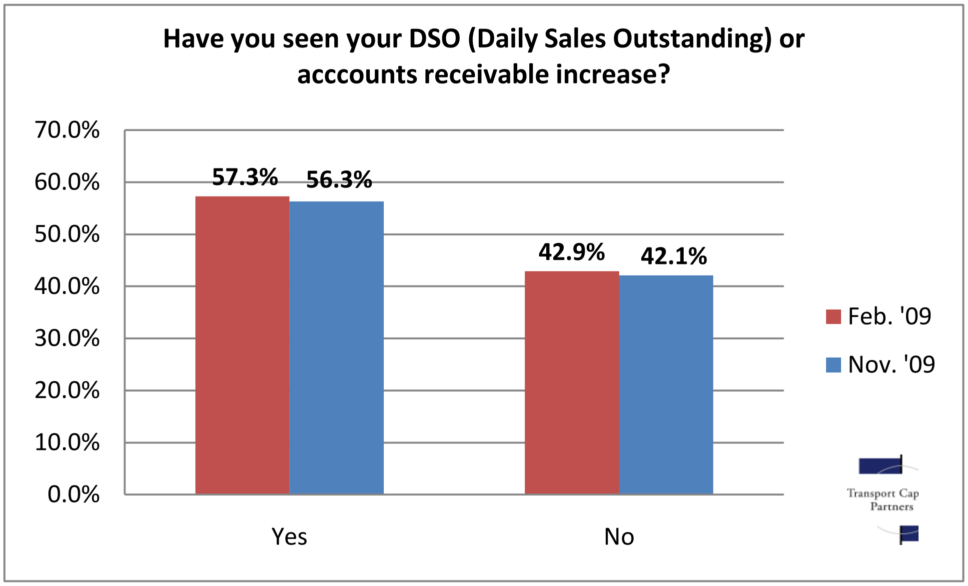
Even though carriers believe that volume will increase, they are more cautious about the outlook for rate increases. A majority now believe that rates will remain the same for the next 12 months compared with the last 12 months. Less than a third think rates will increase, compared with 39% who thought rates would increase last quarter. This contrasts sharply with 7.9% who expect rates to decline over the next year.

Table 3b



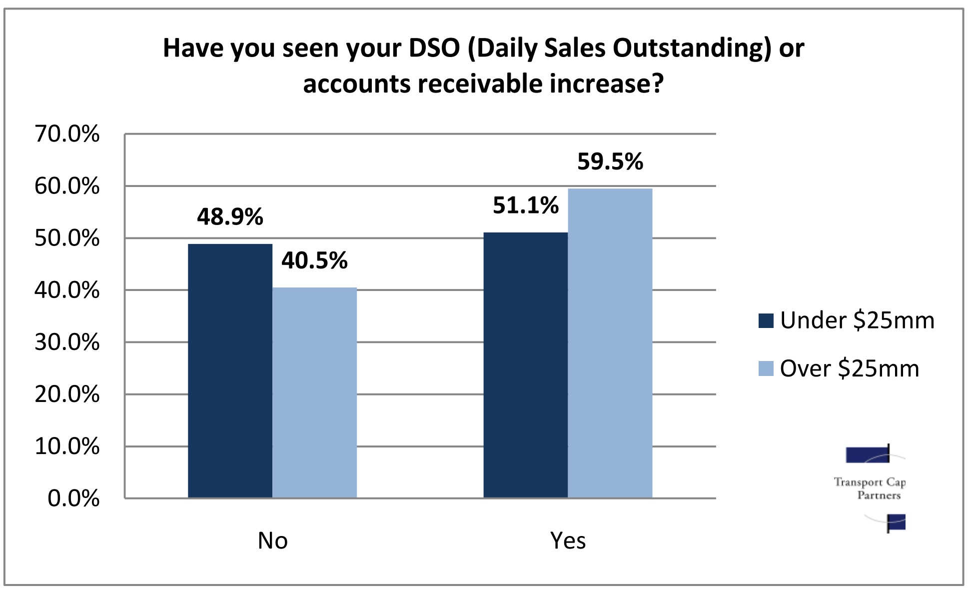
The outlook on rates is not shared across the industry, however. Carriers with less than $25 million in gross revenues are more optimistic about rates than larger carriers are, but they also are more pessimistic. The dichotomy is probably reflective of smaller customer bases. Both carriers with revenues less than $25 million and more than $25 million expect rates will increase or remain the same by about a 9-to-1 margin. However, 37% of larger carriers expect rates to increase, while 27% of carriers with revenues under $25 million have that optimism.

Table 4a



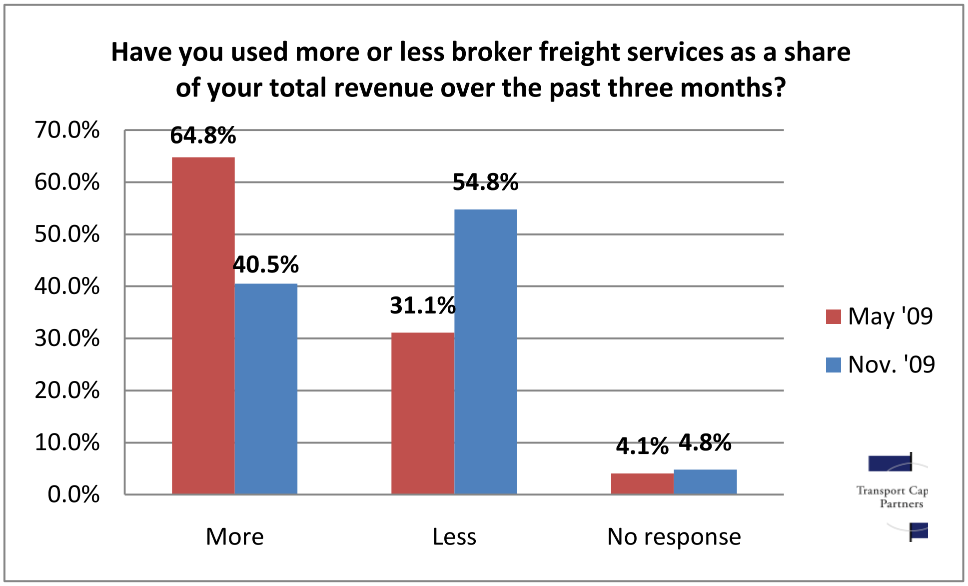
Over 50% of carriers continue to see shippers stretch out their payments for services already provided.

Table 4b



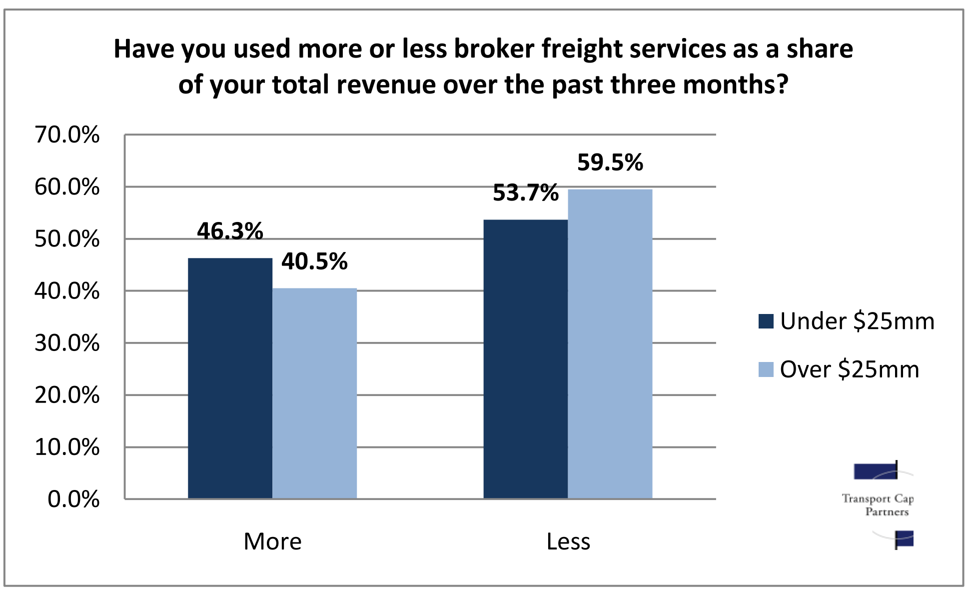
But larger carriers are experiencing this practice more than smaller carriers. This may be due to the monopsony power of larger shippers who tend to be served by larger carriers.

Table 5a



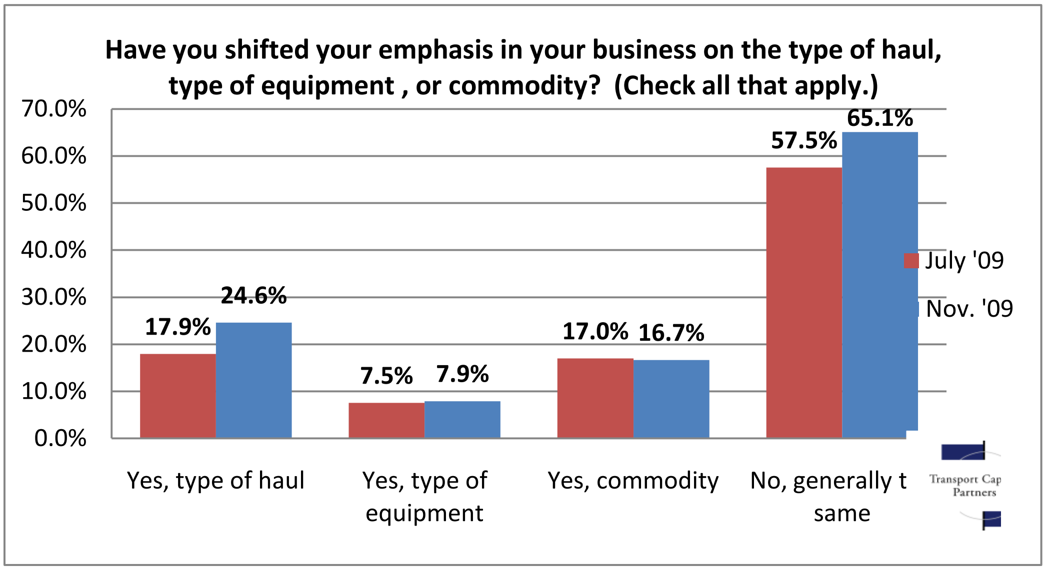
Carriers are using significantly fewer brokers than they did six months ago. This indicates that carriers are bringing their capacity in line with demand as well as being more selective on where they dispatch their trucks so they don't have to use brokers for the return haul.

Table 6a



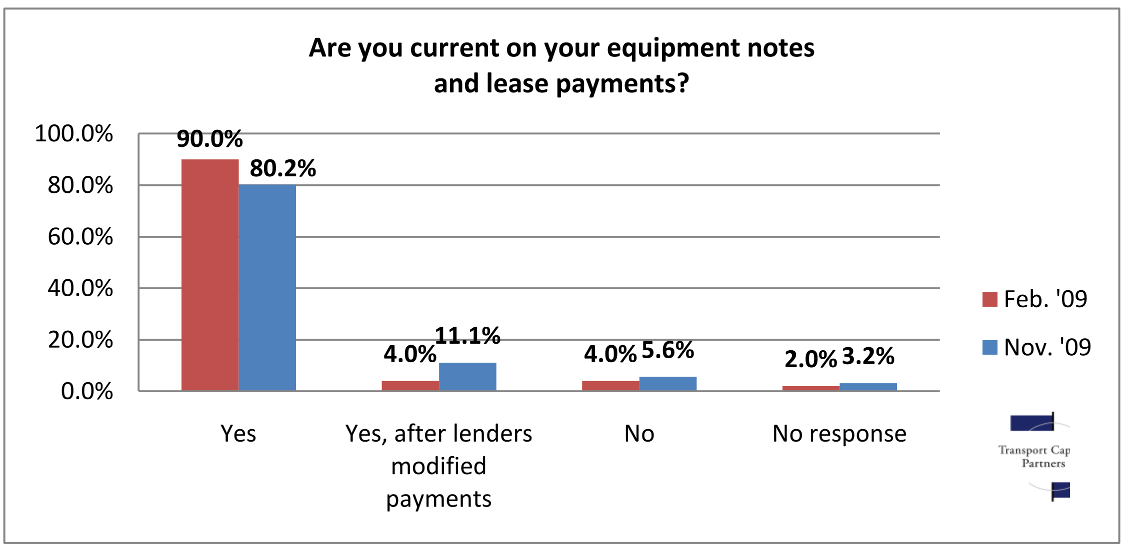
But smaller carriers have fewer options, and therefore appear to be relying more on brokers.

Table 7a



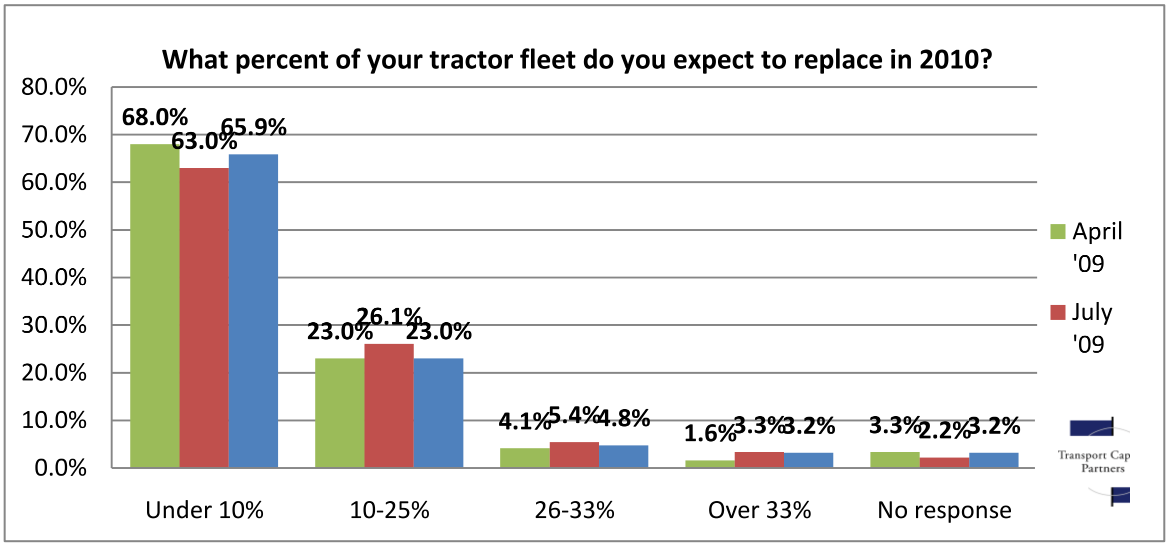
Even with all the turmoil in the freight industry and talk about changing supply patterns, almost two-thirds of the carriers have not made any significant changes in their buiness model.

Table 7b



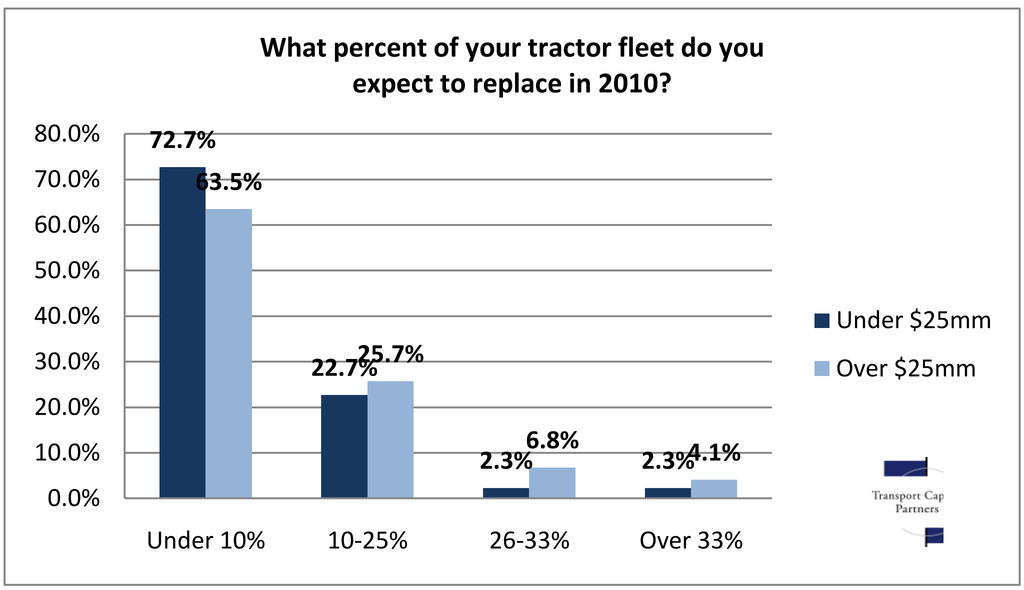
Even with rates leveling off, rates are clearly too low. In February, 90% of carriers were current on their equipment notes and lease payments. Today only 80% are current, with 16.7% of the respondents either behind on their equipment payments or having modified their payments. The responses from both large and small carriers were similar.

Table 8a



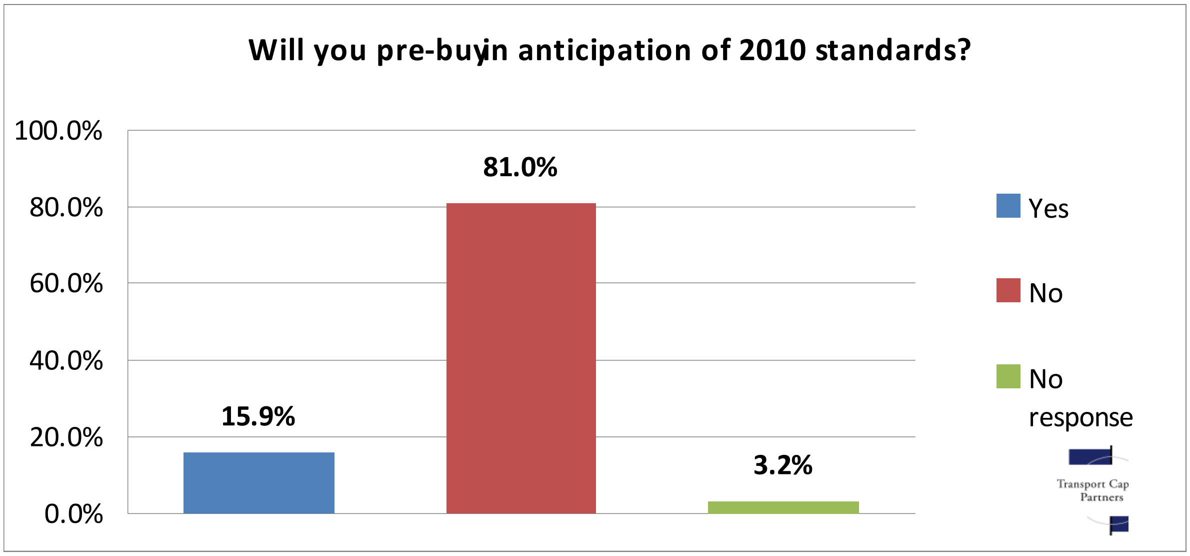
Fleet replacement for the coming year has remained about the same over the last three quarters, with a slight decrease for those who intended to replace more than 10% or more of their fleet. This means that the replacement cycle has dramatically slowed down compared to "normal" times.

Table 8b



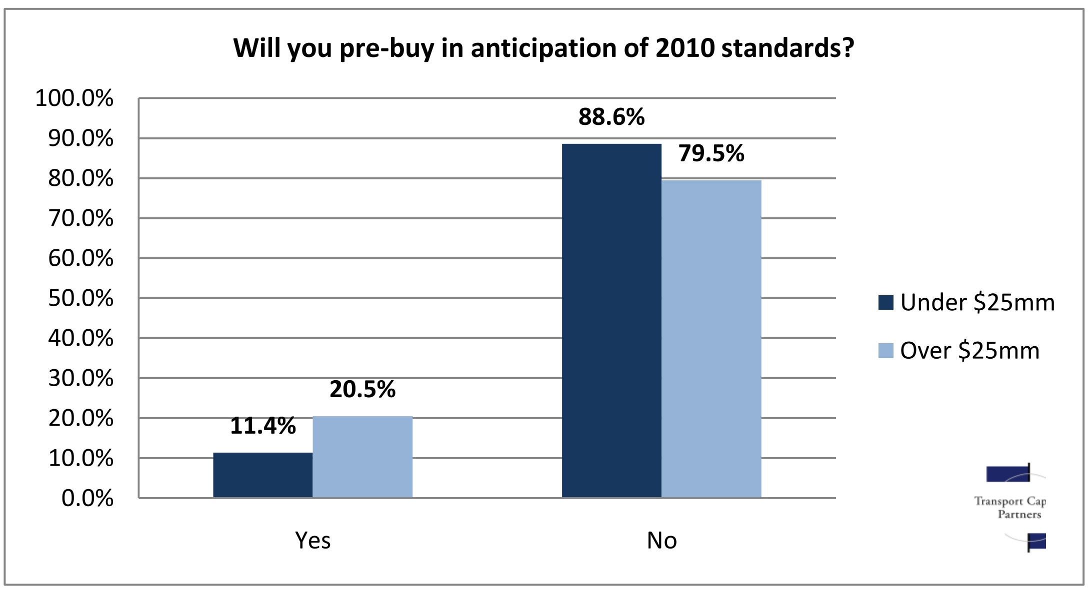
Smaller fleets are even more reluctant to replace their tractor fleets.

Table 9a



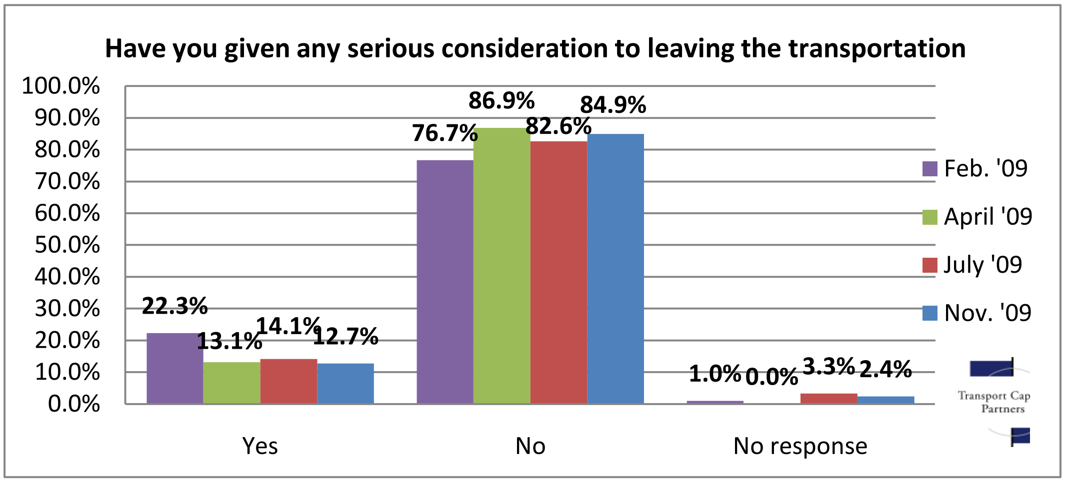
Not only are fleets not replacing equipment: 80% of the carriers do not intend to pre-buy the newer, more expensive engines.

Table 9b



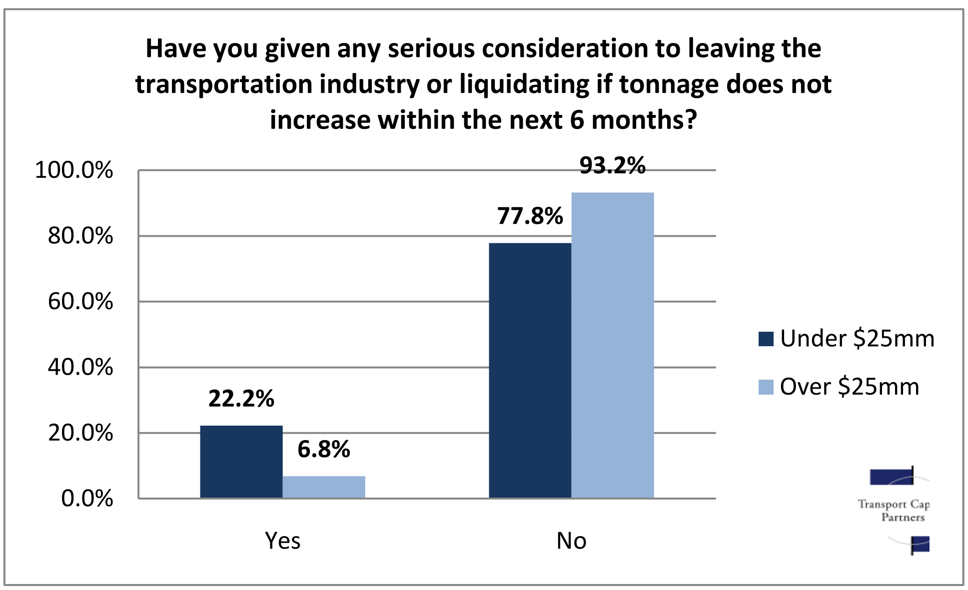
Not surprisingly, smaller carriers are even more reluctant to engage in pre-buying.

Table 10a



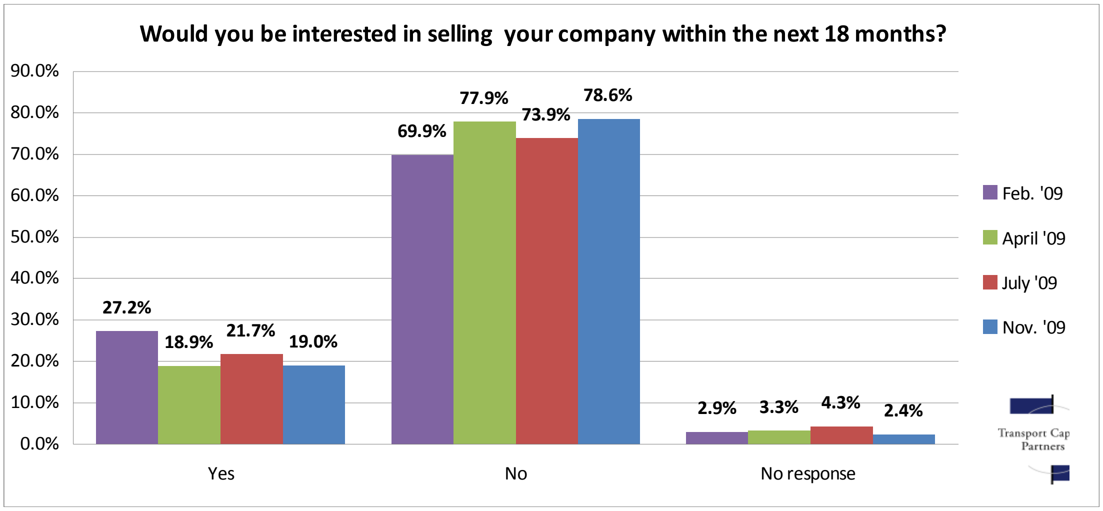
Reflecting a more optimistic view of the future, the number of carriers who are considering liquidating within the next six months is down to 12.7% from the high of 22.3% nine months ago.

Table 10b



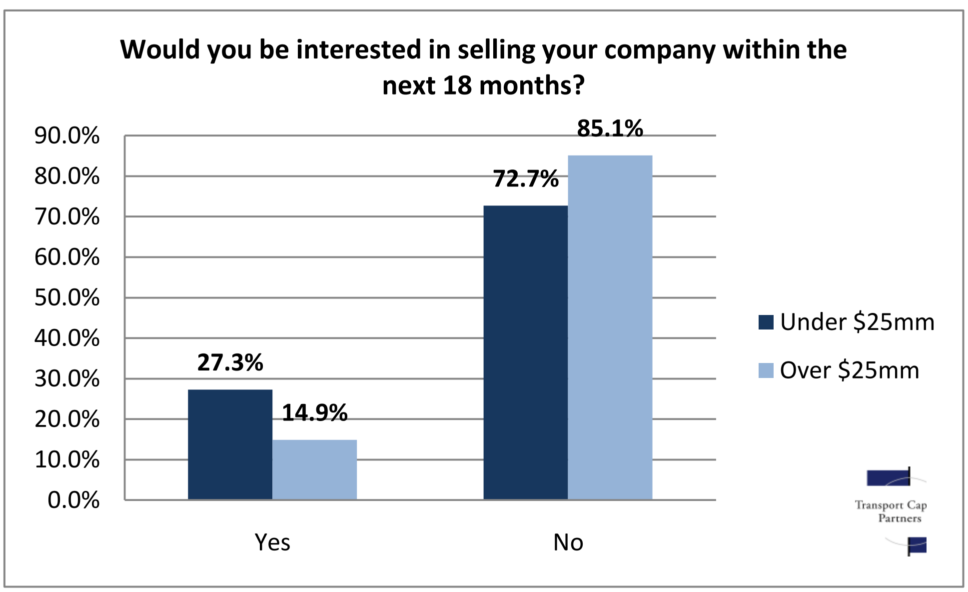
However, because of the all the negative impacts outlined above, over 20% of smaller carriers are more receptive to liquidating within the next six months if things to do not turn more positive quickly. Pressures on cash flows, insurance renewals, and licensing expenses in a few months may be the rationale behind these thoughts.

Table 11a



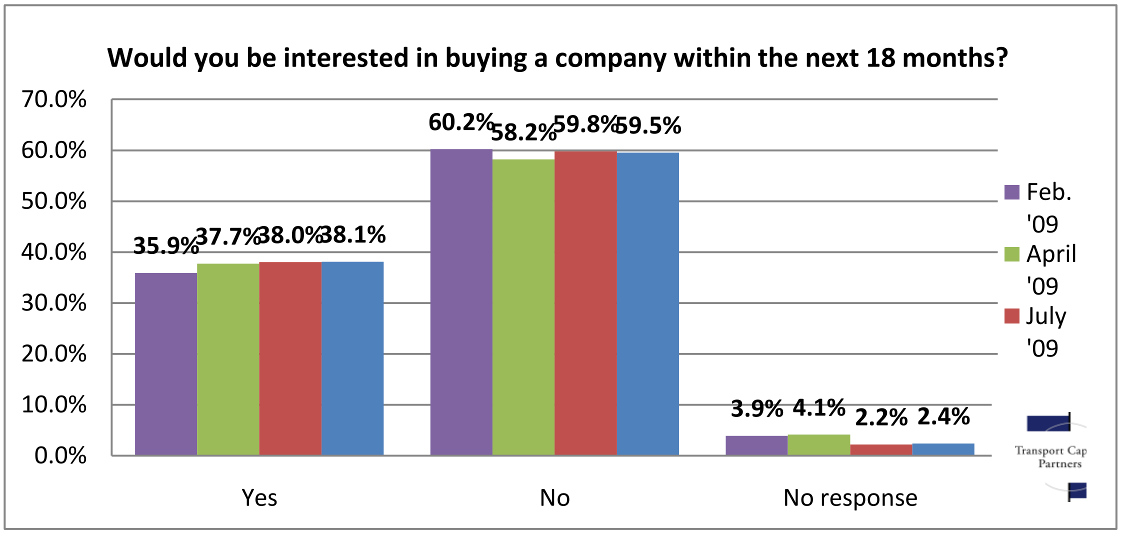
However, even with the cautiously optimistic outlook, almost one-fifth of carriers would be interested in selling their companies in the next 18 months. Conversations with carriers indicate they want to sell once they can get a better price. This is based on the anticipation of improved earnings coupled with higher equipment value.

Table 11b



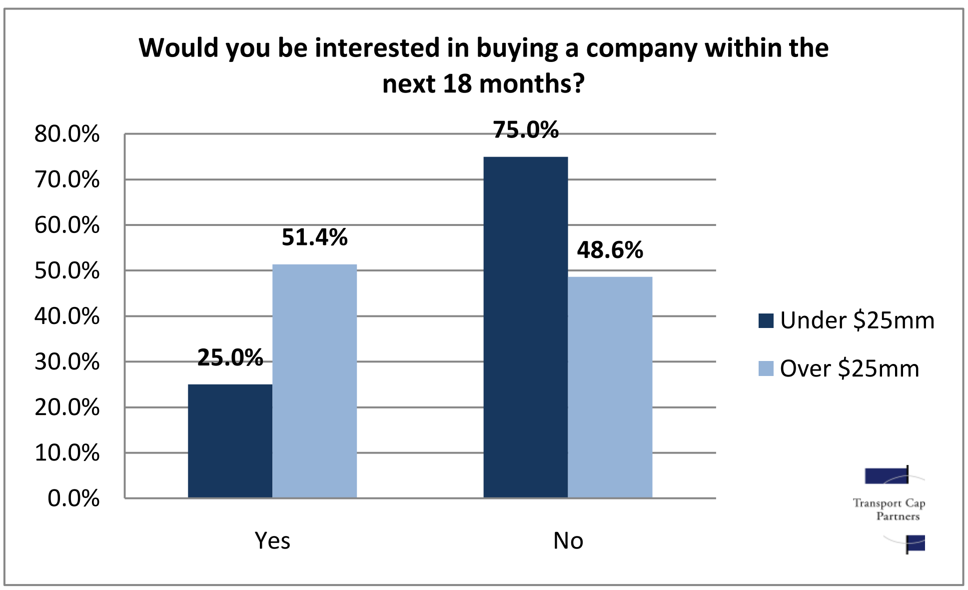
Again, not surprisingly, smaller carriers are more interested in selling than their larger competitors. What is surprising is that almost 30% of the smaller carriers would be interested in selling.

Table 12a



Buyers will remain elusive, though. Regardless of the economic outlook, the number of carriers interested in buying has remained constant.

Table 12b



Amazingly, over 50% of larger carriers are interested in buying a company within the next 18 months. It would appear that conditions are right for a huge move in acquisiitons once the economy rebounds and volume and rates increase.

Table 13a

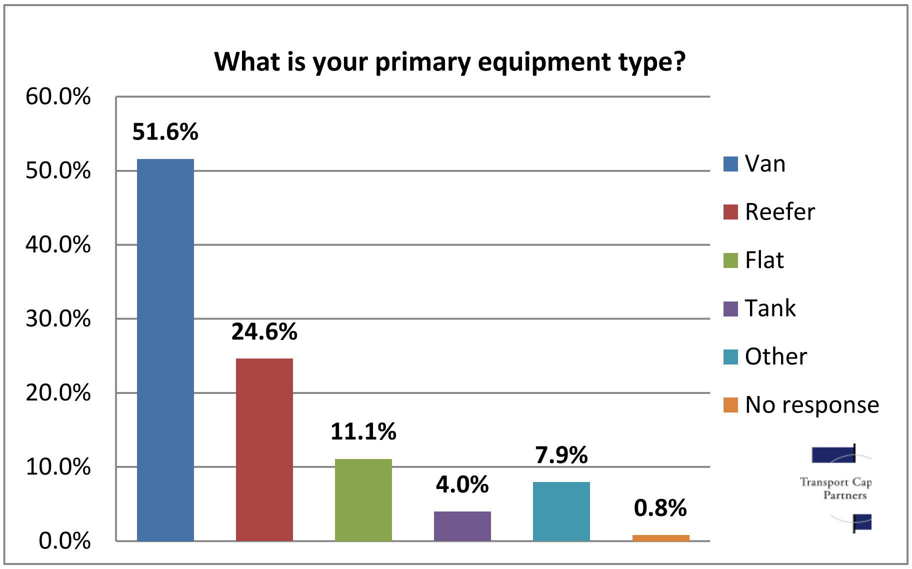


Table 13b