**Transport Capital Partners, LLC**

# Business Expectations Survey Results

## First Quarter 2010

Transport Capital Partners

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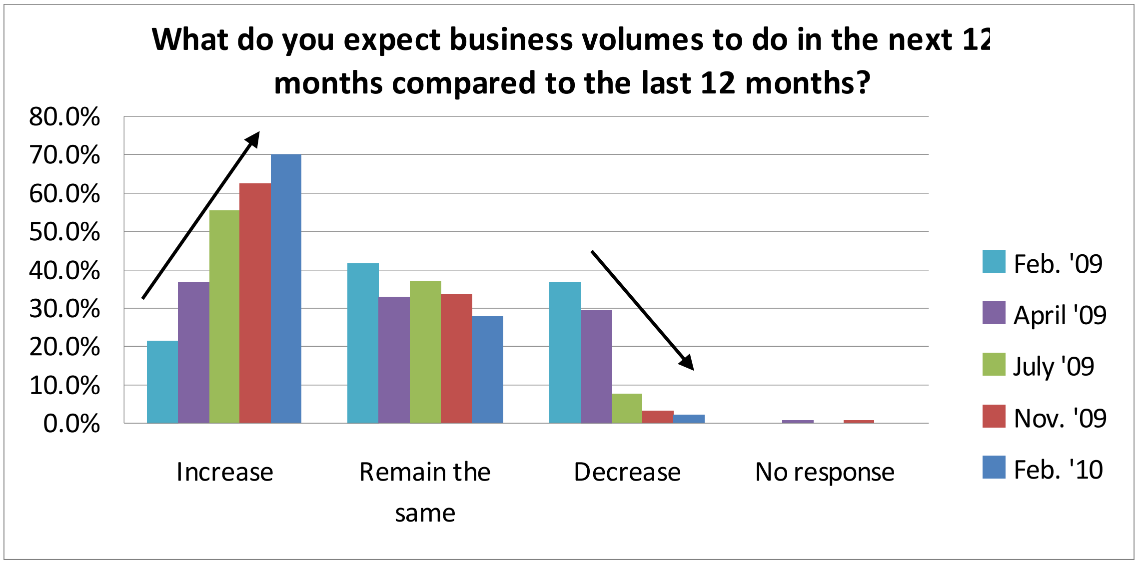
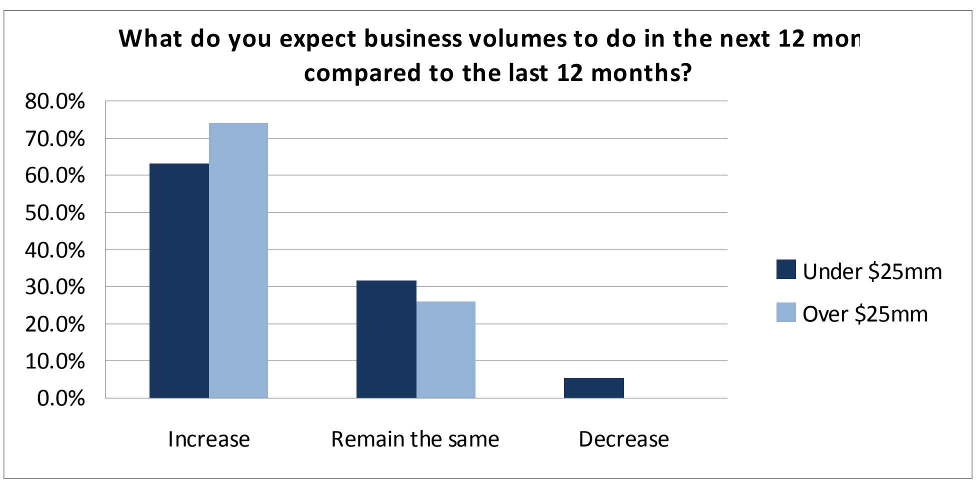
Graph 1a



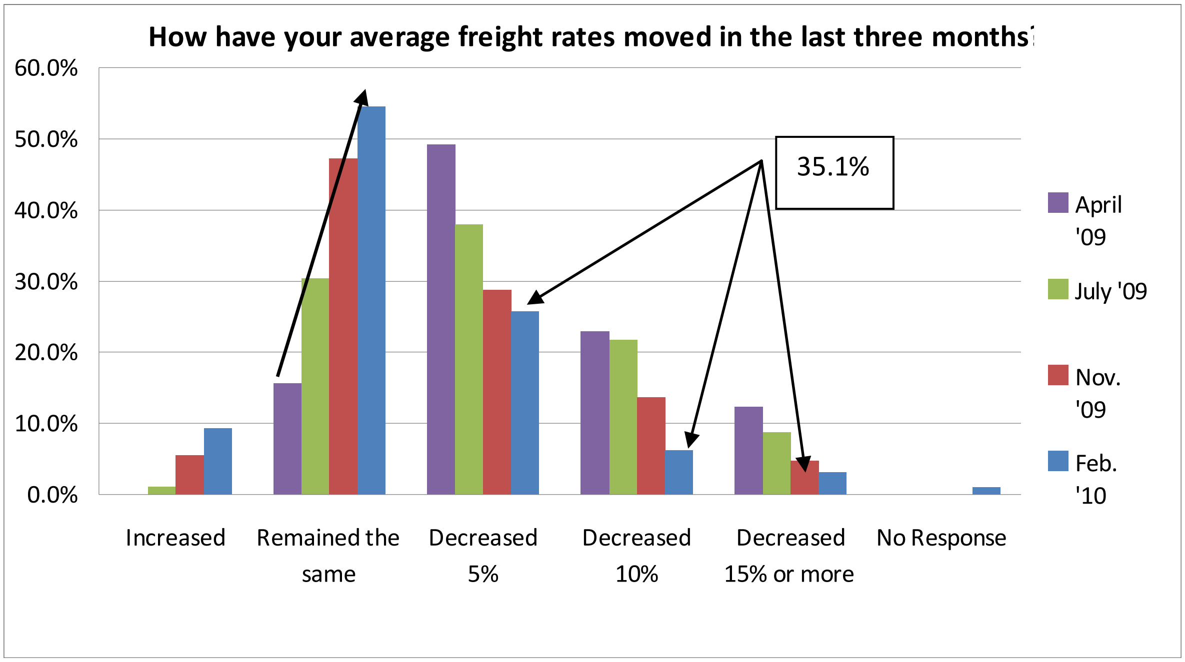

Over the last five quarters, carriers have become more confident that volumes will increase over the next 12 months. In fact, only 2.1% believe volumes will decrease compared with 37% who foresaw volume decreases at this time last year. Clearly the optimists of five quarters ago were more accurate in their forecasts than the pessimists.

Graph 1b



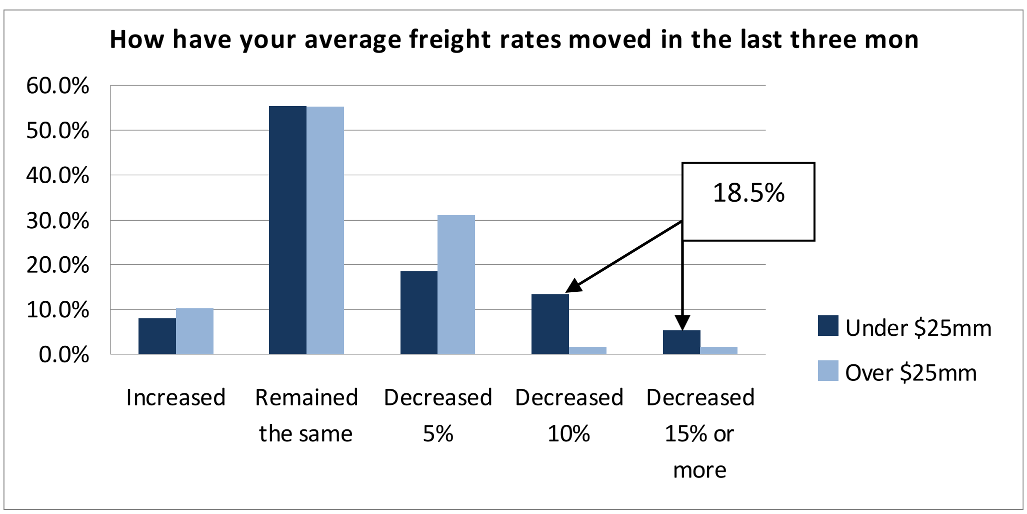

Carriers under $25 million in revenue tend to be somewhat less optimistic about increased volumes over the next year, and 5% expected decreases – compared with no carriers over $25 million expecting decreases.

Graph 2a



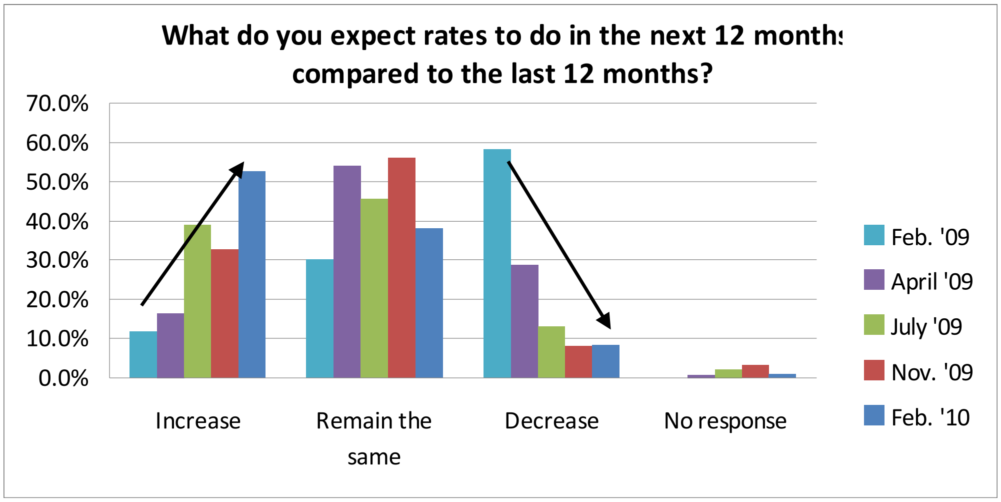

With increased volumes, the number of carriers reporting steady rates moved to a majority after rising for four straight quarters. Unfortunately, over one-third are still reporting rate decreases, with only 10% reporting rate increases.

Graph 2b



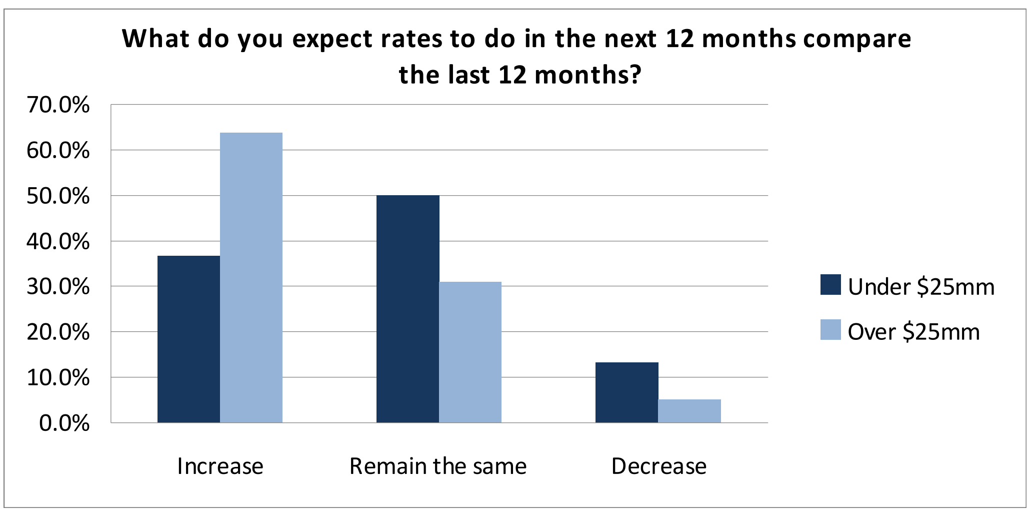

Eighteen percent of carriers under $25 million experienced decreases of 10% or 15%, compared with 3.4% of larger carriers. Both size groups reported similar experiences with rate increases and rates remaining the same. The reason for the disparate viewpoints is likely because smaller carriers lack a degree of pricing power with shippers and tend to rely more heavily on brokers.

Graph 3a



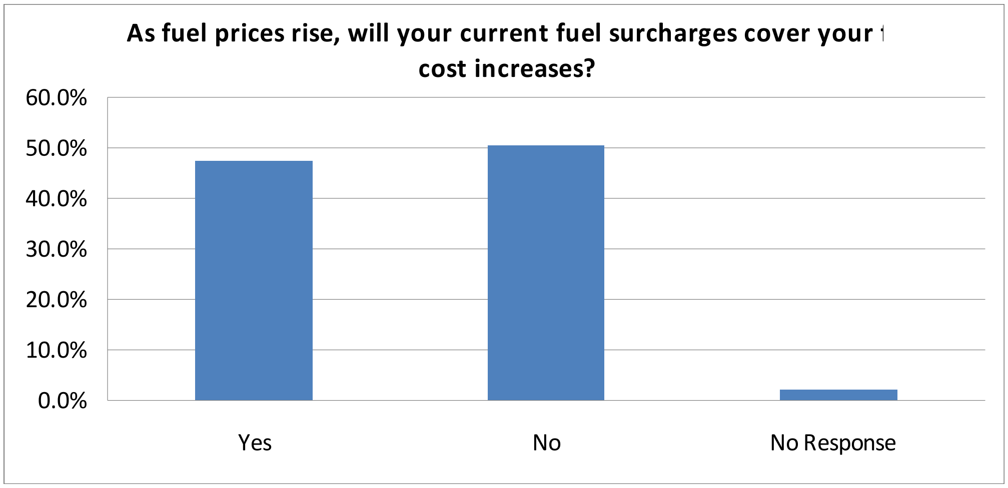

While the majority of carriers indicated in Graph 2a that rates have stabilized over the last three months, almost an equal number expect rates to increase over the next 12 months. This optimism is up from 33% in the previous quarter. Only 8% expect a decrease compared to 58% who anticipated a decrease a year earlier. This outlook for the year ahead is the most positive outlook carriers have had over the past five quarters.

Graph 3b



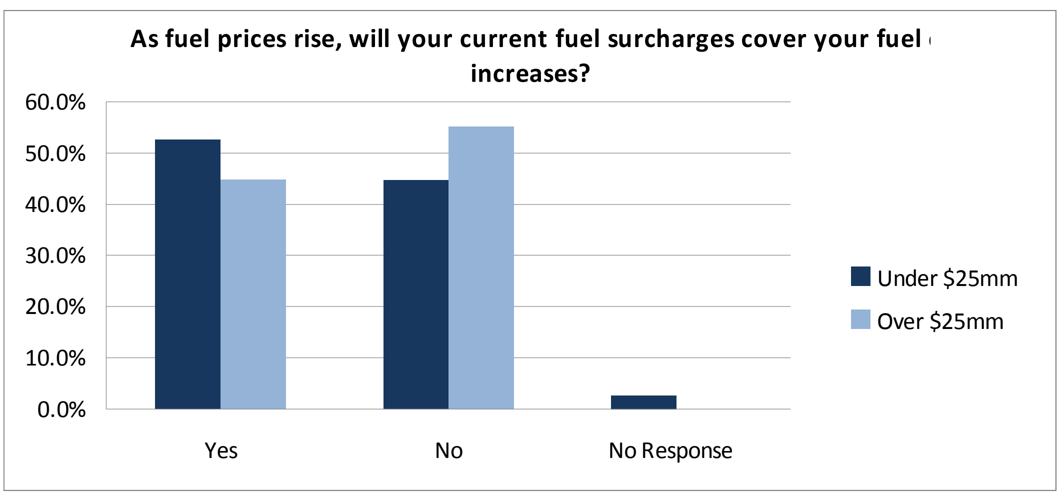

Sixty-four percent of larger carriers expect rates to increase in the next 12 months compared to 37% of carriers with less than $25 million in revenue. Smaller carriers thought rates were most likely to remain the same and are clearly more pessimistic about the future, which is one reason more small carriers are thinking about leaving the industry (see graphs 11b and 12b).

Graph 4a



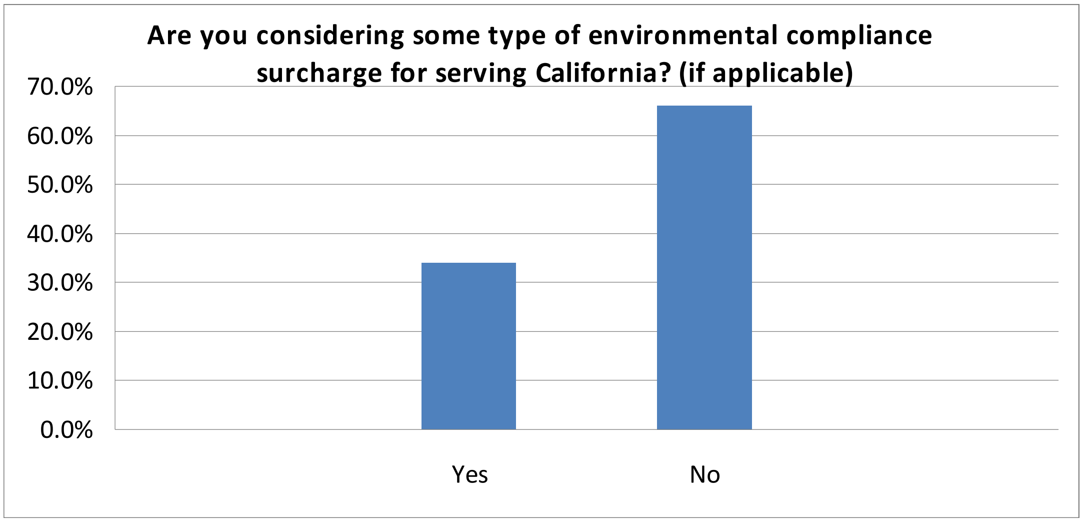

Unfortunately, the last 12 months of lower volumes have given shippers the upper hand in re-negotiating not only rates but also fuel surcharges (FSC). Over half of carriers reported that their fuel surcharges will not cover fuel cost increases. This does not bode well for the industry if the highly volatile fuel prices spike upward. Various reasons have been given by carriers we speak with outside the survey, with the most common complaint being that higher fuel base prices were being built into rates, only to be followed by overall rate decreases resulting in a net loss for carriers.

Graph 4b



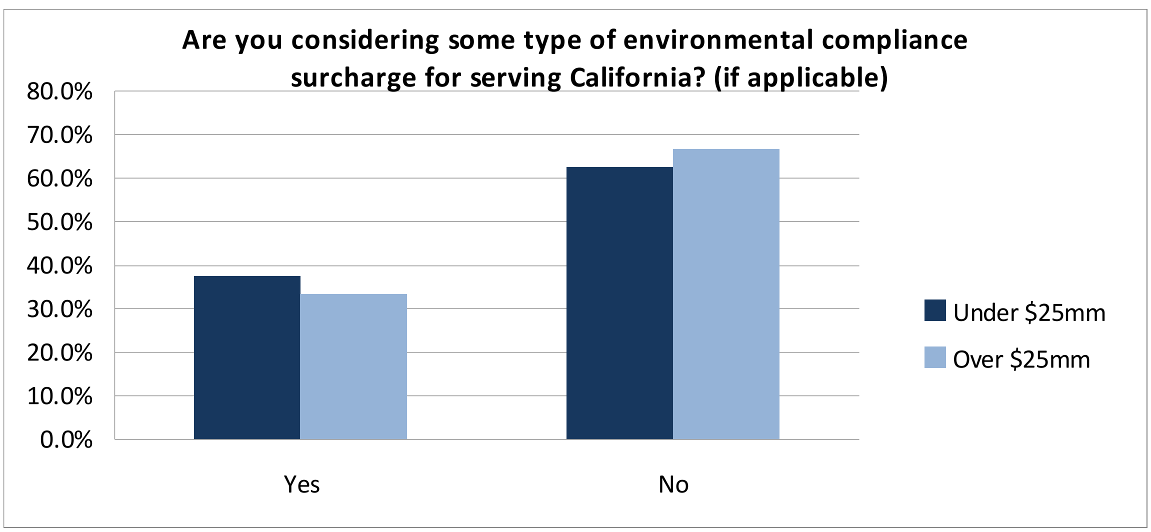

Smaller carriers believe their fuel surcharges more adequately cover their fuel costs than larger carriers do. (We wonder if this is perception or reality.)

Graph 5a




Carriers are also facing increased costs because of California's aggressive environmental regulations, which affect interstate carriers as well as intrastate carriers. A third of the carriers going to California are considering some type of environmental surcharge to cover the increased cost of complying with the state's environmental regulations.*

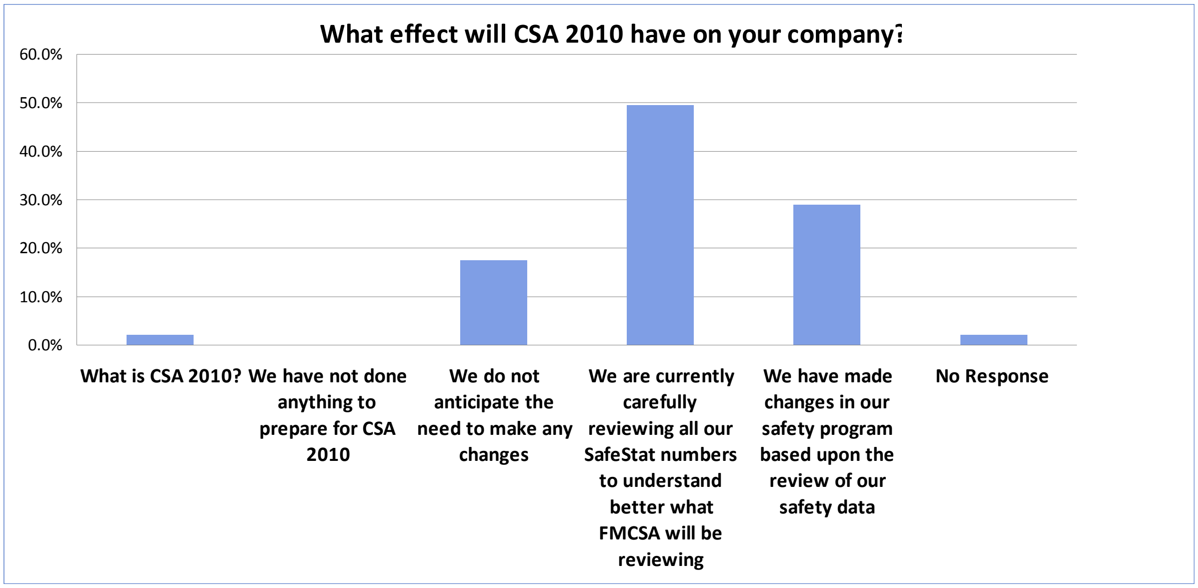
Graph 5b




Smaller carriers are more apt to consider environmental surcharges for serving California than larger carriers.*

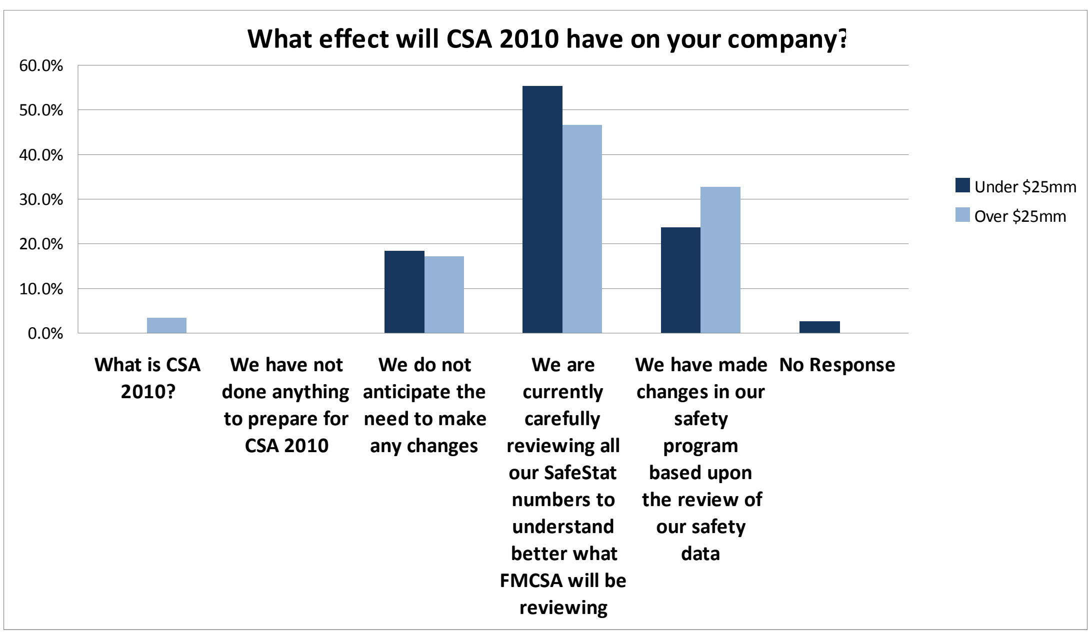
*Note: Graphs show data from respondents who travel in California only.

Graph 6a



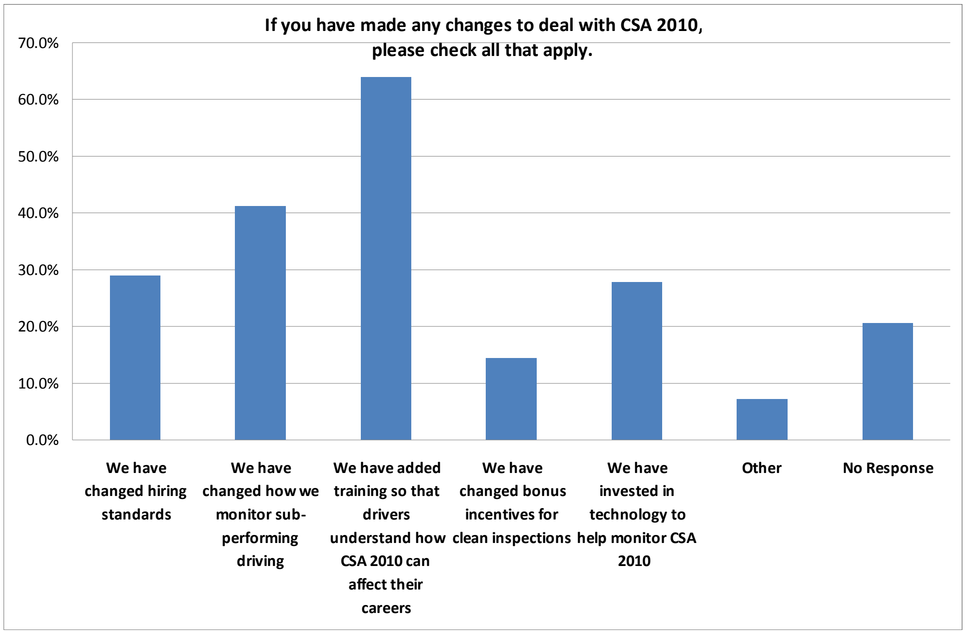

An unquantifiable but certain increase in costs will be incurred when FMCSA's CSA 2010 is implemented. Only 2% of carriers are unaware of CSA 2010. Of those that are aware, 17.5% do not anticipate making any changes in the way they approach safety. However, half of carriers said they are carefully reviewing their Safe Stat numbers with the impending CSA 2010 regulations, while 30% are already making changes in their safety programs.

Graph 6b



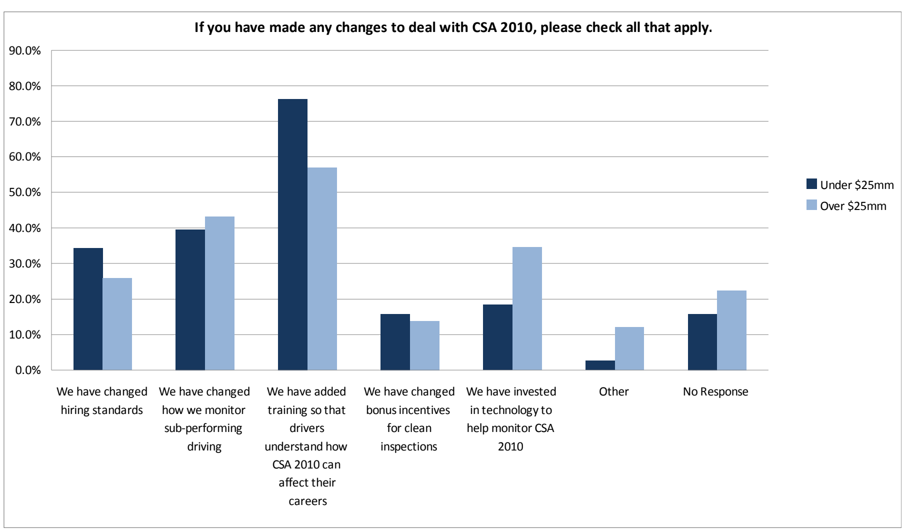

Larger carriers appear to be further along in preparing for CSA 2010 than smaller carriers.

Graph 7a



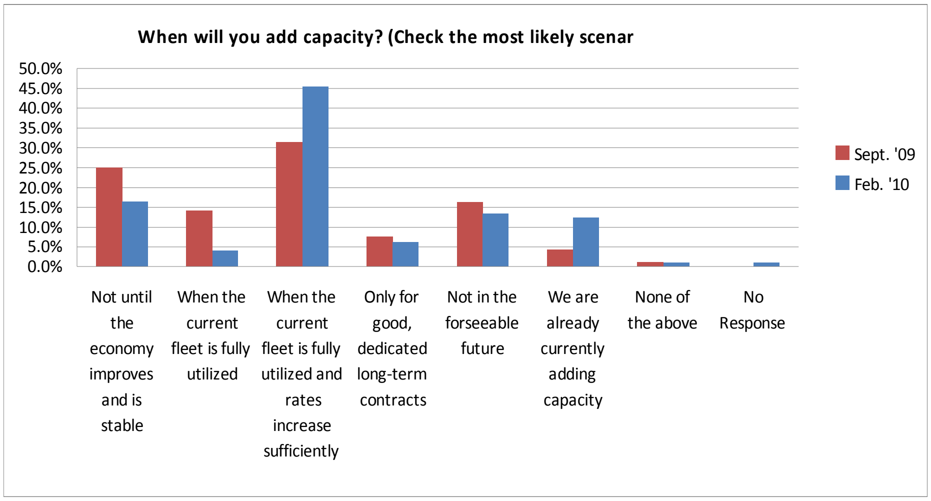

Carriers that have made changes in response to CSA 2010 are engaging in multiple initiatives: Over 60% have added training so that drivers understand how these new regulations can not only affect their jobs, but also their careers; 41% have changed the way they monitor sub-performing driving; 29% have changed hiring standards; 28% have invested in monitoring technology; and 14% have changed bonus incentives for clean inspections.

Graph 7b



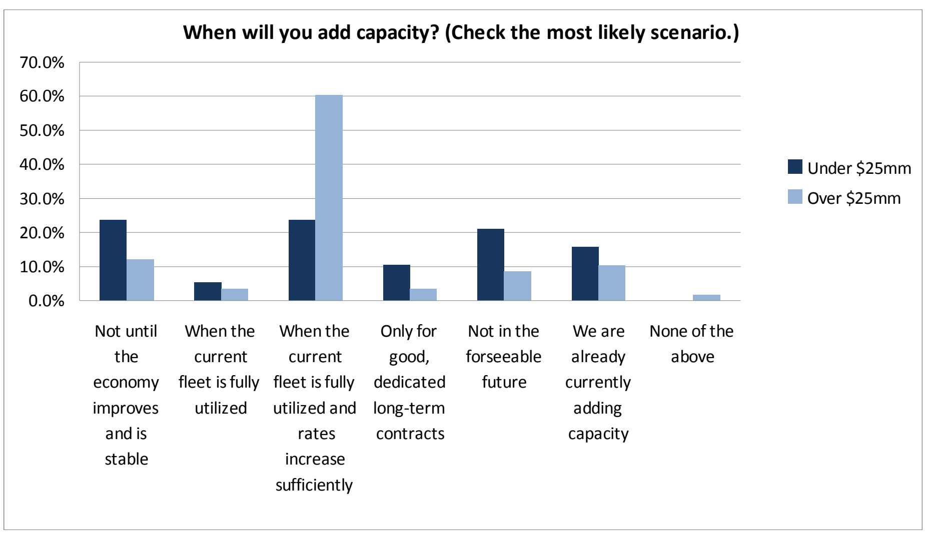

To prepare for CSA 2010, it appears larger carriers are investing more in technology, while smaller carriers are concentrating on driver awareness.

Graph 8a



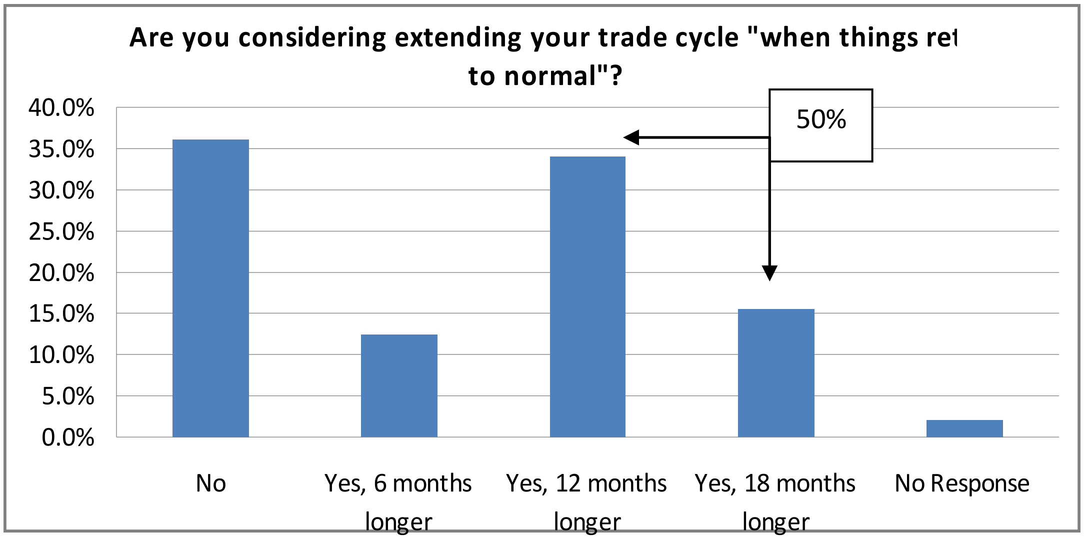

One of the hottest topics in the trucking industry today is when shipping volumes and truck capacity will reach equilibrium. Six months ago carriers were holding back buying new equipment until the economy improved. Almost half of carriers say they will add capacity only when their current fleet is fully utilized and rates increase sufficiently. Twelve percent indicate they are currently adding capacity substantially, up from 4% in the September '09 survey.

Graph 8b



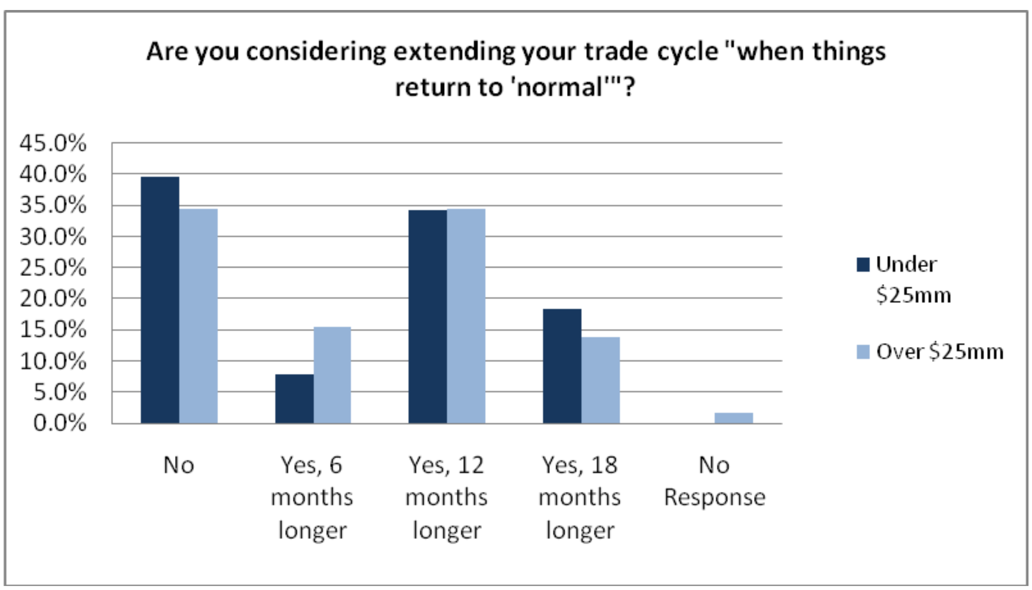

Size matters when considering whether to add capacity. Larger carriers are twice as likely not to add capacity until their fleet is fully utilized and rates increase sufficiently, while smaller carriers are waiting for the economy to stabilize. This may explain why a higher portion of smaller carriers are currently adding capacity compared with larger carriers.

Graph 9a



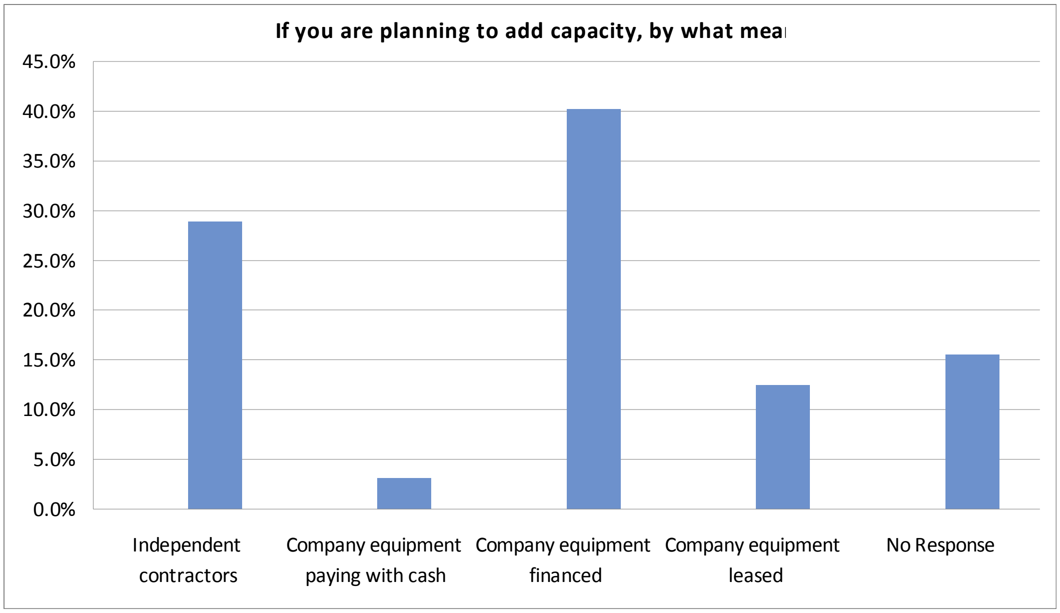

The EPA's 2010 engine emission regulations have significantly increased truck prices to a point that is now restraining adding capacity. Coming off three tough years with reduced earnings, 62% of carriers report they are considering extending their trade cycles “when things return to ‘normal,’” with almost 50% considering extending by 12 months or longer. Yet, one-third indicate they do not plan on changing their trade cycles. In conversations with carriers, they note the improvement in equipment quality over time and diminished length of hauls influencing this trend. Reduced length of hauls allow carriers to control maintenance better and substitute equipment if breakdowns occur.

Graph 9b



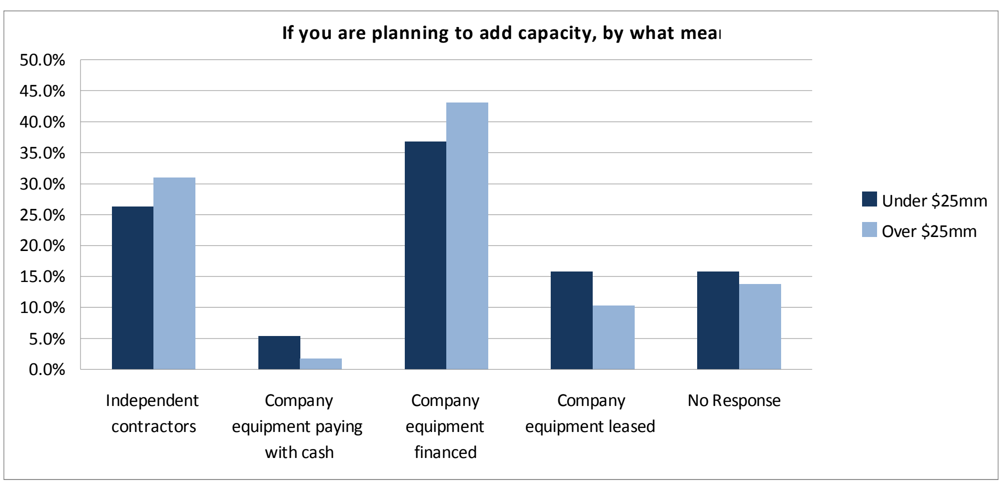

There is no significant difference in carrier size regarding trade cycle changes.

Graph 10a




Carriers plan to add capacity primarily with company equipment (56%) compared to 29% who look to independent contractors. It seems unlikely that increased capacity can come from independent contractors given the diminishing number of contractors and their lack of access to financing, coupled with new tractor prices rising dramatically. Lenders have historically shied away from financing used equipment.

Graph 10b

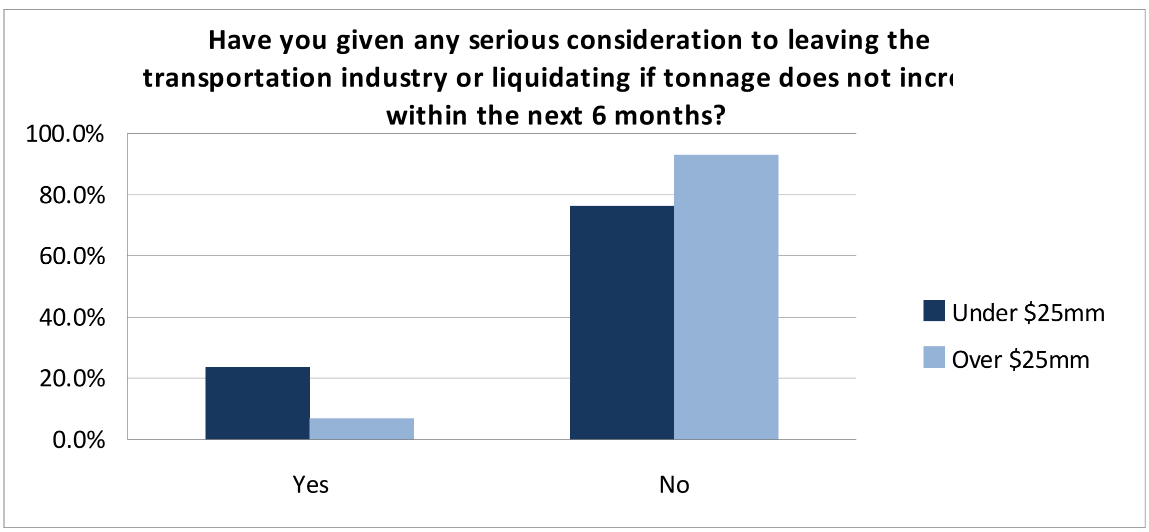



A slight dichotomy exists in how smaller and larger fleets approach adding capacity. Larger fleets have plans to use contractors and finance additional capacity. Smaller fleets prefer paying cash and leasing company equipment.

Graph 11a

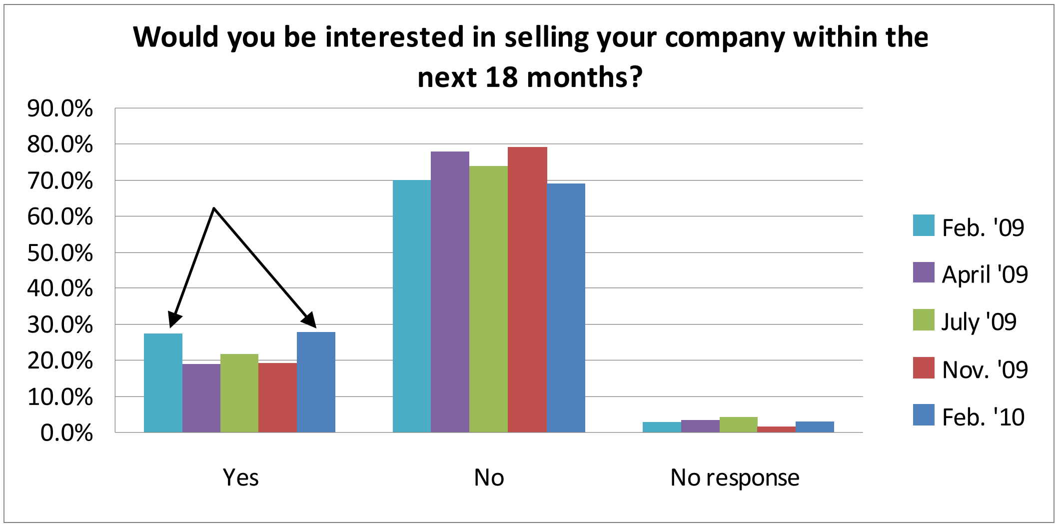

Even with the economy improving, volumes returning and rates stabilizing, 13.4% of carriers are considering leaving the industry in the next six months – slightly up from last quarter but significantly down from the 22% who were thinking about leaving in February 2009.

Graph 11b



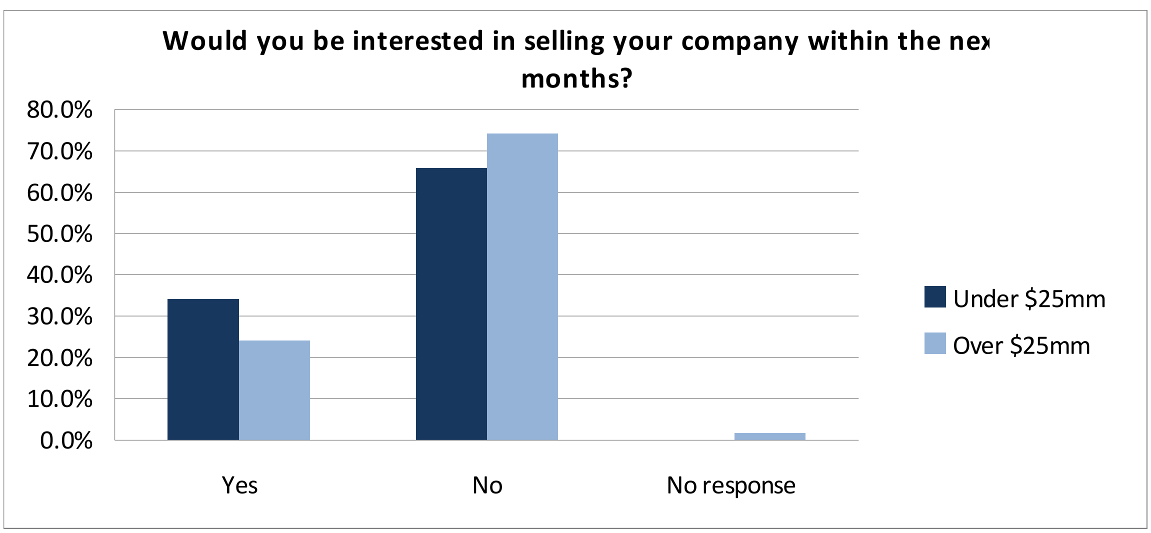

Smaller carriers are three times more likely to consider leaving the industry than their larger competitors. This most likely reflects a generally less-optimistic outlook for volumes and rates by smaller carriers, as shown in Graphs 1b and 3b.

Graph 12a



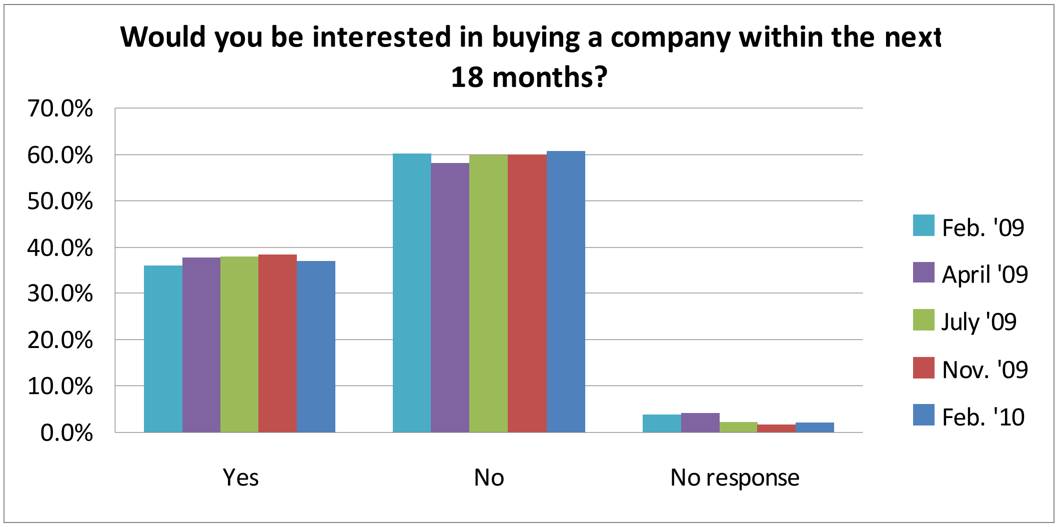

About 50% more carriers than last quarter indicate they would be interested in selling their company (27.8% compared to 19.2%). This is similar to the same percent expressing interest in February 2009 when things were the bleakest. We suspect that if we had asked the age of respondents, we would have found a disproportionate number of those wanting to sell in the next 18 months to be over 60 years of age. These seasoned veterans have generally concluded that this recession will be their last one, and they hope that their profits are up enough in 18 months that they can sell and get a "reasonable" price.

Graph 12b



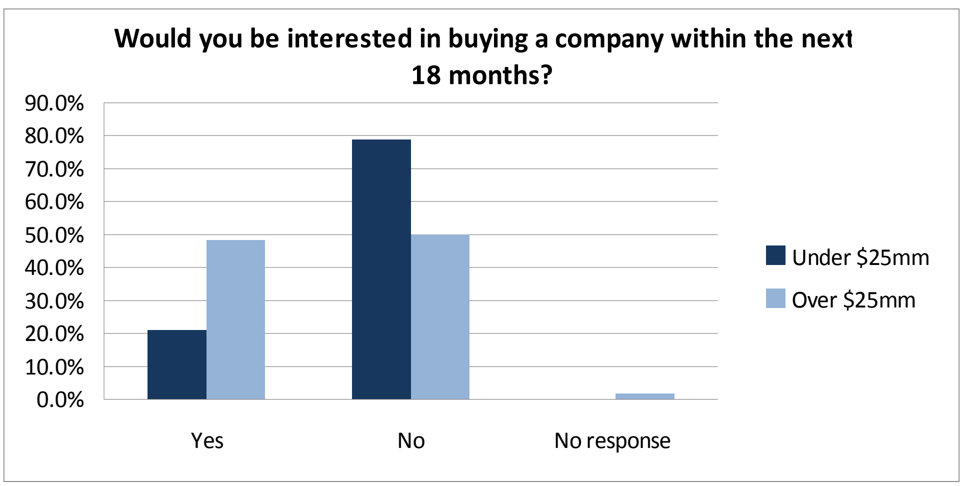

Smaller carriers are more anxious than their larger competitors to sell in the next 18 months. This most likely reflects a generally less-optimistic outlook for volumes and rates by smaller carriers, as shown in Graphs 1b and 3b.

Graph 13a



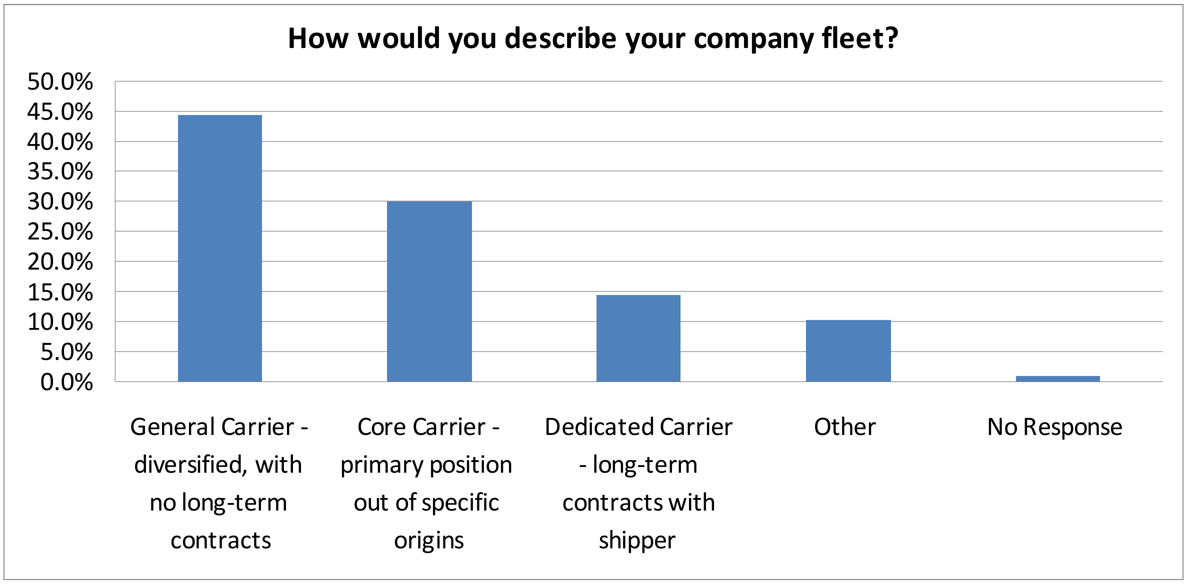

Thirty-seven percent of carriers are interested in buying. The increasing interest in selling (see Graph 12a) is still less percentage-wise (28%) than interest in buying. This favorable balance is encouraging, and publicly-held carriers with generally better cash positions are indicating publicly that they are looking for acquisitions.

Graph 13b

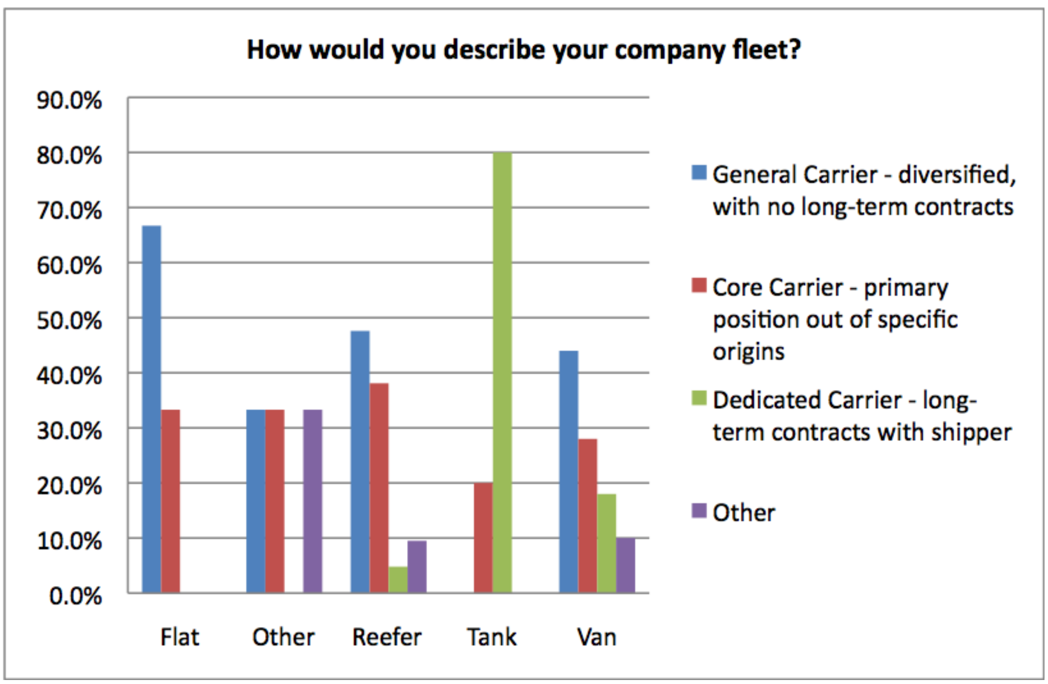



Twice as many larger carriers as smaller carriers are interested in buying. Generally, larger carriers have cash or more options to finance in the tight credit market that exists today, and smaller carriers may feel more cash constrained.  It certainly looks as though conditions are ripe for a flurry of acquisitions within the next 18 months.

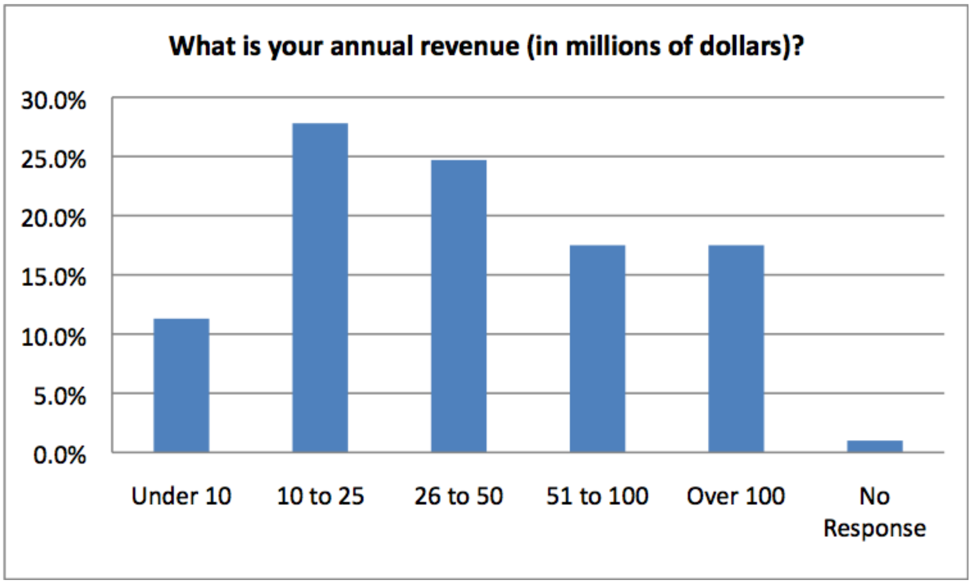
Graph 14a




Graph 14b



Graph 15a




Graph 15b