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*The following is an edited transcription of a September 16, 2011 conference call hosted by Stifel Nicolaus, which featured Lee A. Clair of Norbridge, Inc. Mr. Clair is a partner at Norbridge, Inc. and heads up the firm's Chicago office. He has over 20 years of consulting experience and has participated in hundreds of consulting assignments, most within the transportation and logistics area. Additionally, Mr. Clair serves on the Business Advisory Committee at the Northwestern University Transportation Center. Stifel Nicolaus expresses no opinion on, and is not responsible for, the views expressed in this transcript by participants who are not employees of Stifel Nicolaus.*

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**John Larkin**

Good morning, everyone. I'm glad you could all join us today. My name is John Larkin and I am the Senior Transportation Analyst at Stifel Nicolaus. We have the good fortune to have Lee. A. Clair, a partner at Norbridge, Inc., with us this morning. At Norbridge, Lee heads up the firm's Chicago office and has been in the business of consulting for about 20 years. He has participated in hundreds of consulting assignments with dozens of clients, most of which are in the transportation and logistics arena. He has also done some work in the energy and mining area as well. He also serves on the Business Advisory Committee at the Northwestern University Transportation Center, which has one of the best, if not the best, transportation programs—so he is helping to direct young people into our industry. With that introduction, let me turn it over to Lee who is going to help educate us on the current state of the domestic intermodal sector, which is probably the hottest sector in domestic transportation right now.

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**Lee A. Clair**

Thank you, John and thank you for having me here. Today we are going to talk a little bit about what constitutes intermodal, what constitutes domestic intermodal, where it fits in the supply chain, its growth, the drivers behind its growth, and, what I really think matters, what it means to the various different stakeholders involved in domestic intermodal.

**Exhibit 1** begins with what we will be defining as intermodal. We start here because there have been many different definitions applied to intermodal and the term “intermodal” has been used in many different ways—even going as far as, when the politicians get involved, to say it includes where people transfer from walking to riding a subway; that is not within our definition. Our definition for intermodal is moving trailers or containers on the highway in

**Exhibit 1: Definition of Intermodal**

**Intermodal:** Transportation of shipping containers or trailers involving more than one mode (e.g., ocean, rail, truck)

Type of Move	International		Domestic
Mode Combination	Ocean-Truck	Ocean-Rail-Truck	Rail-Truck
Equipment Type	20' or 40' Containers		48' or 53' Containers or Trailers
			

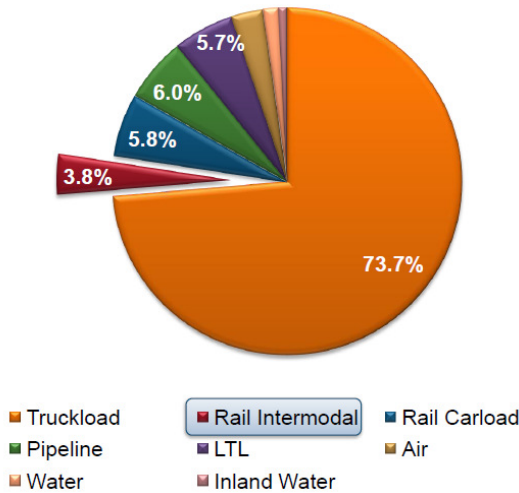
**Not Intermodal:** carload freight, bulk unit trains, & bulk shipping not in containers

Source: Norbridge, Inc.

addition to moving them on rail and/or on the ocean. Beneath that definition, there are really two halves of the intermodal business—the international and the domestic. The international can be thought of as being predominately the Asia to U.S. containers—imported consumer goods. International intermodal moves in shipping line containers; they are 20 foot to 40 foot containers and that are delivered inland in the U.S. Domestic intermodal, which is what we will be focusing on, and which constitutes trailers and containers that are almost all 53 feet in length, although there are still some 40 foot containers. However, domestic containers are made to move freight within the United States, and, for the most part, are not made to move internationally. Much of the freight that they move may actually be international freight but it is going to be moved after it is domesticated. So, the business may come into the country in an international container, but then go into a warehouse. As an example, envision a TV manufacturer that ships its product to the U.S. and has it loaded into a warehouse; then a retailer buys the TVs and it gets re-shipped as if it was domestic production in a domestic container. So, those are what types of movements we are talking about with the 53 foot containers.

The next couple of exhibits are going to deal with all of intermodal—both international and domestic movements.—since not all the data is split out well between the two segments. In fact, historically, the two segments started together and they have now pulled apart into becoming different services. **Exhibit 2** and **Exhibit 3** show the international intermodal and domestic intermodal markets combined, but, again, the focus is going to be on domestic.

**Exhibit 2:** Estimated U.S. Freight Spend, 2009  
**Estimated 2009 U.S. Freight Spend  
by Mode (\$665 Billion)**

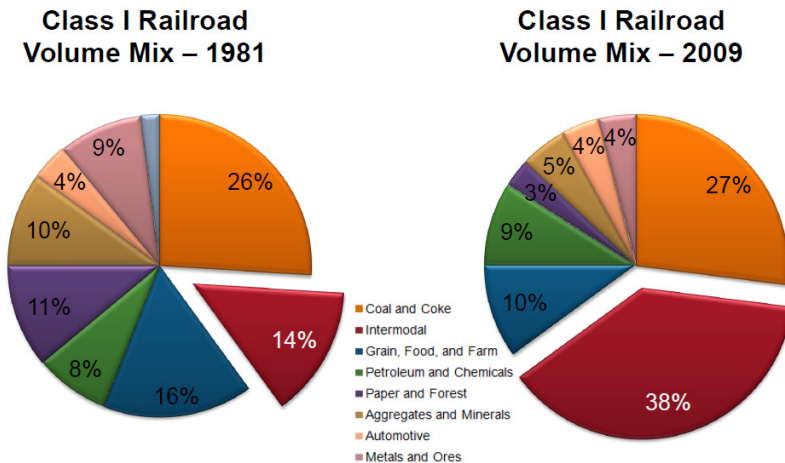


Source: 2009 ATA; IANA, ETSO, FTR, Norbridge, Inc. estimates

**Exhibit 2** shows an estimated breakdown of U.S. freight spend for 2009 by mode. Total intermodal is estimated to be around 4% of the total U.S. spend. There are two ways to look at this. First, since intermodal is a small piece, why does it really matter? The second begins by recognizing that the North American transportation landscape is dominated by truckload, which is nearly three quarters of the estimated freight spend. However, once you set aside truckload, what has happened is that intermodal has grown to the point that it's now up to the same relative size as all of the other sectors of transportation. Intermodal has grown to a size similar to LTL, inland water, and air; it is now a measurable, significant piece of the pie.

From the perspective of the railroads, intermodal has been a growth engine. It has evolved from being a small piece of their business to now being, in many ways, the largest piece of their business, as shown in **Exhibit 3**. Again, in this case we are talking about both international and domestic intermodal, which both have been growing. So, as recently as 2009, intermodal is close to 40% of all of the units moved on the rails. Note that in this case, we are counting units, which means either trailer container or a rail carload. If we did this in tons, it would be a different story. If we did it on revenue, it would also be different. There are a lot of different measures but just taking on units, we are pulling 40% intermodal on the rails and the growth has been significant over the past 30 years. Intermodal is now to the point that it is, in units, significantly larger than coal, which has always been considered the main driver of the rail industry. The other interesting point is—back to the days when I started in transportation—the railroads were thought to be driven by coal, grain, and other commodities. However, intermodal now is considerably larger than grain.

**Exhibit 3:** Intermodal Dramatically Increased Share of U.S. Railroad Units (Carloads, Trailers, and Containers)



Note: Volumes in all categories are measured in carloads, except IML which is measured in units

IML share is estimated because the AAR includes intermodal volume in various other freight categories

Source: AAR, Stifel Nicolaus estimates

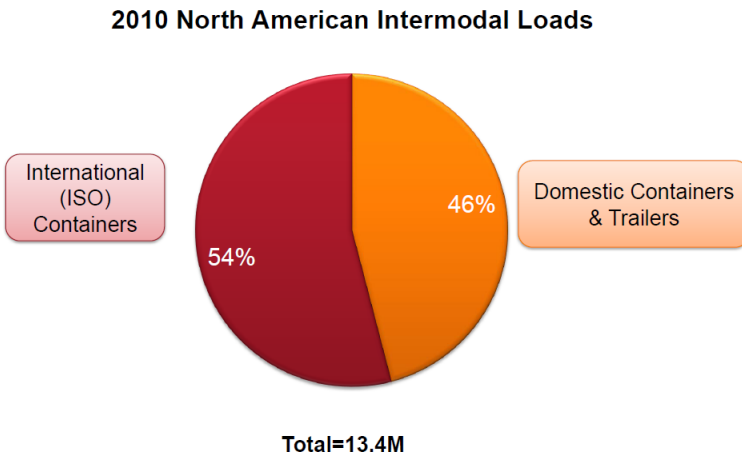
The map in **Exhibit 4** shows the top 10 intermodal lanes numbered in ascending order by YTD July 2011 total revenue movements. The map includes both domestic and international together. Essentially, the main intermodal flow is really in only a handful of lanes with these top 10 representing nearly 80% of the total shipments. When it is broken down even further, the top 5 really dominate all the volume. Note that the top lanes are all long-haul—East-West across North America and predominately tied to the West Coast. In the case of the second largest lane, Chicago to New York, a significant amount of that is really freight flowing through from the West Coast due, in this case, to lanes one and five, as well as some others, that are actually getting re-built in Chicago and showing up as separate transactions, but that are still part of long-haul East-West. That is where intermodal grew from. There are also the lanes where international has the biggest share, but that is more of a function of how the services are run, because international and domestic started together, evolved, and then split. Additionally, these are big markets and in order to run intermodal, it takes a significant amount of volume. So these are big markets and they are long-haul movements.

**Exhibit 4:** Top 10 Intermodal Lanes Account For Nearly 80% of Total Intermodal Shipments



Source: FTR Associates, Stifel Nicolaus estimates

**Exhibit 5:** Railroad Intermodal Business Is Split Between Domestic and International Markets



Source: IANA

The marketplace in terms of units, or loads, or trailers and containers is split almost evenly between the international and the domestic with international being slightly higher, as shown in **Exhibit 5**. However, if we were to look at this in terms of revenue (not pictured), domestic intermodal would be slightly larger than the international. This result is due to the fact that domestic intermodal uses a bigger container with typically higher dollars per container to move in addition to the fact that in many of the domestic services the railroads

offer, the railroads are providing the container. In comparison, on the international side, the containers are being provided by the ship lines. The main exception to railroads providing domestic containers are some of the large truck lines where they have their own fleets. But we will discuss more of that later.

Domestic intermodal is now to the point where it has come of age and it is being recognized as its own product. It is not something considered as a low-cost alternative, i.e. it is not almost like a truck, or almost as good, or a cheap solution. It is its own product. It brings its own value to the market. That is a big evolution. **Exhibit 6** depicts the intermodal's growth by stage. Pre-deregulation, intermodal was something that was offered by the railroads. It generally lost money and had poor quality of service. The network looked like a boxcar network and the service quality was poor. In order to

**Exhibit 6:** Domestic Intermodal Has Come of Age and Is Now Its Own Product

Pre-Deregulation Era	Post-Deregulation Era	Double Stack Era	2011 Forward
<ul style="list-style-type: none"> <li>• Poor quality equipment</li> <li>• Marginally price, service competitive</li> <li>• 2 trailer rates</li> <li>• Railroad drayage</li> <li>• High damage</li> </ul>	<ul style="list-style-type: none"> <li>• 45' trailers</li> <li>• IMC's emerged</li> <li>• Price competitive</li> <li>• RRs focused on core lanes and terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Containers instead of trailers</li> <li>• Similar equip to OTR trucking</li> <li>• New DST railcars</li> <li>• Sold as truck-like product, only cheaper</li> </ul>	<ul style="list-style-type: none"> <li>• Differentiated product</li> <li>• Embraced by market as a lower cost reliable TL option</li> <li>• Incorporated into transport</li> </ul>

Source: Norbridge, Inc.

try to minimize the losses and the problems, the railroads frequently had two trailer rates. One rail car held two trailers so you had to give them the two trailers or they were not moving the rail car. Additionally, the railroads provided drayage in many cases but it was a very inefficient model.

Following deregulation, things evolved. Equipment moved from old-and-falling-apart to things that looked more like what truck lines were using. Additionally, the intermodal marketing companies emerged. They existed pre-deregulation to put the two trailers together but they went from being in the market to do that to actually providing a service to the customers. They began coordinating the equipment, the drayage, the railroad moves—put it all to one piece and provided customer service. The network shrunk from little ramps everywhere to a few large ramps, large terminals, where things could be run efficiently. Efficiency was really the whole name of the game in post-deregulation. As a result, pricing came down, service levels rose, and intermodal began to grow. But as it was growing, it was a very immature product that was sold purely based on price.

“Double stack” emerged at the end of the '80s and grew into the '90s, which is when the double stack container era began. With this new era came a switch to new equipment, new rail cars, and new containers. At the beginning of the double stack era, the push was to have a fleet that was flexible to do both the domestic and the international. As we got to the end of the double stack era and we get closer to today, intermodal has evolved to actually having separate rail car fleets, made to be as efficient as possible for both domestic and the international. The important thing is that early on intermodal was sold as, “just like a truck only cheaper.”

Today, intermodal is not “just like a truck only cheaper,” it is its own product. Customers now recognize intermodal for the product it is and for what it has to offer. Customers are embracing it as an effective alternative in their supply chains and it has evolved to fit in with the technology used to manage and run those supply chains. Additionally, intermodal has evolved to the point that not only is fitting into the technology but it is fitting into the network design and network mentality. In the past, large shippers would design their networks based on trucks and then later decide that a given lane would be cheaper with intermodal. Now, we are seeing shippers evolve and move to designing their networks with intermodal in mind and incorporating intermodal right from the beginning.

As the domestic intermodal product evolved and as we went through the double stack evolution, there were a lot of changes to the equipment and actual container. Containers grew from 40 feet to 53 feet. The original 53 foot containers were much heavier than their over-the-road counterparts, and they were shorter with regard to inside height, narrower on width, and had lots of specification issues. The industry went through nearly a decade of continual evolution of different specifications on the equipment. Now, the equipment is fairly standard, fairly well-known, and can be planned on. In many cases, the equipment is very similar to a truck load; specifications are shown in **Exhibit 7**. While the equipment is now

**Exhibit 7: Intermodal Easier For a Shipper to Buy**

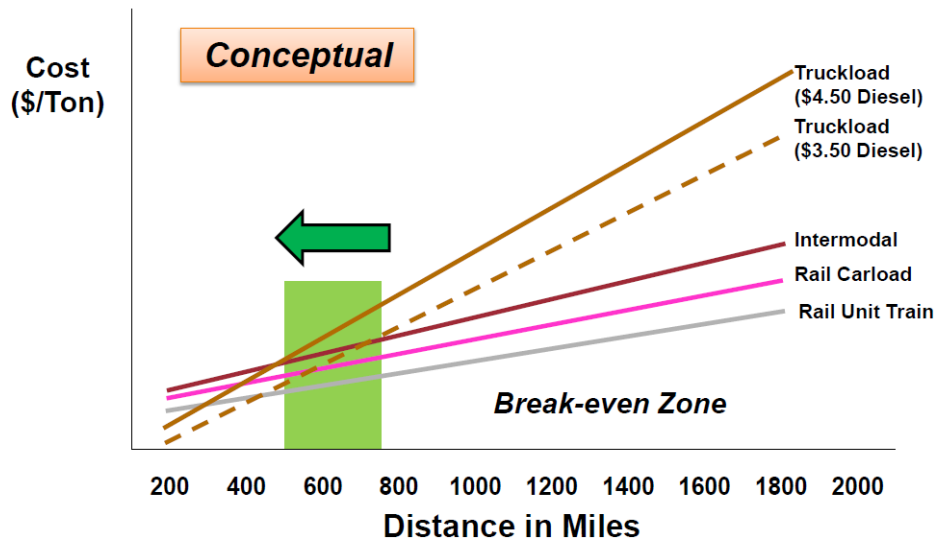
Standardized Equipment	Fits TMS's
<ul style="list-style-type: none"> <li>• Containers transitioned to standardized 53's</li> <li>• Designs similar to OTR trailer: i/w 100.375 in i/h 109.5 in cube 4,014 cu in</li> </ul>	<ul style="list-style-type: none"> <li>• Intermodal rates can be loaded into TMS – just like truckload</li> <li>• Decision rules on when to ship intermodal                             <ul style="list-style-type: none"> <li>• Cost savings</li> <li>• Service parameters</li> </ul> </li> </ul>

Source: Norbridge, Inc.

very similar to a truck load, what shippers are used to, and fits their packaging, the way the intermodal product is put together, marketed, and sold also fits into the systems used to manage the business. So, intermodal can now be incorporated into transportation management systems just like truckload. It also can be included in many of the bidding systems. So when customers say, “what carriers do I want to have in which lanes?” They put out their bids and through very complex technology evaluating which carriers they want and where. They actually can put in intermodal as another modal option the same way they put in less-than-truckload or truckload, letting the models figure out which to use in what lanes.

Domestic intermodal has also become significantly more cost competitive, and not just because the cost of trucking is escalating rapidly on account of fuel, because changes in hours of service, or because of other regulations, but rather, because the railroads and the rest of the intermodal providers have been on a continual move to gain productivity. So with intermodal being a high fixed cost, low variable cost model, versus truckload at a high variable cost, the breakeven moved fairly quickly. At the time of deregulation, intermodal was either marginally competitive or not competitive at all with railroad and marginally competitive with trucking. Shortly after deregulation, domestic intermodal became viable in the 1,200 mile and over lanes. At that point, all the focus was on Chicago to L.A. and similar markets. Now, as depicted in **Exhibit 8**, we are at a point where intermodal can be a viable option at much lower lengths of haul because of both fuel prices as well as the hours of service limit. Under current regulations, a truck driver runs out of hours somewhere in the 500 to 550 mile range and has to drive a second day, pushing up costs and travel time, and making intermodal a competitive option. However, note that for intermodal to be viable in these types of markets and down at this length of haul, it must be in the largest markets with enough

**Exhibit 8:** Domestic Intermodal Now Viable Down to 500 Miles in High Density Markets as Truckload Costs Have Increased

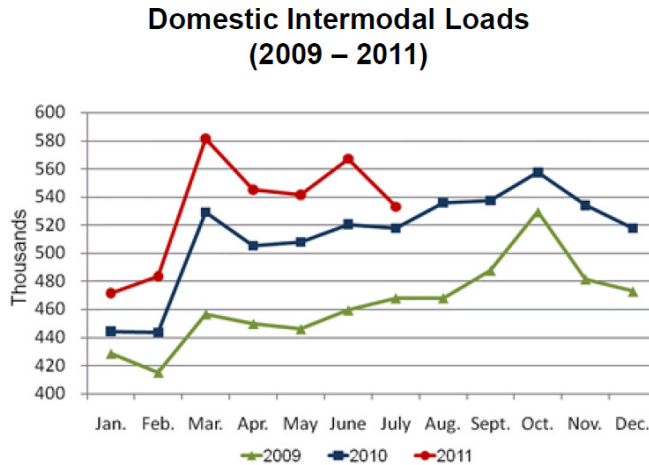


Source: Norbridge, Inc.

volume to run full trains. There must be enough balance to keep the equipment flowing properly. The take-away is that the breakeven point in the competitive space has expanded and as trucking costs go up, and as rail productivity and intermodal productivity improve, the playing field for domestic intermodal continues to expand.

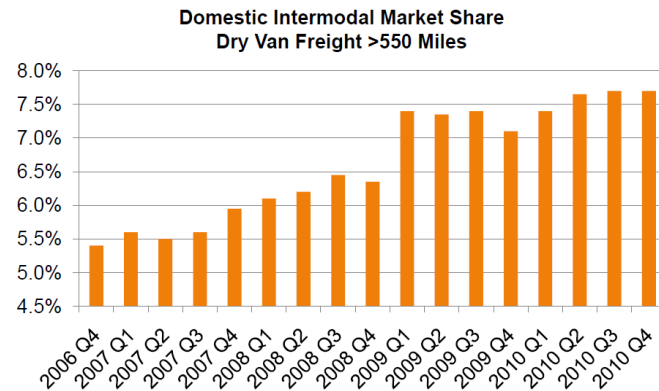
As John mentioned at the beginning, intermodal is a growth service. There has been significant growth through 2011 as well as each year prior, as shown in **Exhibit 9**. It is very interesting that even though there was a decline during the time of the economic retrenchment, the growth started right back again on a month to month sequential

**Exhibit 9: Strong Gains in Domestic Intermodal in 2011**



Source: IANA

**Exhibit 10: Share Gains Taken From Long-Haul Truckload**



Source: FTR Associates

**Exhibit 11: Factors Driving Domestic Intermodal Growth**

Drivers	Examples
Increases to truck costs	<ul style="list-style-type: none"> <li>• High fuel prices</li> <li>• Increased highway congestion</li> <li>• Regulatory changes                             <ul style="list-style-type: none"> <li>• Trucking hours-of-service</li> <li>• New engines</li> <li>• CSA 2010</li> </ul> </li> </ul>
Improved intermodal value proposition	<ul style="list-style-type: none"> <li>• Growth of double stack network</li> <li>• Improved service reliability</li> <li>• Increased lane offerings</li> <li>• Quality of third party reseller services</li> </ul>
Shippers open to alternatives	<ul style="list-style-type: none"> <li>• Truckload rate shocks forcing shippers to alternatives</li> <li>• Environmental benefits</li> </ul>

Source: Norbridge, Inc.

basis following through in 2010, and growing again this year. However, the growth rates over last year are declining and narrowing. I think for the last week or so we are down to 1% growth y/y on the weekly AAR reports, but we are still growing. The growth is coming from long-haul truckload, and intermodal is starting to approach 8% of the long-haul market, as illustrated in **Exhibit 10**. In this case, long-haul is defined as 550 miles and higher. Intermodal's share will be considerably higher than that 8% in the over 2,000 mile lanes and considerably under 8% in the 550 to 750 lane. But, on average, if the space to play is over 550, the market share is just under 8%.

There are a lot of factors driving domestic intermodal, shown in **Exhibit 11**, and it is happening from both a cost and quality-of-service kind of value proposition, which goes beyond the cost perspective. Fuel is helping intermodal as intermodal is considerably more fuel efficient than long-haul trucking. Thus, increases in fuel costs translate into an advantage to intermodal. Increased highway congestion and the regulatory changes that are occurring are also impacting the cost of trucking, which, again, is coming back and driving in intermodal's favor. Additionally, the regulatory changes, congestion, as well as other factors are now driving down truck service quality. At the same time, intermodal service quality is moving up. So truck quality, which always used to be around 99% on-time, is now becoming much more difficult

to deliver and much more problematic. Trucking is still at a very high reliability level but it is inching down slowly. In comparison, the railroad service quality has improved. Beyond that, many of the more sophisticated intermodal service providers are now able to manage the door-to-door service quality such that it is higher than the railroad service quality. In essence, the intermodal service providers are able to monitor and respond; if the railroad actually has a 75% on-time percentage in a lane, they can plan on it, respond, and actually deliver to the customer at a 90% on-time. This helps close the service gap and improves the value proposition.

There is also growth from the value proposition because of the growth of the double stack network—particularly in the East where CSX and NSC have been opening new lanes to double stack trains by clearing tunnels and raising clearances. This opens up the possibility to double stack—putting one container on top of another significantly increases the productivity while lowering the cost (i.e. adding value). The aforementioned improved service reliability is also a driver of growth. Increased lane offerings are also happening. One good example is CSX who recently opened a hub in Northwest Ohio; this allows them to take a second tier market, which does not have full train volumes to multiple markets but does have enough volume for one train to the hub, and link that from the hub, combining with other origins, going to destinations, opening new markets.

Customers have been very receptive to intermodal, which has helped drive growth. Before this last economic hit, many shippers were resistant to intermodal because their line of thinking was:

“Why should I try anything? If I can make my budget and I can get my freight delivered on time, then I will get my bonus as a traffic manager. Everyone in the company's going to be happy. Everything is working. Why do I want to risk not getting something delivered on time to try and save money? If I do use intermodal and it works, after awhile they will lower my budget. Next year, if it does not work and I switch back, I will miss my budget and I may miss my bonus. So, why do I want to take a risk?”

In today's world, their budgets are blown already. The companies have profit challenges and people are looking for alternatives. So the receptivity to go out and try something new is considerably higher. Thus, customers who heretofore may have been very resistant to wanting to try it are now becoming very open to it and looking for it.

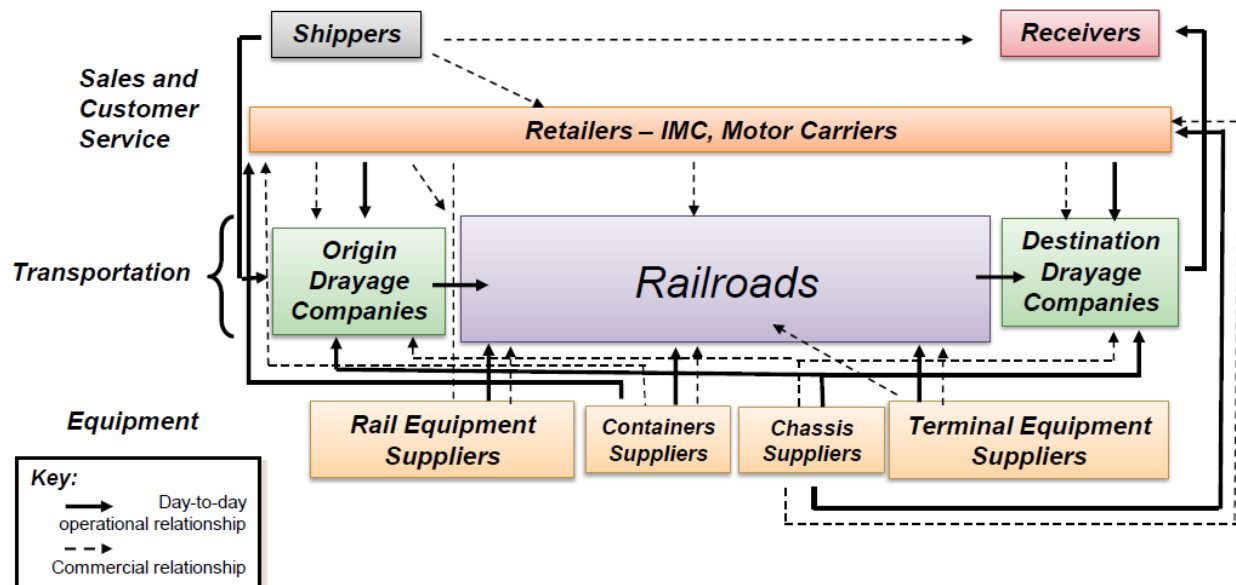
Another factor is the green movement. Intermodal, because it uses significantly less fuel, is considered greener than over the road trucking and large customers who have environmental goals are looking to intermodal as a way to help with their carbon footprint.

Depicted in **Exhibit 12** is the domestic intermodal value chain. It is complex; we will not walk through this box by box, but I will say there are many, many different players involved in intermodal. This is a very difficult, complex business. To make this work takes an enormous amount of coordination, a lot of systems, and a lot of working

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together from many different players. The objective is for everything to work right from the perspective of the shippers and for the receivers is all they ever really see are the retailer of the service, i.e. the intermodal marketing company or the motor carrier, who then coordinates and makes the rest of the places work. Another way to view **Exhibit 12** is that the upper half is service providing, driven by investments and systems, and the lower part is driven by investment hard assets.

**Exhibit 12:** The Domestic Intermodal Value Chain is Complex

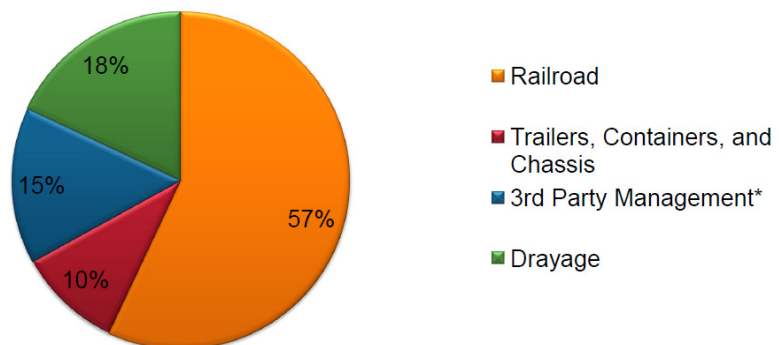


Source: Norbridge, Inc.

So, where does the money go? **Exhibit 13** shows the breakdown of where \$1 in domestic intermodal revenue ends up, where over half of the money of a door-to-door domestic intermodal movement goes to the railroads. Note that this would all shift based on length of haul, market, and length of dray. But just as a representative factor, about 57% goes to the railroads. The other chunks are split between the drayage company, which is actually the trucking from the rail ramp to and from the customer, the third party management company, the intermodal marketing company or truck line, who markets and sells this to the customer as well as coordinates

**Exhibit 13:** Over Half Domestic Intermodal Revenue Goes to the Railroads, Intermodal Marketers Manage the Rest

**Estimated typical Domestic Intermodal Revenue Share**

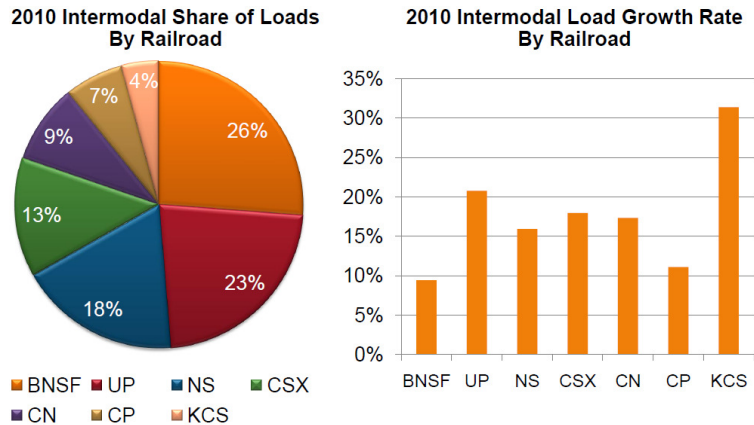


\*IMC, TL, and ship line management costs excluding equipment and OTR costs, which are included in the Trailers, Containers, and Chassis and Drayage categories  
Source: Estimates based on Norbridge analysis

all those little boxes on the prior page, and then the last piece of the pie goes to the trailers, containers, and chassis needed to make the movement.

**Exhibit 14** shows the breakdown of the North American Class I railroads and their percentage of intermodal share of units. The largest players in intermodal are BNSF and Union Pacific. Again, in this case, this is total intermodal, both domestic and international. On the right side of **Exhibit 14**, 2010 y/y load growth is shown and it is happening at all the railroads. The only one to really stand out is Kansas City Southern, which is being driven by growth in Mexico. The growth of domestic intermodal, which again does not mean domes-

**Exhibit 14: Class I Railroads Move Nearly All Intermodal Freight**



Note: Combined domestic and international volume  
Sources: Company Weekly Carload Reports, 2010 Week 52; AAR



tic within the U.S. but means the 53 foot domestic trucking style container moving in North America, is predominately Mexico to the U.S. The other takeaway is both Canadian railroads have significant intermodal operations, and so this is really a full North American product.

Domestic intermodal has four different sales channels, all of which are shown in **Exhibit 15**. Starting from the bottom, when intermodal began, it was sold by the railroads. They marketed and sold the product. In most places today, the railroads have backed away from marketing and selling the product, with the exception being in Canada where Canadian National and Canadian Pacific are both predominately retailers, selling intermodal themselves, and putting together and managing the door to door move. However, most of the railroads have moved away from that.

The landscape changed after deregulation with the emergence of the intermodal marketing companies (IMCs). These are non-asset-based companies who market and sell the service without providing the assets. The strength of this business model, which is still a significant piece of the business today, is the sales expertise, the nationwide coverage, and an asset-light model. One of the disadvantages is that without other changes, this model is not cost competitive with an integrated model, either in back office GNA costs or in asset productivity. One of the good things in this segment is a service called Streamline, operated by Union Pacific, where they have spent millions of dollars to actually provide an integrated service that does take out the G&A cost and does provide for the equipment productivity. One of the negatives to the Streamline business is it is only on Union Pacific, so how do you

move beyond on other railroads? Another challenge to this group is that Burlington Northern Santa Fe has shifted away from this model. BNSF wants all of the equipment provided by the marketing company. BNSF is not providing equipment themselves, so the non-asset-based IMC model becomes difficult.

**Exhibit 15: Domestic Intermodal Has Four Sales Channels**

Channel	Example Players	Advantages 	Disadvantages 
Truckload Carriers	JB Hunt, Schneider, Swift	<ul style="list-style-type: none"> <li>• Low G&amp;A</li> <li>• In-house balanced drayage</li> <li>• Customer relationships</li> <li>• Asset control &amp; productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal synergy with TL</li> <li>• Requires new management systems</li> </ul>
Integrated Asset Provider IMC's	Hub, Pacer	<ul style="list-style-type: none"> <li>• Low G&amp;A</li> <li>• Drayage balance</li> <li>• Dedicated capacity</li> <li>• Sales expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Requires equipment management capabilities</li> <li>• Equipment utilization responsibility</li> </ul>
Non Asset-Based IMC's	Alliance, CHR, Celtic, ReTrans	<ul style="list-style-type: none"> <li>• Sales expertise</li> <li>• Nationwide coverage</li> <li>• UP Streamline access</li> <li>• Asset light</li> </ul>	<ul style="list-style-type: none"> <li>• Operating cost structure</li> <li>• UP Streamline</li> <li>• BNSF shift to privates</li> <li>• Loss of CSXI and StackTrain</li> </ul>
Rail Retail	NS Triple Crown, UPDS, CN, CP	<ul style="list-style-type: none"> <li>• Customer relationship</li> <li>• Investment in systems</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal experience selling and running D-to-D Op's (ex. CN, CP)</li> <li>• Single RR</li> </ul>

Skipping to the top, truckload carriers—predominately J.B. Hunt, Schneider, and Swift—have built a new business model where they provide all of the assets. They manage and run it on an integrated basis and they, being trucking oriented, are highly focused on balancing

Source: Norbridge, Inc.

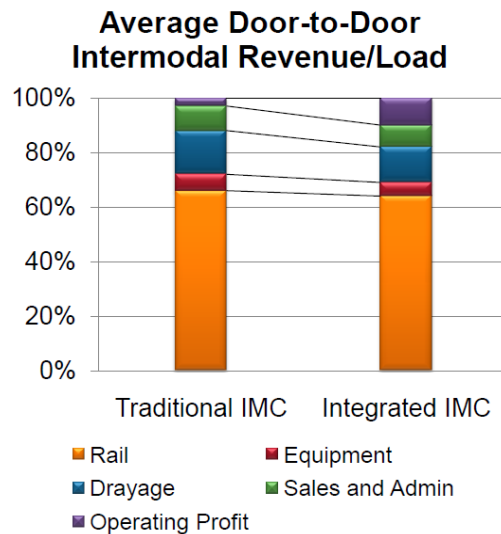
the drayage moves (i.e.

the local trucking moves) so that they are not running empty. This allows them to gain productivity, balance asset productivity, and also leverage their brand name as well as position with their broader customer relationships. The disadvantage of this model is it is difficult for anyone but the largest truck lines to pull this off. There is minimal to no operating synergy with the rest of the truck line as they are using different equipment. Instead, they are in containers. Additionally, the way it operates requires totally different systems to manage and control the move, different networks are needed, and different ways to flow equipment are required.

Moving down to the integrated asset provider IMCs, this is a new model that has evolved in the last few years. Hub Group and Pacer are examples of players in this market. They, however, are not the only ones and others are moving in this direction. In this model, an intermodal marketing company who is not a truck line moves to providing an integrated service where the G&A has been integrated. When there is an order, it is entered as a single entry allowing balance of the drayage and dedicated capacity to manage box flows. In many ways this process is very similar to the truckload carriers, and creates a much more efficient product. The disadvantage is that this process requires an entirely new set of management capabilities from what an intermodal marketing company has had in the past. It also involves taking the risk for equipment utilization and equipment productivity.

**Exhibit 16** illustrates the advantages of moving from a traditional IMC into an integrated IMC. People are moving in the direction of an integrated offering as there are administrative cost savings, equipment productivities, and lower rail cost. Now lower rail cost represents less movement of empties and does not reduce rates. The same goes on the drayage side. It is not getting a lower price for drayage; it is less drayage that is empty. This type of productivity can also be provided to the smaller players through others, as well as different programs such as UNP's Streamline.

**Exhibit 16: Successful IMCs/TL Co's Have Been Integrating Operations to Reduce G&A, Drayage and Equipment Costs**



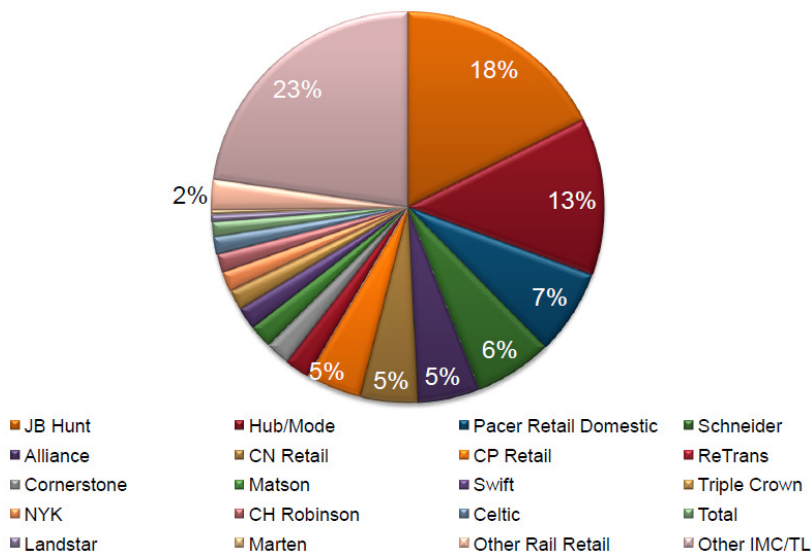
Source: Norbridge, Inc. estimates

So, who are these intermodal marketing companies? Who is selling the service? **Exhibit 17** shows the 2010 estimated North American domestic intermodal revenue breakdown by retailer.

The largest players right now are J.B. Hunt, Hub Group, Pacer, and Schneider, all of whom have an integrated model. Many of the intermediate players are also moving towards an integrated model, or at least aspects of it. The other important piece to note is the 23% that represents "other;" that figure reflects that there is still a very big piece of the domestic North American market being provided by very small intermodal marketing companies. It represents the little niche providers who are in the market because

**Exhibit 17: J.B. Hunt, a Truckload Carrier, and Hub Group, an IMC, Have the Largest Shares of N.A. Intermodal; Both Have Integrated D-2-D Operations**

**North American Domestic Intermodal Revenue by Retailer 2010 \$12Bil. Est.**



Source: Company financial reports, websites, news releases, presentations, executive bios, and analyst conference calls; IANA, One Source, Baird, Norbridge, Inc. estimates

of personal relationships and their ability to service the customer every day. The smaller niche provider business model is not cost competitive—not because they have higher rail rates, but because of higher administrative costs, drayage productivity, and equipment productivity. That segment of the pie, represented by the smaller, niche providers, has been shrinking in favor of the larger players in the market.

Looking forward, as shown in **Exhibit 18**, the market for domes-

tic intermodal should continue to be strong. There is nothing that we see at this point stopping continued growth. The growth is coming not only because the costs are in intermodal's favor but because the service product is getting better, and it is getting better on two fronts. First of all, the railroads' on-time performance and their transit times has improved. But even more important is what is being provided by the truck lines, the IMCs, or whoever is retailing and marketing—data. The sophisti-

**Exhibit 18:** Looking Forward, the Market for Domestic Intermodal Should Continue to be Strong

Trends	Impacts
<b>Improved Service</b>	<ul style="list-style-type: none"> <li>• Growth in existing lanes:                             <ul style="list-style-type: none"> <li>• Service sensitive segments</li> <li>• Direct-to-customer, not just D.C.</li> <li>• Parcel/LTL</li> <li>• Temperature controlled</li> </ul> </li> </ul>
<b>Entering New Markets</b>	<ul style="list-style-type: none"> <li>• Shorter haul markets</li> <li>• Intra-east double stack</li> <li>• Second-tier long haul markets                             <ul style="list-style-type: none"> <li>• Mixing centers (i.e. new CSX facility)</li> </ul> </li> </ul>

*Source: Norbridge, Inc.*

cated players are adding a lot in terms of data and integration, feedback, reports and value added services into the customers. They have matured and are providing a lot more value to the system. They have also been able to manage the on-time deliveries—in many cases being able to take the on-time performance of the railroad and deliver to a higher on-time performance to the customer. On top of that, improved service is opening the door for new lanes in growth. It is letting intermodal into service sensitive segments where they have not been before. It is letting them into the customer direct.

Take, for example, a large food products manufacturer in the Chicago area who may have a big distribution center of their own in Southern California. For decades, they may have embraced using intermodal to ship to their distribution center. They may have typically had somewhere between 10% to 20% of the business go customer direct—straight to their customers' distribution center. Up to a year or two ago, those moves would tend to go over the road via truck, because if anything happened service-wise, and if they disappointed a customer, it would have been a big problem and they would have paid the difference. They did not want to explain to the customer that they tried to save a few nickels and therefore jeopardized their service.

In today's world, both the manufacturer in Chicago and the retailer—the grocer or whoever they were shipping to in Southern California—fully expect shipment via intermodal. That is the expected service. That is not trying to save an extra few nickels and taking a risk on service. That is the service product that is being expected. So, there has been a move—and it is a very recent move—to start using intermodal direct to customer.

Other opportunities are in small parcel and LTL. Traditionally, only one of the main small parcel carriers have used intermodal. The other has now begun as well. Another piece is growth in temperature controlled and insulated trailers moving in intermodal.

In addition to growing within existing lanes, there are a lot of new markets that are opening. There has been a lot of push toward short-haul markets, particularly intra-East and as both NSC and CSX have opened new routes in the East to double stack. There is also a push to putting intermodal into the second tier markets. If you remember earlier, I said domestic intermodal was focused on the very large markets. CSX recently opened a mixing center in Ohio so that they could take some smaller markets in the East that could never support a full train, for instance, to Los Angeles, or a full train to the Bay Area, or to the Pacific Northwest, or to Texas. But they can support a full train from the market to the mixing center where it gets combined with other freight to go to those same markets. They then open up the smaller market in the East to Los Angeles and bring intermodal to new markets.

If this growth is going to continue, the industry will need to continue to maintain and improve the intermodal product as described in **Exhibit 19**.

The main thing to remember is that this is still a very asset intensive business with a lot of money that needs to be invested. On the part of the railroads, they are going to need significant investment in the track, terminals, and equipment. There also needs to be continual push on cost competitiveness, building lane density—the bigger the trains, the lower the cost. There needs to be intense

**Exhibit 19:** To Achieve Growth, the Industry Will Need to Continue to Maintain and Improve the Intermodal Product

Investment	Cost Competitiveness	Service Quality
<ul style="list-style-type: none"> <li>• Track capacity</li> <li>• Terminals</li> <li>• Equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Lane density</li> <li>• Equipment utilization                             <ul style="list-style-type: none"> <li>• Balanced box flows</li> <li>• Empty box repositioning</li> <li>• Drayage “street turns”</li> <li>• Chassis</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Speed and reliability</li> <li>• Seamless Door To Door service</li> </ul>

*Source: Norbridge, Inc.*

focus on productivity—a push towards continuing to keep the balance flow of the boxes/containers and also managing the empty box repositioning—and an intense focus on drayage street turns. In the past, a container would move loaded from the rail terminal out to a distribution center, would be made empty, and then be brought back to the rail terminal. Somebody else would have to order it to ship it somewhere else and it would get moved empty out of the rail terminal, loaded, moved back, loaded, and moved to the rail terminal. In today's world, the push is more and more towards taking a container out, delivering it as a loaded container, moving it as short a distance as possible over to the next point of loading, and then ensuring that it does not come back to the terminal loaded.

Lastly, a continued push on service quality will help fuel growth. Intermodal is a service sensitive product. If anything goes wrong with service quality, it cuts both ways. If there are problems with service, intermodal will pay the price. But continued high quality of service will continue to feed growth. A continued push within the service

quality to increase the integration into the systems, to have more information, and to give more feedback to everyone involved will continue to make intermodal a part of peoples' ongoing plans into the future.

### **Question & Answer**

**John Larkin:** Thank you, Lee. That was terrific and very informative. Thank you for putting together such a terrific presentation. You did a nice job of describing the difference between Burlington Northern Santa Fe's strategy and Union Pacific's strategy in the West in terms of what they require in order to do business with them. BNSF requires that you bring your own box and chassis, whereas UNP provides both. In theory, UNP's strategy would be more attractive to the smaller IMCs that do not have their own assets, or even perhaps to smaller truck lines who want to dip their toe into the container water a little bit. How do you think that is panning out? Do you think Burlington Northern Santa Fe is reconsidering and perhaps supplying their own equipment, or are they very happy with doing a large amount of business with a relatively small amount of players that can bring their own equipment to the party?

**Lee A. Clair:** Well, I cannot speak publicly for anything BNSF has not announced, but what I can say is that the approach to the smaller truck lines is different than UNP's. BNSF's approach to small truck lines is to accept them as customers into their premium service network—their highest speed and highest reliability network—but with their own trailers. They have actually had a significant growth in small truck lines coming to them, shipping intermodal in trailers and learning intermodal that way. How that evolves and how it transitions into the future, given the cost competitiveness of trailers versus containers, is unknown at this time. But they actually have had significant growth in that. Union Pacific's approach is to welcome the customers in, let them know they do not want the trailers; UNP wants to use their own containers but they will actually give the shipper the assets as well as the systems needed to coordinate and manage this on a door-to-door basis. They do that through their Streamline business. So, they are taking two different approaches in what they are doing. For the most part, the Eastern railroads are doing whatever they can to accommodate both business models because so much of their intermodal business is coming to and from the West. They have to respond and accommodate both.

**John Larkin:** Interesting. The other major theme of at least the Eastern railroads is the massive corridor development projects which have a small amount of federal funding involved. I am thinking of the National Gateway that CSX is developing, the Heartland Corridor, the Crescent Corridor, and some of the other projects that Norfolk Southern is developing. How do you see those projects changing the breakeven point in **Exhibit 8**? Do you think it is possible that the breakeven point may continue to slide to the left as we begin to see more density building in those particular lanes where all the capital dollars are flowing for the eastern railroads?

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**Lee A. Clair:** I am not sure it will make a difference in where the breakeven point goes. But it will make a difference in how much of the market fits within the envelope of where the breakeven and competitiveness is. Where they have not opened to double stack and there are trailers only, the breakeven point is beyond the length of haul. So by opening it to double stack, they make the just-over-500-mile-move—that is where you can keep beyond a one day truck move—now viable for intermodal. It will also be interesting because while they are now economical and competitive, they are still less profitable than the really long-haul moves. So how much terminal capacity do they want to give to them and how much they want to meter the growth? What is very exciting about these programs is the markets that they are opening up. The intra-East are tremendously larger markets than the traditional markets that intermodal has played in.

**John Larkin:** Great answer. Let's open it up to a few questions from our listening audience.

**Listener #1:** I have two questions regarding equipment. First, where do you see trailers in ten years? I think you mentioned that it is mostly LTL, parcel, and some smaller trucking companies but it seems like it is more of a niche market in very high volume lanes. Does it have a place in ten years? My second question is regarding 53 foot steam ship boxes and APL's entry into the market with them. Where do you see that in ten years because it is not a 100% interchangeable piece of equipment due to the weight and the internal container post?

**Lee A. Clair:** Two good questions. Regarding trailers, they have declined to be a very small piece of the market. They currently exist in two spaces. One is on BNSF in their premium, high-speed network where it is, for several reasons, slightly better for trailers than containers. It is a very limited offering, although it is a great conduit to bring people into intermodal. That will continue as long as BNSF wants to give the track capacity to the trains that have so many fewer revenue units on them than a double stack. But as long as it is only a niche, it is not that big a problem and it does have benefits to them. The other main place for trailers is in markets that do not accommodate double stack, and those have predominately been in the East and are getting opened for double stack today. So I would expect those to significantly cut over the amount that is in trailers but to grow dramatically in size. So, where would trailers be in ten years? Probably a lot less than today, but probably still some out there.

The 53 foot international box is very exciting. There are other 53 footers beyond APL. Some of them run in the Puerto Rican market and there are a few other little niche places. Again, they are different boxes; they have different floors and the configurations are slightly different because of the stacking requirements. I find that very exciting. A lot of the domestic intermodal business today is getting trans-loaded out of international traditional ISO boxes on the West Coast. As this grows, that really offers the opportunity to get rid of all that unnecessary cost of all the trans-loading on the West Coast and letting them flow through. While their specifications are different and it causes that huge problem—now that we have gotten down to very close to defining what a domestic container is

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and the 53 foot international box starts moving us away from it to something slightly different—it still has a lot of opportunities as to what it can do in the whole network and the flow of freight. I think that is actually very exciting. I do not expect it to grow very rapidly because of the cells on the ships, how much space there is on deck, and the whole conversion issue being just tremendous. But, the economics of it and what it means to shippers and importers is fantastic.

**Listener #2:** Looking at the Top 10 intermodal lanes in **Exhibit 4** on the East Coast I only see Savannah, Philadelphia, and New York. I do not see Jacksonville, any North Carolina ports, or even Norfolk. Given the expansion of the Panama Canal do you see those intermodal lanes growing in those markets and companies move more products to that area?

**Lee A. Clair:** That is a complex question because as the Panama Canal expands and the economics of all-water shifts, then the international moves through to the East Coast, which have been declining—which is the international piece I wasn't discussing today—that continues to decline. Those markets intermodally—many of them are the ones that are also connected to these double stack clearance programs—are opening up for actually moving both the Asian freight and other import freight further West and balancing intermodal off the East Coast versus intermodal off the West Coast as well as just opening up other markets in those same lanes. So that is actually a pretty complex question.

**John Larkin:** One of the other comments that we have heard on that particular question came from a couple of other intermodal experts that we have had on calls similar to this, namely Tom Finkbiner and Ted Prince, who have done some work in this area and have concluded that the ships that would be coming through that third set of locks on the Panama Canal are so large that it becomes uneconomical for them to make multiple stops on the East Coast. There is a lot of extra work involved in making sure that you are offloading the correct containers and making sure that the weight and balance on the ship is correct, and so forth. So, they were suggesting that those large ships that will be accommodated by the third set of locks in Panama can probably only make two calls on the East Coast. Certainly, one of those two is always going to be New York because they appear to be moving ahead with raising the Bayonne Bridge, the ports of New York and New Jersey will receive that service. I think that is almost a certainty. So the question becomes which other ports do you use. Currently the only one that has sufficient draft is Newport News. Our biggest war ships move in and out of that port, so you could accommodate the largest container ships there, but that may not be optimally positioned on the East Coast as your second calling point because it is not far enough South. It is in effect too close to New York. So, Savannah keeps popping up as maybe the optimal location, but I believe they have got to somehow shake loose some funding to do some dredging there to accommodate those larger vessels. So, an awful lot of moving parts as Lee mentioned in this equation and it is go-

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ing to be really fun to watch how this all pans out. Additionally, the extent, if any, that we see modal transfer from the rail-based land/bridge service to more of an all water service will be interesting.

**Listener #3:** I would like your opinion on what you anticipate as cross border, particularly into Canada, on intermodal. As I understand it, there is not as much now; I believe the trucking industry still dominates that cross border traffic.

**Lee A. Clair:** That is a good question. With regards to the U.S. / Canada cross border market, a significant amount is actually relatively short haul and is really not viable for intermodal. The big markets are to/from Ontario and into the Northeast as well as Ontario to/from Michigan, which are both difficult places to run intermodal. However, there are long-haul markets. At that point, it becomes a question of which markets are big enough for intermodal. Those are markets that are actually being targeted by the new networks. One of the options for CSX, with their mixing operation in Ohio, is to have intermodal freight flow come from Canadian cities into Ohio and then mix in order to gain the volumes into L.A., Oakland, the Bay Area, the Pacific Northwest, or Texas. Likewise, with Canadian National Railway's acquisition of the Elgin Joliet and Eastern Railway along with all their capital projects, for instance creating a hub operation in Chicago, the cross border market starts to open up as well. Additionally, Canadian Pacific, with some of their acquisitions in the U.S., could help open up the cross U.S./Canada intermodal flow; the question is how they build out the networks and fit those cities into the flows in North America. But I would say all of those are moving forward and there will probably be more intermodal over the U.S./Canada cross border.

**John Larkin:** Thank you Lee. As a follow-on to that excellent question, you keep mentioning the Northwest Ohio terminal, which I have actually visited—CSX was kind enough to bring us out there maybe two or three months ago—it is quite a facility literally, out in the middle of nowhere, and it is a very effective hub, given all the mechanization they brought to play there. Are you aware of any other similar terminals that are being set up to try and facilitate penetration of smaller markets through this hub and spoke kind of a system?

**Lee A. Clair:** Well, the concept has been around for awhile and it has been done in several places but never before with the amount of commitment and capital investment to drive the operating cost so low or to create the finite ability of what can be done. BNSF, for a long time has run a hub in Clovis, New Mexico and they have used that to mix freight off the West Coast going to various Eastern markets by bringing in full trains and mixing them and then going back out. The difference in regards to the new CSX facility is actually moving each individual container whereas the BNSF facility (Norfolk Southern has done some similar things in Pennsylvania as well) has traditionally been switching the railcars. When they switch the railcars, they still wind up with empty spaces, since the domestic railcar holds six containers, versus the international container that holds ten. In comparison, by shift-

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ing every single container, one can keep completely full trains. Additionally, the speed at which CSX can perform the operations also helps the throughput and the service quality, the difference being the major capital commitment to make that happen.

**Listener #4:** I wanted to follow up on the Panama Canal discussion from earlier. Considering the implications, it would seem that there would be more international traffic moving from West to East. Could you give us some sense of what you think the market shift might change between the primary rail carriers from UNP/BNSF to CSX/NSC, or is there some other basic change in terms of the lane movement, for example?

**Lee A. Clair:** I would say that I would expect the total market share shift in intermodal to be extremely small, if noticeable at all. Remember there already is all-water service to the East Coast and it is frequently \$200 a container, which is a significant amount of money cheaper than by coming intermodal off the West Coast. Additionally, a significant amount of the business to the East Coast has already transitioned over to all-water; so most of it has already been done. So, the question then becomes: how far will it reach back West? It is not going to be that much of a change. It is all going to be on the margin while the markets keep growing. Then again, that is going to affect the international market and will have very little impact on the domestic market.

**John Larkin:** It is interesting, I was at a conference over the last couple of days and our friend, a fellow by the name of Larry Gross—who probably spends more time analyzing the intermodal data than anyone on the planet—suggested that with the larger vessels coming through the Panama Canal, starting in say 2015, that the break-even point for moving freight to the East Coast may shift from Pittsburgh to a little bit further to the West, maybe Columbus, Ohio, but probably not dramatically beyond that. So, a little bit of incremental geography is picked up that might be more economically served to the East given the lower cost associated with moving the boxes all-water on the bigger ships.

**Lee A. Clair:** That is exactly right and Larry is right on. Where I am saying it may not be that big of a deal with regard to where the break-even happens deals with the significantly later time arrival. So, if you are shipping all-water to the East Coast and then moving inland via intermodal to save money, you are not going to do it where you break-even if it takes an additional week or two. It has got to be compelling. So, the amount of additional market shift is not that great. Does it mean a lot to the ship lines? Yes. Does it mean a lot to the East Coast ports? Yes. Will it make a big difference to BNSF or UNP? It would not be as dramatic as you might think.

**John Larkin:** Larry Gross also made another fairly insightful point to be made on this issue during the conference. Based on his analysis of the data it appears that during those periods when retail activity is relatively slow, for example early in the year, shippers would tend to use the East Coast for a larger proportion of freight traffic but

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as the holiday season approaches a shipper tends to shift those larger volumes to the West Coast because they are more time sensitive. If they do not make it to the shelves in this extremely low inventory environment, they run the risk of a stock out. So, I thought that was sort of interesting. Shippers are getting so sophisticated that they are not just going with one plan for the entire year, they are actually tweaking their plan to optimize it based on seasonal demand, service levels, and cost savings. So a pretty sophisticated approach there but it is starting to show in the data that this is actually what is happening.

So, with that I would like to thank Lee for putting together a great presentation and for sharing with us his thoughts on what I think is a pretty dynamic market. It is exciting to see where this industry has come over the last 10 or 20 years. It still has a lot of growth ahead of it. I also want to thank those that dialed in and listened as well as those who asked very good questions. With that, we will bring the call to a close and wish everybody a terrific weekend.

**END**

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STIFEL NICOLAUS		Equity Comps - Transportation																				
		Comparative Valuation Matrix																				
Company name (Ticker)	Rating	Closing Price 9/26/2011	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV <sup>(a)</sup>	Equity value as a multiple of			Enterprise value as a multiple of			TTM ROIC	TTM ROE	TTM PEG ratio <sup>(d)</sup>	Div. Yield	2011E FCF/Yld				
								2010E <sup>(b)</sup>	2011E <sup>(b)</sup>	2012E <sup>(b)</sup>	2010E	2011E	2012E						EBITDA	EBITDAR <sup>(c)</sup>	EBIT	
<b>Truckload</b>																						
Celadon Group (CGR)	Buy	9.16	22.5	206.3	2.1	25.7	182.7	19.9x	12.1x	9.0x	1.2x	0.3x	3.0x	3.5x	3.4x	7.8x	5.3%	9.1%	8.7%	0.9	0.9%	11.7%
Covenant Transport (CVTI)	NR	4.03	14.7	59.3	214.3	2.3	271.3	17.5x	14.9x	NE	0.6x	0.4x	NE	3.9x	3.3x	3.3x	0.4%	1.8%	3.6%	NM	0.0%	NE
Frozen Food Express (FFEX)	NR	2.54	17.7	44.9	15.0	0.6	59.3	NE	NE	NE	0.7x	0.2x	NE	NM	NM	NM	-11.2%	-19.9%	-17.7%	NM	0.0%	NE
Heartland Express (HTLD)	Buy	13.82	90.7	1,253.3	0.0	151.4	1,101.9	20.0x	17.7x	15.4x	3.4x	2.1x	6.9x	6.7x	6.7x	10.2x	12.6%	18.7%	18.7%	1.2	0.6%	5.4%
J.B. Hunt Transport Svcs. (JBHT)	Buy	37.29	122.2	4,555.6	664.3	11.1	5,208.7	23.6x	18.4x	15.5x	7.6x	1.3x	8.0x	8.7x	8.7x	13.1x	11.4%	39.0%	20.2%	1.1	1.4%	2.0%
Knight Transportation (KNX)	Hold	13.57	80.5	1,091.8	0.0	15.7	1,076.1	18.8x	18.8x	15.6x	2.3x	1.4x	6.2x	6.5x	6.4x	11.5x	8.7%	11.7%	11.7%	1.2	1.8%	3.7%
Landstar System (LSTR)	Buy	39.51	47.7	1,885.3	137.5	70.0	1,941.2	22.0x	17.7x	15.1x	6.7x	0.8x	9.7x	10.8x	10.6x	12.6x	13.0%	33.9%	23.0%	1.2	0.5%	6.6%
Marten Transport (MRTN)	Hold	17.22	22.0	378.7	0.0	15.0	375.1	19.1x	16.2x	13.2x	1.2x	0.7x	3.9x	4.1x	4.1x	9.9x	4.7%	7.1%	7.0%	1.4	0.5%	15.0%
P.A.M. Transportation Svcs. (PTSI)	NR	10.21	8.9	91.4	33.9	4.8	120.4	NM	NM	20.8x	0.6x	0.3x	NE	4.6x	4.9x	4.9x	-1.1%	-2.0%	-0.9%	NM	0.0%	NE
Quality Distribution (QLTY)	Buy	8.57	24.8	212.4	299.6	1.6	510.3	28.6x	12.6x	10.5x	NM	0.7x	7.1x	8.4x	7.3x	8.7x	4.2%	-9.5%	16.2%	0.8	0.0%	12.9%
Swift Transportation (SWFT)	Buy	6.78	139.5	945.8	1,864.5	44.7	2,765.6	NM	11.3x	8.5x	NM	0.9x	5.5x	5.3x	4.8x	8.7x	3.2%	-20.5%	13.4%	0.6	0.0%	24.2%
Universal Truckload Svcs. (UACL)	Buy	12.79	15.6	199.4	0.0	17.1	182.3	NM	14.2x	11.1x	1.2x	0.3x	5.5x	5.9x	5.7x	9.2x	5.8%	7.5%	7.5%	NM	0.0%	12.1%
USA Truck (USAK)	NR	6.93	10.5	72.5	123.2	1.8	193.9	NM	11.7x	0.5x	0.4x	0.4x	NE	3.9x	3.7x	3.7x	-1.0%	-2.4%	-0.1%	NM	0.0%	NE
Werner Enterprises (WERN)	Buy	21.10	73.0	1,540.1	0.0	23.5	1,516.6	19.2x	15.5x	13.2x	2.2x	0.8x	4.6x	4.9x	4.9x	9.8x	7.6%	12.7%	12.7%	1.1	0.9%	-4.5%
<b>Min</b>				44.9	0.0	0.6	59.3	17.5x	11.3x	8.5x	0.5x	0.2x	3.0x	3.5x	3.3x	7.8x	-11.2%	-20.5%	-17.7%	0.6	0.0%	-4.5%
<b>Mean</b>				895.5	239.6	27.5	1,107.5	21.0x	15.4x	13.3x	2.4x	0.7x	6.0x	5.9x	5.7x	10.3x	4.5%	6.2%	8.9%	1.1	0.5%	8.9%
<b>Mean (Asset-based TI only)</b>				863.0	95.7	24.5	935.3	19.7x	16.0x	14.0x	2.0x	0.7x	5.4x	5.3x	5.2x	10.2x	3.9%	7.6%	6.5%	1.1	0.5%	6.5%
<b>Median</b>				295.5	24.4	15.3	442.7	19.9x	15.5x	13.2x	1.2x	0.7x	5.8x	5.3x	4.9x	9.9x	5.0%	7.3%	10.2%	1.1	0.2%	9.1%
<b>Max</b>				4,555.6	1,864.5	151.4	5,208.7	28.6x	18.8x	20.8x	7.6x	2.1x	9.7x	10.8x	10.6x	13.1x	13.0%	39.0%	23.0%	1.4	1.8%	24.2%
<b>Stifel Nicolaus Transportation Average</b>				<b>6,093.7</b>	<b>1,430.8</b>	<b>349.7</b>	<b>7,174.2</b>	<b>21.7x</b>	<b>19.5x</b>	<b>13.0x</b>	<b>2.6x</b>	<b>1.5x</b>	<b>7.4x</b>	<b>8.4x</b>	<b>7.1x</b>	<b>9.7x</b>	<b>4.7%</b>	<b>7.7%</b>	<b>9.1%</b>	<b>1.1</b>	<b>0.8%</b>	<b>3.7%</b>

(a) Total Enterprise Value = Market Capitalization of Equity + Total Debt - Cash + Market Value of Minority Interest

(b) Stifel Nicolaus estimates for those rated and First Call mean estimates for unrated securities

(c) Enterprise value adjusted to include the capitalization of off-balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA for the valuation multiple calculation

(d) 2010E P/E divided by First Call mean or Stifel Nicolaus estimated long-term growth rate

Excludes non-recurring items

Calculations may vary due to rounding

Source: Company data, First Call, and Stifel Nicolaus estimates

Company name (Ticker)		Rating	Closing Price 9/26/2011	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV <sup>(a)</sup>	Enterprise value as a multiple of										Div.	2011E Yield FCF Yld			
									2010E <sup>(b)</sup>	2011E <sup>(b)</sup>	2012E <sup>(b)</sup>	Book value	TTM Revenue	2011E EBITDA	TTM EBITDA	TTM EBITDAR	TTM EBIT	TTM ROA			TTM ROE	TTM ROIC	P/B ratio <sup>(d)</sup>
<b>Less-Than-Truckload</b>																							
Arkansas Best Corp. (ABFS)	Buy	17.75	25.4	17.75	451.1	69.4	204.1	329.6	NM	118.3x	16.1x	0.9x	0.2x	4.2x	6.5x	5.9x	NM	-1.3%	-2.4%	-2.3%	NM	0.7%	5.0%
Con-way (CNW)	Buy	23.01	56.1	23.01	1,291.7	823.9	469.4	1,646.2	NM	15.3x	11.5x	1.5x	0.3x	4.2x	4.7x	4.3x	11.1x	1.8%	7.1%	5.6%	1.0	1.7%	-0.3%
Frozen Food Express (FFEX)	NR	2.54	17.7	2.54	44.9	15.0	0.6	59.3	NE	NE	NE	0.7x	0.2x	NE	NM	NM	NM	-11.2%	-19.9%	-17.7%	NM	0.0%	NE
Forward Air Corp. (FWRD)	Buy	25.92	29.9	25.92	773.7	51.2	96.1	728.8	23.6x	17.1x	14.8x	2.7x	1.4x	7.5x	8.3x	7.3x	10.8x	11.4%	15.6%	13.2%	1.2	1.1%	4.0%
Old Dominion Freight Line (ODFL)	Buy	29.45	57.4	29.45	1,691.7	265.2	28.7	1,928.3	21.8x	13.7x	12.1x	2.2x	1.1x	6.4x	7.2x	7.1x	10.5x	8.2%	15.3%	11.8%	1.4	0.0%	-2.5%
Roadrunner Transportation Svcs. (RRTS)	Buy	13.84	31.2	13.84	431.8	44.0	1.4	474.4	24.7x	16.3x	12.4x	1.6x	0.7x	9.0x	12.5x	11.1x	13.7x	5.3%	7.5%	5.6%	1.6	0.0%	2.9%
Saia, Inc. (SALA)	Buy	10.18	16.1	10.18	164.1	81.4	10.7	234.8	NM	18.5x	9.3x	0.8x	0.2x	3.9x	4.2x	4.2x	11.3x	1.4%	3.0%	4.3%	NM	0.0%	-9.0%
Vitrin Corp. (VTNC)	Buy	4.12	16.3	4.12	67.3	80.0	0.0	147.3	NM	37.5x	4.6x	0.7x	0.2x	5.7x	6.7x	4.5x	4.5x	-0.7%	-1.7%	0.8%	2.5	0.0%	-5.9%
YRC Worldwide (YRCW)	Sell	0.06	47.7	0.06	2.6	1,578.4	155.9	1,425.1	NM	NE	NE	NM	0.3x	NM	NM	NM	NM	NM	NM	NM	NM	0.0%	NM
<b>Min</b>					2.6	15.0	0.0	59.3	21.8x	13.7x	4.6x	0.7x	0.2x	3.9x	4.2x	4.2x	10.5x	-11.2%	-19.9%	-17.7%	1.0	0.0%	-9.0%
<b>Mean</b>					546.5	334.3	107.4	774.9	23.4x	33.8x	11.5x	1.4x	0.5x	5.8x	7.2x	6.3x	11.5x	1.9%	3.1%	2.7%	1.5	0.4%	-0.8%
<b>Median</b>					431.8	80.0	28.7	474.4	23.6x	17.1x	12.1x	1.2x	0.3x	5.7x	6.7x	5.9x	11.1x	1.6%	5.1%	5.0%	1.4	0.0%	-0.3%
<b>Max</b>					1,691.7	1,578.4	469.4	1,928.3	24.7x	18.3x	16.1x	2.7x	1.4x	9.0x	12.5x	11.1x	13.7x	11.4%	15.6%	13.2%	2.5	1.7%	5.0%
<b>Stifel Nicolaus Transportation Average</b>																							
					<b>6,093.7</b>	<b>1,430.8</b>	<b>349.7</b>	<b>7,174.2</b>	<b>21.7x</b>	<b>19.5x</b>	<b>13.0x</b>	<b>2.6x</b>	<b>1.5x</b>	<b>7.4x</b>	<b>8.4x</b>	<b>7.1x</b>	<b>9.7x</b>	<b>4.7%</b>	<b>7.7%</b>	<b>9.1%</b>	<b>1.1</b>	<b>0.8%</b>	<b>3.7%</b>
<b>Asset-Based Logistics</b>																							
Con-way (CNW)	Buy	23.01	56.1	23.01	1,291.7	823.9	469.4	1,646.2	NM	15.3x	11.5x	1.5x	0.3x	4.2x	4.7x	4.3x	11.1x	1.8%	7.1%	5.6%	1.0	1.7%	-0.3%
FedEx Corp. (FDX)	Buy	69.75	318.9	69.75	22,245.5	1,668.0	1,959.0	21,954.5	15.6x	12.2x	9.9x	1.4x	0.5x	4.2x	4.9x	4.8x	8.8x	5.8%	10.3%	9.4%	0.8	0.7%	0.6%
Ryder System (R)	Buy	39.37	51.0	39.37	2,007.9	3,241.8	130.2	5,119.5	16.4x	11.7x	9.7x	1.4x	0.9x	3.8x	4.3x	3.8x	14.0x	2.3%	11.0%	5.7%	1.0	2.9%	-25.2%
United Parcel Service (UPS)	Buy	63.21	99.80	63.21	63,083.6	10,787.0	5,642.0	68,228.6	17.8x	15.2x	12.9x	7.6x	1.3x	8.0x	8.4x	8.1x	10.7x	11.5%	48.5%	22.4%	1.3	3.3%	4.6%
<b>Min</b>					1,291.7	823.9	130.2	1,646.2	15.6x	11.7x	9.7x	1.4x	0.3x	3.8x	4.3x	3.8x	8.8x	1.8%	7.1%	5.6%	0.8	0.7%	-25.2%
<b>Mean</b>					22,157.2	4,130.2	2,050.1	24,237.2	16.6x	13.6x	11.0x	3.0x	0.8x	5.1x	5.6x	5.3x	11.2x	5.3%	19.2%	10.8%	1.0	2.2%	-5.1%
<b>Median</b>					12,126.7	2,454.9	1,214.2	13,337.0	16.4x	13.7x	10.7x	1.5x	0.7x	4.2x	4.8x	4.6x	10.9x	4.0%	10.6%	7.6%	1.0	2.3%	0.2%
<b>Max</b>					63,083.6	10,787.0	5,642.0	68,228.6	17.8x	15.3x	12.9x	7.6x	1.3x	8.0x	8.4x	8.1x	14.0x	11.5%	48.5%	22.4%	1.3	3.3%	4.6%
<b>Stifel Nicolaus Transportation Average</b>																							
					<b>6,093.7</b>	<b>1,430.8</b>	<b>349.7</b>	<b>7,174.2</b>	<b>21.7x</b>	<b>19.5x</b>	<b>13.0x</b>	<b>2.6x</b>	<b>1.5x</b>	<b>7.4x</b>	<b>8.4x</b>	<b>7.1x</b>	<b>9.7x</b>	<b>4.7%</b>	<b>7.7%</b>	<b>9.1%</b>	<b>1.1</b>	<b>0.8%</b>	<b>3.7%</b>

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 (b) Stifel Nicolaus estimates for those rated and First Call mean estimates for unrated securities  
 (c) Enterprise value adjusted to include the capitalization of off balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA, for the valuation multiple calculation  
 Excludes non-recurring items  
 Calculations may vary due to rounding  
 Source: Company data, First Call, and Stifel Nicolaus estimates

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**Equity Comps - Transportation**

**Comparative Valuation Matrix**

Company name (Ticker)	Rating	Closing Price 9/26/2011	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV <sup>(a)</sup>	Equity value as a multiple of				Enterprise value as a multiple of				Div. Yield	2011E FCF Yld					
								2010E <sup>(b)</sup>		2011E <sup>(b)</sup>		2010E <sup>(b)</sup>		2011E <sup>(b)</sup>				TTM	ROA	TTM ROE	TTM ROIC	PEG ratio <sup>(d)</sup>
								Book value	2012E <sup>(c)</sup>	Book value	2012E <sup>(c)</sup>	EBITDA	EBITDAR <sup>(c)</sup>	EBITDA	EBITDAR <sup>(c)</sup>							
<b>Non-Asset-Based Logistics</b>																						
C.H. Robinson Worldwide (CHRW)	Sell	68.15	165.9	11,309.4	0.0	315.9	10,993.5	29.2x	25.6x	22.7x	8.8x	7.0x	14.8x	15.6x	15.1x	16.3x	20.3%	34.9%	34.9%	1.7	1.7%	2.8%
Echo Global Logistics (ECHO)	Buy	13.09	22.9	300.4	7.2	41.6	266.0	34.6x	24.7x	17.7x	2.7x	0.5x	9.7x	11.0x	10.3x	16.1x	6.3%	9.8%	9.2%	0.8	0.0%	4.6%
Expeditors International (EXPD)	Hold	41.32	218.5	9,028.5	0.0	1,225.8	7,798.2	26.0x	22.7x	20.5x	4.8x	4.2x	11.5x	12.1x	11.5x	12.8x	14.0%	21.7%	21.8%	1.5	1.2%	3.6%
Forward Air Corp. (FWRD)	Buy	25.92	29.9	773.7	51.2	96.1	728.8	23.6x	17.1x	14.8x	2.7x	1.4x	7.5x	8.3x	7.3x	10.8x	11.4%	15.6%	13.2%	1.2	1.1%	4.0%
Hub Group (HUBG)	Buy	28.05	37.6	1,055.2	0.0	18.3	1,036.9	24.2x	17.4x	14.9x	2.6x	4.0x	10.1x	11.9x	10.3x	12.5x	7.3%	13.5%	13.5%	1.1	0.0%	7.0%
Landstar System (LSTR)	Buy	39.51	47.7	1,885.3	137.5	70.0	1,941.2	22.0x	17.7x	15.1x	6.7x	0.8x	9.7x	10.8x	10.6x	12.6x	13.0%	33.9%	23.0%	1.2	0.5%	6.6%
Pacer International (PACR)	Buy	3.85	35.0	134.7	26.4	3.4	157.7	29.6x	11.7x	9.6x	1.3x	0.6x	5.6x	6.1x	3.4x	8.4x	3.3%	8.9%	9.9%	0.8	0.0%	10.6%
Quality Distribution (QLTY)	Buy	8.57	24.8	212.4	299.6	1.6	510.3	28.6x	12.6x	10.5x	NM	0.7x	7.1x	8.4x	7.3x	11.1x	4.2%	-9.5%	16.2%	0.8	0.0%	12.9%
Roadrunner Transportation Svcs. (RRTS)	Buy	13.84	31.2	431.8	44.0	1.4	474.4	24.7x	16.3x	12.4x	1.6x	0.7x	9.0x	12.5x	11.1x	13.7x	5.3%	7.5%	5.6%	1.1	0.0%	2.9%
Universal Truckload Svcs. (UAQL)	Buy	12.79	15.6	199.4	0.0	17.1	182.3	21.3x	14.2x	11.1x	1.2x	0.3x	5.5x	5.9x	5.7x	9.2x	5.8%	7.5%	7.5%	0.7	0.0%	12.1%
UTL Worldwide (UTW)	Buy	13.52	101.5	1,372.7	381.2	315.8	1,335.1	20.2x	16.3x	13.0x	1.4x	0.8x	6.2x	7.1x	5.3x	9.7x	3.5%	9.0%	6.9%	0.9	0.4%	3.1%
<b>Min</b>				134.7	0.0	1.4	157.7	20.2x	11.7x	9.6x	1.2x	0.3x	5.5x	5.9x	3.4x	8.4x	3.3%	-9.5%	5.6%	0.7	0.0%	2.8%
<b>Mean</b>				2,427.6	86.1	191.6	2,311.3	25.8x	17.8x	14.7x	3.4x	1.9x	8.8x	10.0x	8.9x	12.1x	8.6%	13.9%	14.7%	1.1	0.4%	6.4%
<b>Median</b>				773.7	26.4	41.6	728.8	24.7x	17.1x	14.8x	2.7x	0.8x	9.0x	10.8x	10.3x	12.5x	6.3%	9.8%	13.2%	1.1	0.0%	4.6%
<b>Max</b>				11,309.4	381.2	1,225.8	10,993.5	34.6	25.6	22.7	8.8	7.0x	14.8x	15.6x	15.1x	16.3x	20.3%	34.9%	34.9%	1.7	1.7%	12.9%
<b>Stifel Nicolaus Transportation Average</b>				<b>6,093.7</b>	<b>1,430.8</b>	<b>349.7</b>	<b>7,174.2</b>	<b>21.7x</b>	<b>19.5x</b>	<b>13.0x</b>	<b>2.6x</b>	<b>1.5x</b>	<b>7.4x</b>	<b>8.4x</b>	<b>7.1x</b>	<b>9.7x</b>	<b>4.7%</b>	<b>7.7%</b>	<b>9.1%</b>	<b>1.1</b>	<b>0.8%</b>	<b>3.7%</b>
<b>Intermodal</b>																						
Hub Group (HUBG)	Buy	28.05	37.6	1,055.2	0.0	18.3	1,036.9	24.2x	17.4x	14.9x	2.6x	4.0x	10.1x	11.9x	10.3x	12.5x	7.3%	13.5%	13.5%	1.1	0.0%	7.0%
J.B. Hunt Transport Svcs. (JBHT)	Buy	37.29	122.2	4,555.6	664.3	11.1	5,208.7	23.6x	18.4x	15.5x	7.6x	1.3x	8.0x	8.7x	8.7x	13.1x	11.4%	39.0%	20.2%	1.1	1.4%	2.0%
Pacer International (PACR)	Buy	3.85	35.0	134.7	26.4	3.4	157.7	29.6x	11.7x	9.6x	1.3x	0.6x	5.6x	6.1x	3.4x	8.4x	3.3%	8.9%	9.9%	0.8	0.0%	10.6%
<b>Min</b>				134.7	0.0	3.4	157.7	23.6x	11.7x	9.6x	1.3x	0.6x	5.6x	6.1x	3.4x	8.4x	3.3%	8.9%	9.9%	0.8	0.0%	2.0%
<b>Mean</b>				1,915.1	230.2	10.9	2,134.4	25.8x	15.8x	13.4x	3.8x	2.0x	7.9x	8.9x	7.4x	11.3x	7.3%	20.5%	14.5%	1.0	0.5%	6.5%
<b>Max</b>				4,555.6	664.3	18.3	5,208.7	29.6x	18.4x	15.5x	7.6x	4.0x	10.1x	11.9x	10.3x	13.1x	11.4%	39.0%	20.2%	1.1	1.4%	10.6%
<b>Stifel Nicolaus Transportation Average</b>				<b>6,093.7</b>	<b>1,430.8</b>	<b>349.7</b>	<b>7,174.2</b>	<b>21.7x</b>	<b>19.5x</b>	<b>13.0x</b>	<b>2.6x</b>	<b>1.5x</b>	<b>7.4x</b>	<b>8.4x</b>	<b>7.1x</b>	<b>9.7x</b>	<b>4.7%</b>	<b>7.7%</b>	<b>9.1%</b>	<b>1.1</b>	<b>0.8%</b>	<b>3.7%</b>

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Source: Company data, First Call, and Stifel Nicolaus estimates

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**Equity Comps - Transportation**

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Company name (Ticker)	Rating	Closing Price 9/26/2011	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV <sup>(a)</sup>	Equity value as a multiple of				TTM EBITDA	TTM EBITDAR <sup>(c)</sup>	TTM EBIT	TTM ROA	TTM ROE	TTM ROIC	TTM PEG ratio <sup>(d)</sup>	Div. Yield	2011E FCF Yld			
								2010E <sup>(b)</sup>		2011E <sup>(b)</sup>											2012E <sup>(b)</sup>		
								Book value	2010E	2011E	2012E										Book value	2010E	2011E
<b>Domestic Marine</b>																							
Horizon Lines, Inc. (HRZ)	NR	0.45	30.9	13.9	593.8	3.4	604.3	NM	NM	NE	9.2x	0.5x	NE	23.0x	7.7x	NM	-5.6%	-97.4%	-0.4%	NM	0.0%	NE	
Kirby Corp. (KEX)	Buy	53.84	55.8	3,004.9	319.8	7.3	3,338.4	24.3x	17.4x	14.8x	2.4x	2.6x	7.5x	9.9x	8.5x	14.3x	7.1%	11.6%	10.0%	1.1	0.0%	4.9%	
Rand Logistics Inc. (RLOG)	NR	6.15	14.9	91.7	137.4	4.8	224.4	NM	NM	NM	1.5x	0.9x	NE	NM	NM	NM	-1.3%	-4.3%	0.9%	NM	0.0%	NE	
Trailer Bridge Inc. (TRBR)	Hold	0.53	12.0	6.4	102.1	3.1	105.3	NM	NM	NM	10.6x	0.9x	22.6x	27.2x	11.0x	-44.9x	-10.7%	NM	-6.4%	NM	0.0%	NE	
	Mfn			6.4	102.1	3.1	105.3	24.3x	17.4x	10.6x	1.5x	0.5x	7.5x	9.9x	7.7x	-44.9x	-10.7%	-97.4%	-6.4%	1.1	0.0%	4.9%	
	Mean			779.2	288.3	4.6	1,068.1	24.3x	17.4x	12.7x	4.4x	1.5x	15.1x	20.0x	9.0x	-15.3x	-2.6%	-30.0%	1.0%	1.1	0.0%	4.9%	
	Max			3,004.9	593.8	7.3	3,338.4	24.3x	17.4x	14.8x	9.2x	2.6x	22.6x	27.2x	11.0x	14.3x	7.1%	11.6%	10.0%	1.1	0.0%	4.9%	
<b>Stifel Nicolaus Transportation Average</b>																							
				<b>6,093.7</b>	<b>1,430.8</b>	<b>3.49:7</b>	<b>7,174.2</b>	<b>21.7x</b>	<b>19.5x</b>	<b>13.0x</b>	<b>2.6x</b>	<b>1.5x</b>	<b>7.4x</b>	<b>8.4x</b>	<b>7.1x</b>	<b>9.7x</b>	<b>4.7%</b>	<b>7.7%</b>	<b>9.1%</b>	<b>1.1</b>	<b>0.8%</b>	<b>3.7%</b>	
<b>Railroads</b>																							
Canadian National (CNI)	Buy	66.45	453.9	30,160.7	6,181.4	181.4	36,160.7	16.3x	13.8x	12.2x	2.5x	4.2x	8.5x	9.1x	8.9x	11.6x	8.0%	17.9%	13.0%	1.1	2.0%	4.2%	
Canadian Pacific (CP)	Hold	48.69	169.3	8,243.2	4,352.1	277.7	12,317.7	13.0x	15.1x	10.8x	1.6x	2.5x	8.2x	8.5x	8.0x	12.7x	4.1%	11.2%	8.2%	1.6	2.6%	-0.4%	
CSX Corp. (CSX)	Buy	19.05	1,099.3	20,941.5	8,680.0	1,295.0	28,326.5	14.1x	11.3x	9.5x	2.3x	2.5x	6.3x	6.5x	6.3x	8.4x	6.4%	19.9%	12.2%	0.9	2.5%	3.8%	
Genesee & Wyoming (GWR)	Hold	47.34	42.1	1,991.1	564.9	2.9	2,530.1	24.8x	17.2x	14.8x	2.2x	3.5x	9.9x	11.4x	10.8x	15.4x	5.0%	11.9%	8.9%	1.0	0.0%	2.5%	
Kansas City Southern (KSU)	Hold	50.42	110.2	5,554.9	1,632.8	156.0	7,080.1	24.5x	18.3x	15.3x	1.9x	3.6x	9.1x	9.9x	8.9x	13.3x	4.1%	8.6%	7.2%	0.9	0.0%	2.2%	
Norfolk Southern Corp. (NSC)	Buy	62.62	355.9	22,285.6	6,986.0	906.0	28,365.6	15.7x	12.4x	10.6x	2.1x	2.7x	7.0x	7.6x	7.4x	9.7x	5.9%	15.6%	11.1%	1.0	2.7%	4.8%	
RailAmerica (RA)	Buy	12.85	52.2	670.3	574.6	116.5	1,128.5	29.9x	17.8x	14.0x	1.0x	2.2x	6.8x	7.3x	10.4x	10.4x	2.2%	5.3%	6.4%	0.7	0.0%	6.2%	
Union Pacific (UNP)	Buy	83.72	491.1	41,116.5	8,938.0	1,055.0	48,999.5	15.1x	13.2x	10.9x	2.2x	2.7x	6.9x	7.2x	7.1x	9.3x	6.9%	16.7%	12.8%	1.0	2.3%	5.3%	
	Mfn			670.3	564.9	25.9	1,128.5	13.0x	11.3x	9.5x	1.0x	2.2x	6.3x	6.5x	6.3x	8.4x	2.2%	5.3%	6.4%	0.7	0.0%	-0.4%	
	Mean			16,370.5	4,738.7	501.7	20,613.6	19.2x	14.9x	12.3x	2.0x	3.0x	7.8x	8.4x	8.0x	11.4x	5.3%	13.4%	10.0%	1.0	1.5%	3.6%	
	Median			24,549.5	7,027.5	743.0	30,834.0	14.8x	13.2x	10.8x	2.2x	2.9x	7.4x	7.8x	7.5x	10.4x	6.3%	16.3%	11.5%	1.1	2.4%	3.5%	
	Max			41,116.5	8,938.0	1,295.0	48,999.5	29.9x	18.3x	15.3x	2.5x	4.2x	9.9x	11.4x	10.8x	15.4x	10.4x	8.0%	13.7%	10.0%	1.0	2.1%	4.0%
<b>Stifel Nicolaus Transportation Average</b>																							
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(a) Total Enterprise Value = Market Capitalization of Equity + Total Debt - Cash + Market Value of Minority Interest

(b) Stifel Nicolaus estimates for those rated and First Call mean estimates for unrated securities

(c) Enterprise value adjusted to include the capitalization of off balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA for the valuation multiple calculation

(d) 2010E P/E divided by First Call mean or Stifel Nicolaus estimated long-term growth rate

Excludes non-recurring items

Calculations may vary due to rounding

Source: Company data, First Call, and Stifel Nicolaus estimates

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