

ACT N.A. Commercial Vehicle OUTLOOK

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HIGHLIGHTS

Click paragraphs to zoom to more details

NORTH AMERICAN ECONOMY

- U.S. fourth quarter 2010 real GDP rose at a 3.2% annual pace.
- Consumer spending growth accounted for 3.0 percentage points of the increase
- Several other elements, in addition to the decline in inventories, suggest that real GDP growth in 2011 will be robust.
- We believe that the worst is behind us with regard to residential and business investment.
- The sector most likely to be a drag on GDP growth in 2011 is the government, especially the state and local subcategories.
- We expect 2011 real GDP growth to average 3.5% on a year-over-year basis.
- At \$100 dollars a barrel, gasoline prices should settle in the \$3.25 zone.

MEDIUM DUTY

- In the short term, the medium duty market is still experiencing some lumpiness. However, longer-term, it is clear medium duty vehicle buyers are ready to begin replacing aging equipment.
- Preliminary medium duty truck net orders of 10,100 units ($\pm 5\%$) were received in January, the third strongest reading since April 2008.

HEAVY DUTY

- The growing Class 8 supply-demand imbalance is reminiscent of 2004-2005 when an underinvested Class 8 fleet ran into an economic up-cycle.
- A fleet's first line of defense when the driver supply is tight is to buy new trucks to attract drivers.
- An additional item that should spur demand in the coming cycle is CSA2010.
- Preliminary data indicate that the strong Class 8 order trend continued into the new year.
- Class 8 backlog will be in the neighborhood of 91,000 units at the end of January.

TRAILERS

- Through the course of 2010, demand for new trailers transitioned from weak to strong.
- Based on a small data sample, used trailer prices rose ~25% in 2010, with wholesale prices up 50%.

- When the industry cycles, the up-cycle typically runs three or four years at above replacement level volumes.
- New trailer orders rose to their highest level in nearly three years in December.
- Competition from both the OE and aftermarket business will push tire prices higher through 2011.

TRANSPORTATION SECTOR

- 71.4% of ACT-Echo survey respondents indicated intentions to buy equipment within the next three months, the second highest reading since the start of the survey.
- The TransCore load-to-truck ratio declined in January to 4.78 from 4.87 in December. The significant aspect of these figures is the strength compared to prior years during these seasonally slow volume months
- Y/Y improvement continued to be significant for the group [publicly traded carriers] as a whole.
- Total weekly intermodal loadings are rebounding from the holiday lows, but y/y growth continues to moderate.
- TTX has put numbers to this trend [interest in growing the amount of intermodal business], estimating that for every 10 cent increase in fuel price domestic intermodal gains 65,000 annual loads

USED EQUIPMENT

- Slowing retail sales restrained growth of total used truck sales in December.
- "Today's supply of used trucks will look good in another two to three months."

FORECAST SUMMARY

- We continue to believe that the constraining factor for Class 8 demand in 2011 won't be truckers wanting trucks, but rather, the industry's ability to build those trucks..
- Despite upward pressure on the medium duty build and retail sales forecasts from better than expected net order intake, no appreciable changes were made to the forecast this month.
- Continued strength in trailer orders, strengthening economic activity, an ancient fleet, and rising trucker profitability support a rapid rise in demand. We believe that tight tire supplies may end up being the arbiter of just how many units are built in 2011.

BUILD/FACTORY SHIPMENTS SUMMARY

BUILD/FACTORY SHIPMENTS SUMMARY NORTH AMERICAN CLASSES 4-8 VEHICLES & TRAILERS

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|---------------------|---------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| N.A. CLASS 4 | | | | | | | | | | | |
| US | 15,958 | 3,730 | 3,282 | 4,190 | 4,534 | 15,737 | 2,361 | 2,570 | 2,403 | 2,423 | 9,758 |
| CANADA | 1,623 | 275 | 492 | 364 | 416 | 1,547 | 387 | 421 | 394 | 397 | 1,600 |
| MEXICO & EXPORT | 716 | 87 | 140 | 72 | 210 | 509 | 169 | 184 | 172 | 174 | 700 |
| TOTAL N.A. | 18,297 | 4,092 | 3,914 | 4,626 | 5,160 | 17,793 | 2,917 | 3,176 | 2,970 | 2,994 | 12,058 |

N.A. CLASSES 5-7

| | | | | | | | | | | | |
|-------------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| US | 83,806 | 23,344 | 23,976 | 25,487 | 28,706 | 101,513 | 23,171 | 25,500 | 27,917 | 29,766 | 106,354 |
| CANADA | 7,021 | 1,706 | 1,788 | 1,906 | 2,134 | 7,534 | 2,267 | 2,495 | 2,731 | 2,912 | 10,406 |
| MEXICO & EXPORT | 6,906 | 2,026 | 2,560 | 2,566 | 1,742 | 8,894 | 1,920 | 2,113 | 2,314 | 2,467 | 8,814 |
| TOTAL N.A. | 97,733 | 27,076 | 28,324 | 29,959 | 32,582 | 117,941 | 27,358 | 30,108 | 32,962 | 35,145 | 125,573 |

N.A. CLASS 8

| | | | | | | | | | | | |
|-------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| US | 93,746 | 25,729 | 24,301 | 27,797 | 30,709 | 108,536 | 38,990 | 44,730 | 47,115 | 51,067 | 181,901 |
| CANADA | 12,784 | 5,206 | 4,427 | 4,421 | 4,493 | 18,547 | 5,590 | 6,413 | 6,755 | 7,321 | 26,079 |
| MEXICO & EXPORT | 11,866 | 4,054 | 6,469 | 8,096 | 8,588 | 27,207 | 7,715 | 8,851 | 9,323 | 10,105 | 35,993 |
| TOTAL N.A. | 118,396 | 34,989 | 35,197 | 40,314 | 43,790 | 154,290 | 52,294 | 59,994 | 63,193 | 68,493 | 243,974 |

TOTAL CLASSES 4-8

| | | | | | | | | | | | |
|-------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|----------------|
| US | 193,510 | 52,803 | 51,559 | 57,474 | 63,949 | 225,786 | 64,521 | 72,800 | 77,436 | 83,256 | 298,013 |
| CANADA | 21,428 | 7,187 | 6,707 | 6,691 | 7,043 | 27,628 | 8,244 | 9,329 | 9,880 | 10,631 | 38,085 |
| MEXICO & EXPORT | 19,488 | 6,167 | 9,169 | 10,734 | 10,540 | 36,610 | 9,805 | 11,148 | 11,809 | 12,745 | 45,507 |
| TOTAL N.A. | 234,426 | 66,157 | 67,435 | 74,899 | 81,532 | 290,024 | 82,569 | 93,278 | 99,125 | 106,632 | 381,604 |

U.S. TRAILERS

| | | | | | | | | | | | |
|--------------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| VANS | 51,979 | 13,770 | 19,684 | 24,506 | 28,731 | 86,691 | 34,496 | 37,913 | 38,611 | 36,980 | 148,000 |
| SPECIALTY | 26,650 | 6,282 | 7,912 | 9,169 | 9,835 | 33,198 | 11,477 | 12,309 | 12,098 | 11,516 | 47,400 |
| CHASSIES/DOLLIES | 2,863 | 724 | 1,622 | 3,620 | 1,741 | 7,707 | 3,083 | 3,682 | 4,023 | 3,211 | 14,000 |
| TOTAL AXLED | 81,492 | 20,776 | 29,218 | 37,295 | 40,307 | 127,596 | 49,056 | 53,905 | 54,731 | 51,708 | 209,400 |

FORECAST CHANGE SUMMARY (MONTH/MONTH CHANGE)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|-------------|--------------|------------|------------|------------|------------|
| U.S. GDP | | -20 bp | +20 bp | | | |
| BUILD/FACTORY SHIPMENTS | | | | | | |
| CLASS 4 | 628 | (1,200) | (1,500) | (2,833) | (3,125) | (1,959) |
| CLASSES 5-7 | 1,853 | 463 | (2,069) | (1,902) | (1,373) | (2,344) |
| CLASS 8 | (212) | (62) | 3 | (448) | 583 | 479 |
| TOTAL TRAILERS | (99) | 4,750 | 700 | 100 | 400 | 200 |

Note: Historical classes 5-8 production data tie to ACT Research Company's State of the Industry Reports published monthly.
Class 4 historical production data derived from Ward's FS-5S report published monthly.
YY % Change are current quarter vs. same quarter one year ago.

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

NORTH AMERICAN ECONOMY

U.S. CURRENT ECONOMIC ACTIVITY

Economic data released since the fourth quarter of 2010 suggest that U.S. economic activity is firming and that the economy is shifting into a self-reinforcing mode. In our view, the strong GDP, retail sales, and production data recently released are not an aberration; further, they signal additional strength in the future.

Even as the economy expands we see a tug-of-war between various forces pulling the economy in opposite directions. The conflicts range from economic vs. political considerations, fundamental determinants of value vs. technical factors, domestic vs. international pressures, near-term considerations vs. long-term ones, and of course partisan political concerns vs. national interests. While we believe that economic growth will continue positive, we remain concerned that the tug-of-war between these various opposing factors may lead to periodic upheavals that will shock and roil the markets and create uncertainty as to the economic outlook.

Examples of such instances abound. The turmoil in Egypt is dominating the headlines at present. Potential gridlock as Congress deals with the debt ceiling, sometime between end of March and mid-May, the refinancing of Spain's debt, and the potential outflow of investments to emerging markets are other pressures likely to surface in the next three months.

January 2011 data releases: On January 28, 2011, the US Bureau of Economic Analysis reported that U.S. fourth quarter 2010 real GDP rose at a 3.2% annual pace. A look at the quarterly pattern suggests that activity, as measured by real GDP, is regaining momentum. This 3.2% increase compares with increases of 1.7% and 2.6% registered in the prior

two quarters respectively, and a 5.0% rise registered in 2009's fourth quarter.

We had anticipated a firm GDP figure led by a strong rise in consumer spending. The report confirmed our expectations. As shown in the table below, consumer spending growth accounted for 3.0 percentage points of the increase. As the table also indicates, there was strength in residential and non-residential spending and in exports; together they boosted real GDP by 1.6 percentage points. Even imports, which fell by \$78 billion, contributed 2.4 percentage points to growth (because imports are subtracted in calculating GDP, a decline in imports raises real GDP). In fact, were it not for a sharp decline in inventories, real GDP would have recorded a 7% jump.

The deceleration in inventories of the fourth quarter is actually positive for the US economy. A low level of inventories, (see the inventory/sales ratio figures in the Freight Metrics table), especially in the context of rising spending by consumers and businesses, suggests that firms will want to restock their emptying shelves, will increase their order flow, and that a rise in production will occur in coming months.

Initial support for our view was the rise in the January ISM reading to 60.8 (see Freight Metrics table); the highest figure since January 2004. Additional support will come from the January Industrial Production report which we expect to register a rise of 0.6%, implying a 5.5% year-over-year pace. Firm readings for durable goods orders and freight-related activity measures are also likely to be reported.

Several other elements, in addition to the decline in inventories, suggest that real GDP growth in 2011 will be robust. Consumer spending should continue

Real GDP & Components

Contribution to Percentage Change in Real GDP

GDP=Consumption+Investment+Government Spending + Net Exports

| | Real GDP | Personal Consumption Expenditures | Business Fixed Investment | Residential Fixed Investment | Government Consumption Expenditures | Inventory Change | Imports | Exports |
|-------|----------|-----------------------------------|---------------------------|------------------------------|-------------------------------------|------------------|---------|---------|
| Q1'10 | 3.7% | 1.3% | 0.8% | -0.3% | -0.3% | 2.5% | -1.6% | 1.3% |
| Q2'10 | 1.7% | 1.5% | 1.6% | 0.6% | 0.8% | 0.8% | -4.5% | 1.1% |
| Q3'10 | 2.6% | 1.7% | 1.0% | -0.8% | 0.8% | 1.6% | -2.5% | 0.8% |
| Q4'10 | 3.2% | 3.1% | 0.5% | 0.1% | -0.1% | -3.5% | 2.4% | 1.1% |

NORTH AMERICAN ECONOMY

to expand at a 3% plus pace, continuing as the primary driver of real GDP growth. The fundamentals, in terms of employment growth, increases in income, and greater availability of credit are a continuing support to spending. In addition, December's enactment of the two percentage point reduction in the payroll tax and other income supporting measures should also be beneficial to consumer spending, especially in the first half of 2011.

We believe that the worst is behind us with regard to residential and business investment. While we project growth in these sectors, we anticipate that growth to be sluggish for the next few quarters given the fundamentals in both sectors. We maintain such a position even as we expect lending standards to ease, which has already begun to occur.

For housing, the large inventory of actual and potential housing available for sale and continued downward price pressures should restrain any significant new building or expenditures. Thus housing starts, which in December totaled 529,000 units, are likely to remain well below the one million mark, typical of recovery periods. Starts in the 650,000 to 700,000 range seem more likely for 2011.

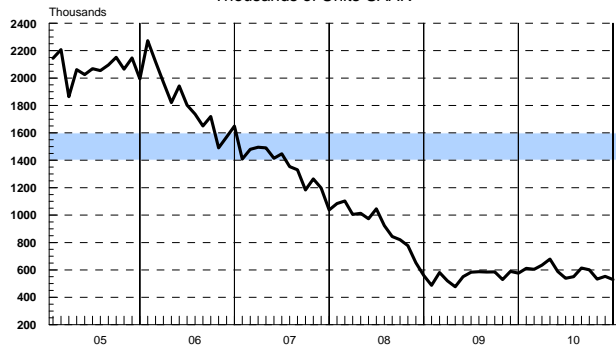
The same outlook is true for the commercial real estate market. Vacancy rates for office space are still at near-record levels and rental rates have remained relatively static, providing few incentives for added spending or significant new lending. Office space demand is not likely to recover until labor force growth accelerates significantly from the current modest pace, a development not likely to occur until later in 2011 or 2012.

The outlook for the non-residential sector is not totally bleak. Demand for warehousing space should firm given the actual and anticipated increase in manufacturing and durable goods activity. Also, the December passage of the accelerated depreciation provisions as well as the improved profit position of corporations should continue to support double digit increases in business expenditures on equipment even as spending on structures remains sluggish.

Not everything will be wine and roses. Imports, which declined in the fourth quarter, are likely to rebound in 2011, especially since economic growth and income in the emerging markets is projected to rise at a 6% to 7% pace; such a pace is about double the US growth and almost three times the

Housing Starts: New Privately Owned Housing Units Started

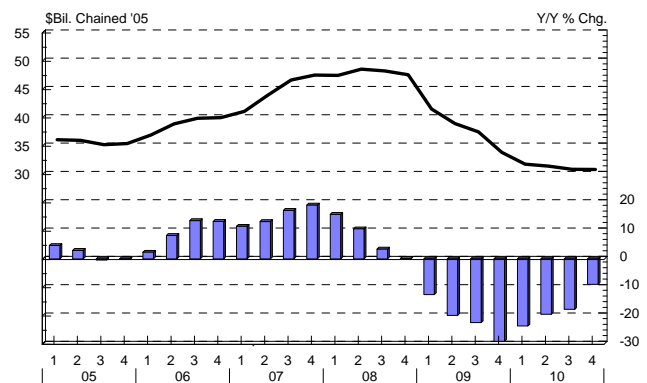
January 2005 - December 2010
Thousands of Units-SAAR



Source: Census Bureau, ACT Research. Copyright 2011

Real Business Investment: Structures

Percent Change Q/Q at SAAR
Q1'05 - Q4'10



Source: BEA, ACT Research Co., LLC. Copyright 2011

anticipated growth of Japan and the European Union. There is even a possibility that the decline in fourth quarter 2010 might be revised upward somewhat.

The sector most likely to be a drag on GDP growth in 2011 is the government, especially the state and local subcategories. The large budget deficits and inadequately funded pension liabilities are expected to force governments to retrench and curtail spending. Given that this sector accounts for approximately 11% of GDP activity, a shift from the historical growth trend of +2% to a decline of approximately -1% translates into a reduction in GDP growth of about -.3%. Because of institutional constraints we expect this process to unfold over a period of time. Accordingly we have assumed a slowdown in the pace of government spending in 2011 which will intensify in the out years.

NORTH AMERICAN ECONOMY

The financial difficulties of municipalities will also impact employment, as municipal workers as well as teachers are cut from the payroll. The impact economically and impressionistically is likely to be greater than that of the real GDP effect.

Recently released information already hints at these developments. As shown in the GDP contribution table, government expenditures reduced GDP by -0.1%. Also, employment in the state and local sector in 2010 dropped by approximately 250,000 workers or -1.3%. The January employment release reported an additional 12,000 decline in employment in this sector.

The chart at right shows the recent history of real GDP growth as well as ACT's forecast for coming quarters. For comparison we also include the Blue Chip's 10 most optimistic and 10 most pessimistic projections. **We expect 2011 real GDP growth to average 3.5% on a year-over-year basis; this is toward the upper end of the forecasters' range.** In 2012 GDP growth should still be positive but just a bit slower than in 2011. Most sectors will contribute to that growth, especially the consumer.

Is it real or is it Memorex? The BLS data on the labor market paint a considerably weaker picture of the U.S. economy than other measures of economic activity do. From an economic viewpoint it is important to gauge the true state of the economy. Overestimating the vitality of the economy implies that necessary stimulative policies will not be implemented in a timely manner. Underestimating the state of the economy implies that too much stimulus is being applied and possibly not enough restraint.

We believe that the information on the real side of the economy is telling the more accurate story.

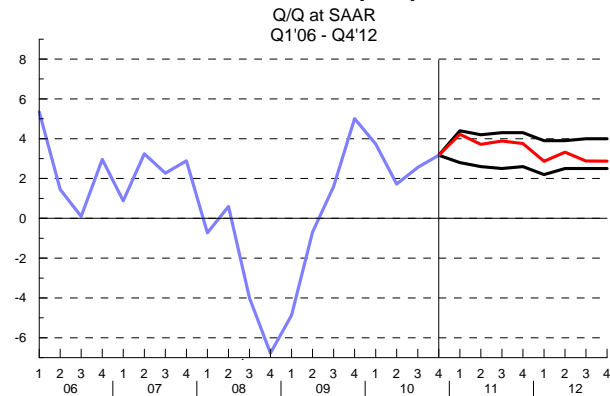
Consequently we anticipate continued strength in economic activity. What's more, in 2011 we look for monthly increases in non-farm payroll employment in the 175,000 to 200,000 range, as compared to the 75,000 monthly increases averaged in 2010. The unemployment rate is forecast to decline slowly and thus we expect the unemployment rate at the end of 2011 to average 9.0%, not much different that the current January 2011 reading.

The last two and possibly even the last three monthly reports on the labor market were considerably weaker than expected given the pace of the U.S. economy. Non-farm payroll employment for December 2010 was initially reported as

increasing by 103,000, (this month it was revised to a 121,000 increase). January's figure came in as an increase of 36,000. Both figures were considerably weaker than consensus, which had expected increases of about 150,000 in each month.

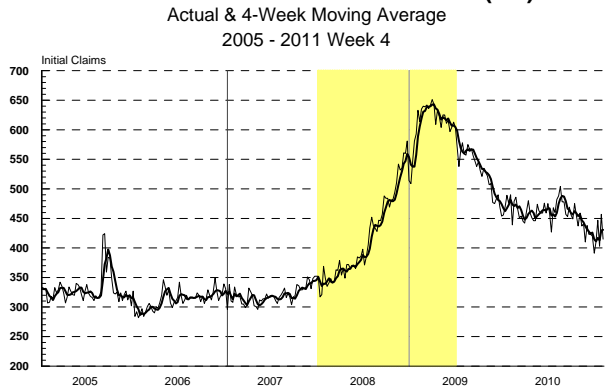
Other measures of the labor market were considerably more upbeat. The unemployment rate

**Real Gross Domestic Product
ACT Forecast & Blue Chip Top & Bottom 10**



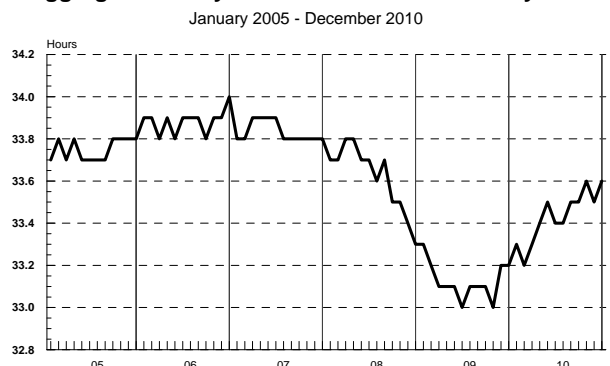
Source: BEA, ACT Research Co., LLC. Copyright 2011

Initial Claims for Jobless Benefits (SA)



Source: BLS, ACT Research. Copyright 2011

Aggregate Weekly Hours: Private Nonfarm Payrolls



Source: BLS, ACT Research. Copyright 2011

NORTH AMERICAN ECONOMY

in January stands at 9.0%, down from December's 9.4% and November's 9.8% reading. The ADP survey of private employment projected a January rise of 187,000 following an anticipated December jump of 247,000 (initially reported at 297,000). Initial claims for unemployment continue declining, albeit in an irregular pattern. Even the various surveys like ISM indicated strength in the labor market.

Many pundits explain the inconsistency by asserting that severe snow storms across the US distorted the figures. They note the sharp drop in construction, trade and temporary employment as indicators of such a mismeasurement. Once calmer weather returns it is asserted we will experience either a catch-up of employment growth or a sharp upward revision to past data.

Remember that the payroll figures are not monthly averages but rather data for the calendar week that includes the 12th. Also note that the unemployment rate is calculated from a different survey than the estimate of non-farm employment. The former gets information from households while the latter collects data from a sample of businesses. Thus, inconsistencies and aberrations are not that rare.

There is another possibility that is not spoken of as much. To wit, that the US economy has undergone a significant structural change: that there is a mismatch between the skills demanded and the skills available in the labor force. Such a view would imply that the equilibrium unemployment rate is much higher than the widely presumed 5% and that employment growth cannot expand as past historical experience suggests with capacity utilization rate much higher than generally presumed. In short, the

economy is vulnerable to greater price pressures if policy remains stimulative and that in the absence of such stimulation economic growth could fade quickly.

We do not support such an interpretation. But if employment fails to recover quickly or wage and price pressures begin to develop, market opinion might begin shifting in the direction of such an explanation.

INFLATION: Inflation has been of little concern for the past two years or so. In fact, the worry has been focused on deflation. This attitude is likely to shift either because of anticipatory factors or actual increases in prices.

Everyone is aware of the increases in prices of commodities and of food that have occurred and are anticipating some firmness in consumer prices as a result. Political uncertainty in the Middle East is raising concerns about a jump in energy prices. It should be noted, that the financial and commodity markets have yet to reflect these concerns.

As we noted in last month's Outlook, we believe that price measurements like the CPI should start registering an acceleration of prices. However, it remains unclear whether the public will view such as simply a return to more normal patterns or a signal that inflationary pressures have begun.

We had suggested that attention be paid to various surveys of public attitudes as well as financial indicators such as the yield curve and the TIP spread. So far these indicators have yet to indicate increased concerns about future inflation.

Consumer Indicators

| | Real Disposable Income | Consumer Borrowing | Personal Savings Rate | New Job Growth | Avg. Weekly Hours | U.of M. Consumer Sentiment | 30-Year Mortgage | Consumer Price Index | Core Consumer Price Index |
|-----------|------------------------|--------------------|-----------------------|----------------|-------------------|----------------------------|------------------|----------------------|---------------------------|
| | Y/Y%Chg. | Y/Y%Chg. | % | M/M Chg. | Hours | Index | % | Y/Y%Chg. | Y/Y%Chg. |
| Dec. 2010 | 0.8% | -3.4% | 5.8% | -109 | 33.2 | 72.5 | 4.93 | 2.8% | 1.8% |
| Jan. | 0.1% | -6.3% | 5.7% | 14 | 33.3 | 74.4 | 5.03 | 2.7% | 1.5% |
| Feb. | 0.9% | -7.7% | 5.4% | 39 | 33.2 | 73.6 | 4.99 | 2.2% | 1.3% |
| Mar. | 1.0% | 2.3% | 5.3% | 208 | 33.3 | 73.6 | 4.97 | 2.4% | 1.2% |
| Apr. | 0.8% | 35.3% | 6.0% | 313 | 33.4 | 72.2 | 5.10 | 2.2% | 1.0% |
| May | -0.4% | 34.5% | 6.2% | 432 | 33.5 | 73.6 | 4.89 | 2.0% | 1.0% |
| June | 1.4% | 34.5% | 6.3% | -175 | 33.4 | 76.0 | 4.74 | 1.1% | 1.0% |
| July | 1.7% | 35.0% | 6.1% | -66 | 33.4 | 67.8 | 4.56 | 1.3% | 1.0% |
| Aug. | 2.1% | 34.7% | 6.0% | -1 | 33.5 | 68.9 | 4.43 | 1.2% | 1.0% |
| Sep. | 2.1% | 33.5% | 5.7% | -24 | 33.5 | 68.2 | 4.35 | 1.1% | 0.8% |
| Oct. | 2.5% | 33.6% | 5.4% | 210 | 33.6 | 67.7 | 4.23 | 1.2% | 0.6% |
| Nov. | 2.4% | 33.5% | 5.3% | 71 | 33.5 | 71.6 | 4.30 | 1.1% | 0.7% |
| Dec. | 2.1% | 34.1% | 0.0% | 103 | 33.6 | 74.5 | 4.71 | 1.4% | 0.6% |

NORTH AMERICAN ECONOMY

CURRENT EVENTS & IMPLICATIONS:

What is the state of the US economy? The response depends on one's perspective. Those who focus on economic activity believe that we are close to a self-reinforcing mode. Those who focus on the labor markets suggest that the economy remains vulnerable to a relapse.

The attached chart enables us to quantify these views. The chart depicts real GDP growth since the start of the recession in December 2007. We selected GDP as our measurement because of its broad-based coverage. As is evident, **US economic activity, as measured by real GDP, has returned to levels experienced at the start of the decline.** From the perspective of labor, measured by growth in employment, we are still far from levels attained at the recession's start.

Stated somewhat differently, six quarters after the trough, the US economy has recovered to pre-

recession levels. In past recoveries the rebound took only three quarters. This is understandable given the severity of the 2007-2009 recession.

Viewed from the labor perspective, in the past it has taken about nine months for employment to return to pre-recession levels. Currently we are still about 6% below the peak. What's more, in recent recoveries, it has taken longer and longer for the labor markets to recover.

While we think that the more appropriate focus should be placed on economic activity, we realize that there is room for alternatives. It is the perspective that defines one's outlook and will shape the policy debates that Congress is likely to have this spring.

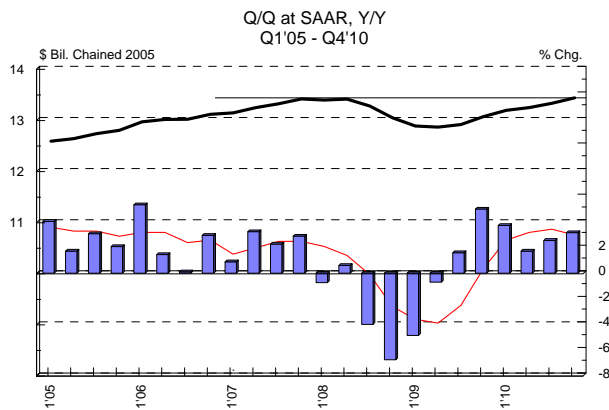
PETROLEUM: The major news potentially affecting the energy markets is the recent turmoil in North Africa and the Middle East, especially Egypt. There is uncertainty as to what will happen to those in power in these nations and fear that the protests might spread to other countries. **Not even the experts have a confident scenario at this juncture.**

For now the financial and commodity markets are assuming that the oil producing countries will not be impacted by these protests and that the production of oil and its supply chain will remain intact. This is why crude oil prices have remained at or below the \$90 mark, little changed from the levels in effect for the last three months.

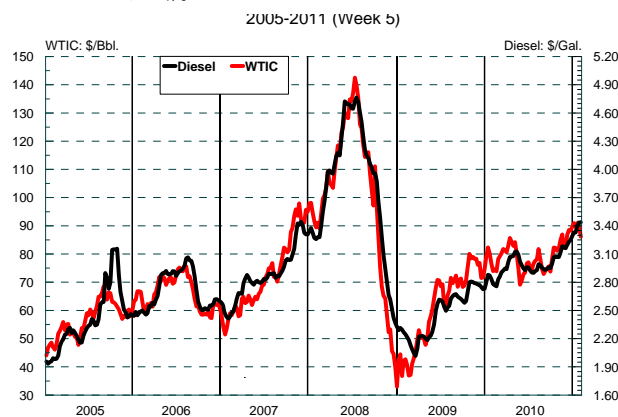
Obviously, crude oil prices will jump if there is unrest in Saudi Arabia or in any of the other oil-producing nations of the Gulf. Over the long-run, the world's consumers of energy will find alternate sources of crude oil, and/or shift to substitutes, both oil based and renewable. Of course the rise in prices will reduce consumption too. But in the short-run there will undoubtedly be turmoil in the oil markets.

Some benchmarks would be useful in this environment. We are assuming that taxes and regulations currently in effect remain in place. With that assumption, **our analysis suggests that the average retail price of unleaded gasoline would settle around the \$4 mark if crude oil prices to rise to the neighborhood of \$130 per barrel.** Retail diesel prices will stabilize around \$4.90. **At \$100 dollars a barrel, gasoline prices should settle in the \$3.25 zone while diesel prices gravitate to the \$3.70 level.** Obviously some over-shooting could occur if the crude oil prices change rapidly.

Real Gross Domestic Product



Source: ACT Research Co., LLC; Copyright 2011



Source: EIA, ACT Research Co., LLC; Copyright 2011

NORTH AMERICAN ECONOMY

FREIGHT METRICS

This month's array of economic data is still supportive of the freight market. Sales of durables and durable goods orders point to future solid growth. The only significant blemish is continued weakness in housing activity.

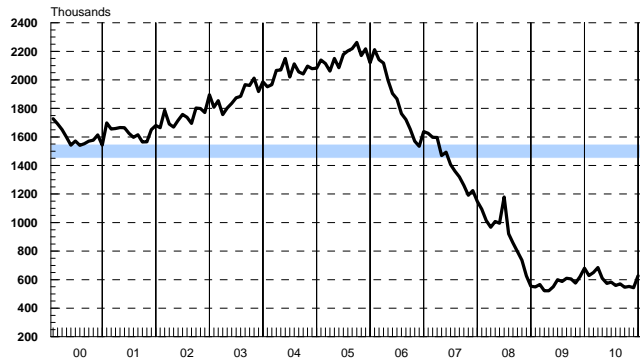
Light vehicle sales totaled 12.6 million units in January, the fifth consecutive monthly increase and the best month in the last fifteen. January's sales were 1.0 million units above the 2010 average sales pace of 11.6 million, with light truck sales at 5.6 million and car sales at 6.0 million. The fundamentals in terms of rising income growth, relatively low interest rates, and a more accommodative lending environment coupled with a rising volume of pent-up demand suggest that the 2011 selling pace for light vehicles could solidly be in the 13.5 million range, setting the stage for a 15 million unit 2012.

Housing starts fell to a fifteen month low 529,000 unit annual rate in December. For all of 2010, 586,000 new houses were started. The low level of starts is not surprising, given the state of foreclosures, vacancies and prices. Forward-looking indicators like pending home sales and mortgage applications suggest that the decline is largely behind us and that a slow process of recovery is close: Applications for building permits in December rose to a nine month high 627,000 unit rate.

While the headline durable goods figure looked weak, a closer look indicates a continued firmness of

Building Permits: New Private Housing Units Authorized

January 2000 - December 2010
Thousands of Units-SAAR



Source: Census Bureau, ACT Research; Copyright 2011

orders. December durable goods orders fell -2.3%. However, following a 3.1% jump in November, nondefense durable goods orders excluding aircraft rose 1.4% in December. As highlighted in the table below, the picture looks more robust when comparing year-over-year changes, with orders still running 15.5% ahead of their year-ago levels.

The ISM measure of activity continues to point to expansion. The ISM index began 2011 on the same upward trajectory that it exited 2010. The January reading was 60.8, the highest so far this cycle and the fastest the manufacturing sector has accelerated since January 2004. These high readings give added support to our view that economic activity will continue to accelerate into early 2011.

Freight Metrics

| | ACT Freight Composite Y/Y%Chg. | ATA Truck Tonnage Y/Y%Chg. | Ceridian Pulse of Commerce Y/Y%Chg. | ISM Index Index | Industrial Production Y/Y%Chg. | Durable Goods Orders Y/Y%Chg. | Total Business IN/RS Ratio | Car & Light Truck Sales Units (Mils.) | Housing Starts Units (Thous) |
|-----------|---|----------------------------------|--|--------------------|--------------------------------------|--|-------------------------------------|---|------------------------------------|
| Dec. 2010 | -1.3% | 1.2% | 3.6% | 54.9 | -1.6% | 2.6% | 1.26 | 11.09 | 576 |
| Jan. 2010 | | 4.5% | 5.9% | 58.4 | 1.5% | 10.5% | 1.25 | 10.74 | 612 |
| Feb. | | 2.8% | 5.1% | 56.5 | 2.3% | 9.1% | 1.26 | 10.50 | 605 |
| Mar. | 5.3% | 7.4% | 7.0% | 59.6 | 4.4% | 20.0% | 1.23 | 11.70 | 634 |
| Apr. | | 9.6% | 6.5% | 60.4 | 5.8% | 21.0% | 1.23 | 11.25 | 679 |
| May | | 7.7% | 9.0% | 59.7 | 8.0% | 20.2% | 1.25 | 11.62 | 588 |
| June | 8.2% | 7.3% | 8.6% | 56.2 | 8.3% | 19.5% | 1.26 | 11.14 | 539 |
| July | | 7.5% | 8.0% | 55.5 | 7.8% | 13.9% | 1.26 | 11.53 | 550 |
| Aug. | | 2.9% | 6.0% | 56.3 | 6.8% | 20.1% | 1.27 | 11.44 | 614 |
| Sep. | 7.4% | 5.3% | 5.8% | 54.4 | 6.3% | 17.1% | 1.28 | 11.71 | 601 |
| Oct. | | 6.2% | 4.1% | 56.9 | 5.9% | 16.8% | 1.27 | 12.21 | 533 |
| Nov. | | 3.4% | 4.5% | 56.6 | 5.6% | 15.6% | 1.25 | 12.22 | 553 |
| Dec. | 7.5% | 4.3% | 4.1% | 57.0 | 5.9% | 15.5% | -- | 12.49 | 529 |

NORTH AMERICAN ECONOMY

SUMMARY

Fourth quarter 2010 GDP rose by 3.2%, a strong figure. The composition of the sectors as well as fundamental developments suggests additional economic strength in 2011. One of the main drivers will continue to be consumer spending. Spending will be boosted by growth in employment, income, confidence as well as lending standards, which have begun to ease.

The unemployment rate in the last two months has dropped sharply, -0.8 percentage points, and now stands at 9.0%. We think that the dynamics of the labor markets are such that the decline in the unemployment rate will be slow. Given our outlook on the economy we believe that employment in 2011 will increase by 2.1 to 2.5 million workers.

The very soft employment numbers released in the past two months are inconsistent with the underlying pace of economic activity. It was the result of weather-related aberrations or possibly some methodological shortcomings. We expect either upward revisions or sharp snapbacks in the next month or two as compensation.

Inflationary pressures appear remote given the excess capacity available world-wide. Acceleration in measurements like the CPI is likely in the wake of rising commodity prices and firming of the housing market. The key question is whether the public will view a possible price increase as an adjustment to

past economic activity, therefore to be ignored. Or will the price increases be seen as the start of acceleration in inflationary pressures that will become embedded in decision-making. Crude oil prices have remained largely stable as financial markets have assumed that the recent turbulence in the Middle East will not spread to the oil-producing regions.

ECONOMIC SIGNPOSTS Developments

- Non-Farm Payroll employment and Initial Claims: The pace of hiring should accelerate. An upward revision or rebound from the weather-related weakness would increase confidence that the economy is gaining momentum. Employment should not be sufficiently robust to induce a sharp drop in unemployment.
- Retail sales: solid growth even after adjustment for inflation boosted by payroll employment tax cut and firmer economic activity. Rise in auto sales is one indication of a better outlook for consumers.
- The saving rate should continue trending down as balance sheets improve and confidence increases.
- Dollar value on FX markets: Financial uncertainties such as eurozone financial problems should keep the dollar relatively flat in the near-term. Increased inflationary pressures in China and other emerging markets will also have an effect.

NORTH AMERICAN ECONOMY

U.S. ECONOMIC ACTIVITY

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | (A) | (A) | (I) | (F) | (F) | (F) | (F) | (F) |
| Real GDP (bil. US\$05) | 13228.9 | 12880.6 | 13248.7 | 13711.7 | 14164.2 | 14573.3 | 14881.6 | 15274.1 |
| y/y % chg. | 0.0% | -2.6% | 2.9% | 3.5% | 3.3% | 2.9% | 2.1% | 2.6% |
| Personal Consumption (bil. US\$05) | 9265.0 | 9153.9 | 9315.7 | 9607.0 | 9884.8 | 10112.2 | 10294.2 | 10551.6 |
| y/y % chg. | -0.3% | -1.2% | 1.8% | 3.1% | 2.9% | 2.3% | 1.8% | 2.5% |
| PCE: Durable Goods (bil US\$05) | 1136.4 | 1094.6 | 1178.6 | 1280.8 | 1354.1 | 1388.0 | 1413.0 | 1444.1 |
| y/y % chg. | -5.2% | -3.7% | 7.7% | 8.7% | 5.7% | 2.5% | 1.8% | 2.2% |
| Business Fixed Investment (bil. US\$05) | 1556.6 | 1290.8 | 1362.3 | 1483.8 | 1592.1 | 1671.7 | 1721.9 | 1790.7 |
| y/y % chg. | 0.3% | -17.1% | 5.5% | 8.9% | 7.3% | 5.0% | 3.0% | 4.0% |
| Residential Fixed Investment (bil. US\$05) | 444.2 | 342.7 | 332.5 | 350.5 | 415.8 | 457.3 | 484.8 | 501.8 |
| y/y % chg. | -24.0% | -22.9% | -3.0% | 5.4% | 18.6% | 10.0% | 6.0% | 3.5% |
| Government Purchases (bil. US\$05) | 2502.7 | 2542.6 | 2570.1 | 2619.7 | 2656.4 | 2698.9 | 2734.0 | 2769.6 |
| y/y % chg. | 2.8% | 1.6% | 1.1% | 1.9% | 1.4% | 1.6% | 1.3% | 1.3% |
| Exports (bil. US\$05) | 1647.7 | 1490.7 | 1665.4 | 1780.8 | 1878.9 | 1991.7 | 2101.2 | 2227.3 |
| y/y % chg. | 6.0% | -9.5% | 11.7% | 6.9% | 5.5% | 6.0% | 5.5% | 6.0% |
| Imports (bil. US\$05) | 2151.8 | 1853.8 | 2086.6 | 2192.6 | 2306.3 | 2398.6 | 2494.5 | 2606.8 |
| y/y % chg. | -2.6% | -13.8% | 12.6% | 5.1% | 5.2% | 4.0% | 4.0% | 4.5% |
| Net Exports as % of GDP | 3.8% | 2.8% | 3.2% | 3.0% | 3.0% | 2.8% | 2.6% | 2.5% |
| Consumer Price Index - All (82-84=100) | 215.2 | 214.3 | 218.1 | 221.7 | 226.4 | 232.1 | 237.2 | 242.4 |
| y/y % chg. | 3.8% | -0.4% | 1.8% | 1.7% | 2.1% | 2.5% | 2.2% | 2.2% |
| Unemployment (%) | 5.8 | 9.3 | 9.6 | 9.2 | 8.6 | 8.4 | 8.2 | 7.8 |
| Industrial Production | 96.7 | 87.7 | 92.7 | 97.2 | 101.5 | 104.5 | 107.7 | 110.9 |
| y/y % chg. | -3.3% | -9.3% | 5.7% | 4.9% | 4.3% | 3.0% | 3.0% | 3.0% |
| Freight Composite (bil. US\$05) | 11758.5 | 10823.6 | 11593.4 | 12270.8 | 12901.8 | 13421.8 | 13780.6 | 14219.5 |
| y/y % chg. | -5.1% | -8.0% | 7.1% | 5.8% | 5.1% | 4.0% | 2.7% | 3.2% |

Source: ACT Research Co., LLC

U.S. ECONOMIC ACTIVITY

Real GDP & Components

| | <u>Q1 2010</u> | <u>Q2 2010</u> | <u>Q3 2010</u> | <u>Q4 2010</u> | <u>Q1 2011</u> | <u>Q2 2011</u> | <u>Q3 2011</u> | <u>Q4 2011</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | (A) | (A) | (A) | (I) | (F) | (F) | (F) | (F) |
| Real GDP (bil. US\$05) | 13138.8 | 13194.9 | 13278.5 | 13382.6 | 13521.6 | 13645.4 | 13776.1 | 13903.8 |
| Q/Q % Chg. @ SAAR | 3.7% | 1.7% | 2.6% | 3.2% | 4.2% | 3.7% | 3.9% | 3.8% |
| Personal Consumption (bil. US\$05) | 9225.4 | 9275.7 | 9330.6 | 9431.2 | 9497.2 | 9568.4 | 9645.0 | 9717.3 |
| Q/Q % Chg. @ SAAR | 1.9% | 2.2% | 2.4% | 4.4% | 2.8% | 3.0% | 3.2% | 3.0% |
| Business Fixed Investment (bil. US\$05) | 1302.6 | 1355.3 | 1388.0 | 1403.1 | 1434.7 | 1466.9 | 1501.8 | 1531.8 |
| Q/Q % Chg. @ SAAR | 7.8% | 17.2% | 10.0% | 4.4% | 9.0% | 9.0% | 9.5% | 8.0% |
| Residential Fixed Investment (bil. US\$05) | 330.7 | 350.1 | 323.3 | 326.0 | 330.1 | 340.0 | 357.0 | 374.8 |
| Q/Q % Chg. @ SAAR | -12.3% | 25.6% | -27.3% | 3.4% | 5.0% | 12.0% | 20.0% | 20.0% |
| Government Purchases (bil. US\$05) | 2540.2 | 2564.9 | 2589.6 | 2585.8 | 2600.7 | 2615.0 | 2626.7 | 2636.6 |
| Q/Q % Chg. @ SAAR | -1.6% | 3.9% | 3.9% | -0.6% | 2.3% | 2.2% | 1.8% | 1.5% |
| Net Exports as % of GDP | 2.6% | 3.4% | 3.8% | 2.9% | 3.0% | 3.0% | 3.0% | 3.0% |
| Freight Composite (bil. US\$05) | 11276.9 | 11560.0 | 11674.4 | 11862.2 | 12075.0 | 12181.8 | 12384.8 | 12441.5 |
| Q/Q % Chg. @ SAAR | 9.1% | 10.4% | 4.0% | 6.6% | 7.4% | 3.6% | 6.8% | 1.8% |

(A): ACTUAL, (I): Initial, (P): Preliminary, (F): Forecast

Source: ACT Research Co., LLC

CANADA

While real GDP growth in Canada was a surprisingly strong 0.4% m/m in November, about double the expectation, recent data points continue to provide an inconsistent picture of growth prospects for 2011.

Several months back, it was expected that consumers would begin to take a back seat in driving economic growth, but manufacturing was poised to carry the weight. Since then, manufacturing has seen shipments slide four consecutive months, while retail sales are starting to rebound.

Despite troubling numbers from manufacturing, employment gains ramped up in the past two months. Low interest rates have aided capital investment and also allowed consumers to make a dent in their record debt load. The question remains, does either group have the capability to drive the overall economic growth in 2011 or will growth fall into a more modest range?

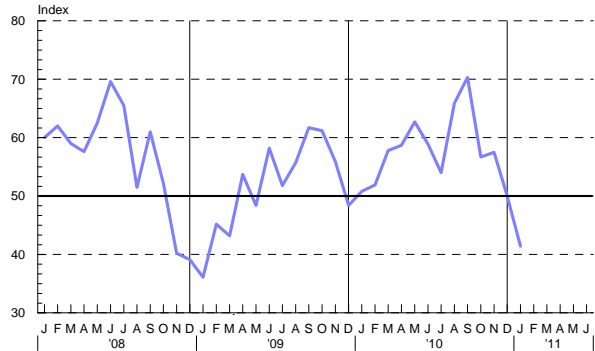
INDUSTRY: The January jobs report provided a significant upside surprise, as 69K jobs were added (following a solid gain of 22K in Dec'10). This boosts the three month average to 35K, above trend line growth. The components of the new jobs data indicated a broad base of improvement.

- Public sector led with a net gain of 26.4K jobs, but the private sector also added 22.7K and self employment grew by 20.1K. This is the first time in quite a while that all boats are rising.
- A similar trend occurred in full-time versus part-time positions, as both grew by 34.5K jobs.
- The concern was how would the manufacturing sector perform after a robust gain of 66K new positions in January. The answer is much more muted 4K new jobs. This is a good result in that it confirms the Dec'10 job gains were not temporary positions and is a more sustainable level.

However, the Ivey Purchasing Managers Index points to a slowdown in the industrial sector. After spending most of 2010 in growth territory (a reading above 50), the index dropped to 50.0 in Dec'10 and plunged to 41.4 in Jan'11. There is some seasonal aspect to the Ivey index, but the 41.4 reading is surprisingly soft and

Canada: Ivey Purchasing Managers' Index

Year over Year Percent Change
January 2008 - January 2011



Source: Ivey PMI, ACT Research Co., LLC. Copyright 2010

indicates industrial purchasing managers are expecting a slight pullback in demand.

The small business barometer (the CFIB) continues to be much stronger. The index dropped only slightly in January to 68.9 compared to 69.3 in Dec'10. The CFIB is also a diffusion index where readings above 50 indicate growth. Additionally, the small companies indicate stronger hiring intentions over the next 3-4 months. A concern of the respondents was higher input prices, but companies have been able to raise output prices enough to maintain margins.

One segment that appears to have hit a bottom is the home building sector. January new housing starts were 170K, just slightly below expectations and unchanged from December. Continued low interest rates have allowed the sector to ease into lower demand. As interest rates begin to rise in the second half of 2011, starts should slow only modestly from current levels.

CONSUMER: Retail sales grew a strong 1.3% m/m in November, more than doubling market expectations. This follows growth of 0.6% in Sept'10 and 0.8% in October. Prices were flat m/m, so the nominal and real growth were the same. Sales growth was widespread, with 8 of 11 sectors reporting sales growth. Motor vehicles and parts led the way, but food/beverages and fuel purchases were also strong.

While the retail sales data is not as timely as other indicators, recent growth in employment gives hope that consumer spending can continue to provide significant economic lift. On the flip side, consumer debt is still at record

NORTH AMERICAN ECONOMY

levels. If/when interest rates start to rise, the consumer will have to shift more funds to debt coverage. Canadian consumers are a couple of years behind their U.S. counterparts in getting on the debt reduction bandwagon. The recent retail sales numbers indicate they have yet to make meaningful changes.

Another factor for consumers in the deterioration in housing prices and the impact on family wealth. The TeraNet-NB House Price Index fell for the third straight month in Nov'10, dropping 0.2%. While the y/y price of houses is still up 4.9%, this is a dramatic slowdown from 10% home price inflation earlier in the year. There is not much impetus for increased home sales, as interest rates should rise and tighter mortgage restrictions are being implemented in Q2'11. Lower demand will keep prices muted going forward.

MONETARY POLICY & OUTLOOK: Overall and core inflation remain in check through December, rising 2.4% and 1.5% y/y, respectively. These are well within the Bank of Canada targets and allowed them to maintain the overnight lending rate at an accommodative 1.0% for the third consecutive meeting in mid-January. At that time, the BOC upped their forecast for GDP to 2.4%, but continue to indicate that risks remain to growth. While the BOC may want to raise rates faster, the greatest concern is getting too far ahead of the U.S. If that were to happen, the \$C would likely strengthen further and risk hindering momentum for exports. With the manufacturing sector sending inconsistent signals and the consumer segment that needs to retrench, The BOC intends to stay accommodative for the time being.

CANADIAN ECONOMIC INDICATORS

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Real GDP (bil. C\$02) | 1321.4 | 1286.4 | 1323.7 | 1356.8 | 1392.1 | 1426.9 | 1459.7 |
| y/y % chg. | 0.5% | -2.6% | 2.9% | 2.5% | 2.6% | 2.5% | 2.3% |
| Personal Consumption Expenditures (bil. C\$02) | 801.7 | 803.3 | 828.2 | 848.9 | 871.0 | 894.5 | 916.9 |
| y/y % chg. | 3.0% | 0.2% | 3.1% | 2.5% | 2.6% | 2.7% | 2.5% |
| PCE: Durable Goods (bil. C\$02) | 124.6 | 121.5 | 128.1 | 131.5 | 136.8 | 142.5 | 146.8 |
| y/y % chg. | 5.2% | -2.5% | 5.4% | 2.7% | 4.0% | 4.2% | 3.0% |
| Business Fixed Investment (bil. C\$02) | 194.6 | 169.3 | 176.1 | 189.3 | 199.1 | 207.1 | 213.9 |
| y/y % chg. | 1.7% | -13.0% | 4.0% | 7.5% | 5.2% | 4.0% | 3.3% |
| BFI: Equipment (bil. C\$02) | 124.7 | 102.2 | 113.0 | 123.8 | 130.6 | 137.1 | 142.8 |
| y/y % chg. | 2.0% | -18.0% | 10.5% | 9.6% | 5.5% | 5.0% | 4.1% |
| Residential Fixed Investment (bil. C\$02) | 78.3 | 72.2 | 79.3 | 78.1 | 79.7 | 80.9 | 81.3 |
| y/y % chg. | -2.9% | -7.8% | 9.8% | -1.5% | 2.0% | 1.5% | 0.5% |
| Net Exports (\$ bil.) | -90.7 | -43.0 | -42.5 | -40.0 | -40.0 | -42.0 | -43.0 |
| Current Account Balance (%GDP) | -6.9% | -3.3% | -3.2% | -2.9% | -2.9% | -2.9% | -2.9% |
| Consumer Price Index (92=100) | 135.6 | 136.1 | 138.5 | 141.0 | 144.1 | 147.6 | 150.8 |
| y/y % chg. | 2.4% | 0.3% | 1.8% | 1.8% | 2.2% | 2.4% | 2.2% |
| 30 Year Gov't. Bonds (%) | 3.9 | 4.0 | 3.6 | 4.3 | 4.7 | 5.3 | 5.3 |
| 3 Month T. Bill (%) | 1.8 | 0.3 | 1.0 | 2.0 | 2.8 | 3.0 | 3.5 |
| Exchange Rate (US\$ per C\$) | 0.94 | 0.88 | 0.99 | 1.01 | 1.02 | 1.00 | 0.98 |
| Unemployment Rate | 6.2 | 8.3 | 7.9 | 7.7 | 7.4 | 6.9 | 6.8 |

Sources: Statistics Canada, TD Bank, Bank of Montreal, Royal Bank of Canada, Scotia Bank

NORTH AMERICAN ECONOMY

MEXICO

In 2008-2009, Mexico suffered its worst recession since the 1930s, with a contraction of -6.1% in 2009. However, 2010 brought recovery. The economy grew about 5.2% in 2010 (final numbers will be released on February 21). Growth in 2011 is expected to moderate to 3.9%

Foreign investment increased by 28% y/y for 1H'10. However, Mexico's investment spending has lagged due to a weak domestic industry. Domestic-focused manufacturing still dominates industrial production, and there is little spending for new machinery and equipment in this sector. Mexico's domestic side of the economy needs to strengthen before Mexico can be less dependent on the U.S. economy.

Consumer confidence remains below 100, but it is inching upward to optimistic territory. January's confidence index measured 92.3 points, 10 points above one year ago and the highest measurement since May 2008.

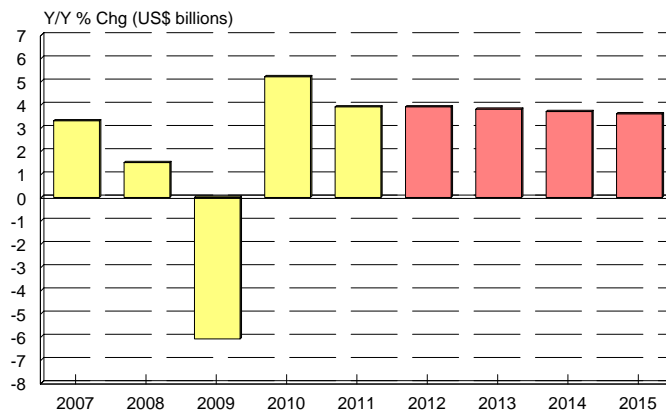
More than 850,000 **jobs** were created in the first 10 months of 2010, although unemployment stood above 5% in 11 of the 12 months. Unemployment averaged 5.4% in 2010, compared to 4.8% in 2009. Mexico's unemployment figures count only the registered populace, but it is a consistent measurement and the only one available.

The Conference Board's **leading indicator** for Mexico, which anticipates future economic developments, increased 1.7% in November, with five of the six components making positive contributions. The coincident indicator, which tracks the current economy, rose 0.4% in November, with all three of its components increasing.

The Central Bank continued to hold its benchmark interest rate at 4.5% in January for the 17th consecutive month. **Inflation remains under control.** Inflation rose to 4.4% in December. Core inflation, which excludes more volatile elements such as food and energy, held steady 3.6%. The Central Bank's decision signaled that it does not feel the need to boost the economy with monetary policy.

The **peso began strengthening** in Q2'09 and has continued this trend. The peso averaged 12.60 in 2010 and is expected to strengthen to 12.20 in 2011.

Mexico Real GDP Year Over Year % Change
2007-2015



Source: ACT Research Co., LLC and Latin Focus

Mexico's total exports for 2010 were up 29.8% in 2010, while imports were up 28.6% y/y. Exports remain strong, but are now moderating. Exports to the U.S. account for 80% of total exports.

Remittances from Mexicans working abroad, mostly in the U.S., are the second largest source of revenue for Mexico. Remittances fell a record 15.7% in 2009 as jobs north of the border grew scarce. Remittances remained depressed in 2010, with expectations that the total will be about the same as the prior year. Remittances are expected to perform better in 2011.

State owned oil company Pemex is the largest oil producer in Latin America, and Mexico is the second-largest oil supplier to the U.S. **Oil output** from Pemex funds 38% of the Mexican budget. Unfortunately, oil output has been declining since 2004. Mexico revised its oil laws in 2008, allowing Pemex to partner with foreign firms for exploration. However, new contracts with foreign operators have faced delays rather than implementation.

Tourism is the third major source of income for Mexico's economy. Tourism was up 7% in 2010, following a disastrous 2009, when tourism income declined 10%. The global economic crisis, the

| Peso/US\$ Exchange Rate | | | | | |
|-------------------------|-------|-------|-------|-------|-------|
| | 2009 | Q1'10 | Q2'10 | Q3'10 | Q4'10 |
| Avg | 13.52 | 12.66 | 12.57 | 12.83 | 12.40 |

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outbreak of H1N1 flu, and violence from drug traffickers all had a hand in 2009's outcome. President Calderon has declared 2011 to be the "Year of Tourism," hoping that international media will help would-be visitors realize that drug violence is confined mostly to a few border towns in northern Mexico.

Although fairly localized, drug violence continues to plague Mexico, claiming more than 10,000 lives in 2010. The Finance Ministry estimates that organized crime reduces Mexico's GDP by 1.2 percentage points, as small businesses pay "protection" money to organized crime. Surveillance and security also take a chunk of money that could otherwise be invested in the business.

Business indicators remain in optimistic territory. The **IAT** is a forward looking indicator that measures opinions of executives in the manufacturing sector on production, plant utilization, domestic demand for their products, exports, and personnel. The **ICP** is an indicator of confidence of producers that measures preferences for investment, assessment of the economy, and the current and future state of the company. The **IPM** is a measure

of manufacturing orders that is similar to the U.S. Purchasing Managers' Index.

| | 1H'10 | Q3'10 avg | Q4'10 avg | Jan '11. |
|-----|-------|--------------|--------------|----------|
| IAT | 53.6 | 52.5 | 51.8 | 52.3 |
| ICP | 45.8 | 50.9 | 51.3 | 50.3 |
| IPM | 52.8 | 52.3 | 51.5 | 51.5 |

Mexico-U.S. Relations: To force the U.S. to comply with the open border called for by NAFTA, Mexico imposed tariffs on 89 U.S. products beginning in 2009, and later began adding rotating tariffs to increase the pressure on the U.S. The Obama administration has now proposed a revised cross-border trucking program, similar to the one that was discontinued by the U.S. Congress in 2009. Details will be worked out in the coming months. In response, Mexico has rescinded the rotating tariffs, but the existing tariffs will be maintained.

SUMMARY: The Mexican economy is recovering from its worst recession since 1932. While exports remain strong, a major challenge ahead is to strengthen the domestic portion of the economy.

| MEXICAN ECONOMIC INDICATORS | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------|------|-------|------|------|------|------|------|------|
| Real GDP (US\$ billions) | 1033 | 1091 | 883 | 1030 | 1155 | 1226 | 1286 | 1359 | 1430 |
| y/y % chg. | 3.3 | 1.5 | -6.1 | 5.2 | 3.9 | 3.9 | 3.8 | 3.7 | 3.6 |
| Private Consumption | | | | | | | | | |
| y/y % chg. | 4.1 | 1.8 | -7.1 | 4.8 | 4.2 | 4.3 | 3.9 | 3.8 | 3.9 |
| Fixed Investment | | | | | | | | | |
| y/y % chg. | 6.9 | 4.4 | -11.3 | 3.5 | 5.9 | 6.4 | 6.6 | 5.9 | 5.9 |
| Consumer Price Index - All Urban | | | | | | | | | |
| y/y % chg. | 3.8 | 6.5 | 3.6 | 4.4 | 3.8 | 3.7 | 3.5 | 3.4 | 3.4 |
| Long-Term Interest Rate | | | | | | | | | |
| 28 Day Federal Treasury Certificates (CETES)(%) | 7.4 | 8.0 | 4.5 | 4.4 | 4.7 | 5.9 | 6.3 | 6.5 | 6.6 |
| Exchange Rate (Pesos per U.S.\$) | | | | | | | | | |
| average | 10.9 | 11.2 | 13.5 | 12.6 | 12.2 | 12.3 | 12.6 | 12.8 | 13 |
| Unemployment % | 3.7 | 4.0 | 5.5 | 5.4 | 4.9 | 4.4 | 3.6 | 3.9 | 3.8 |

Source: Latin Focus and ACT Research Co., LLC

CURRENT MARKET ACTIVITY

NOTE: The medium duty Classes 5-7 market indicator section includes all major North American (NA) domestic manufacturers and represents all their markets (U.S., Canada, Mexico, and export). Historically, medium duty demand is made up of three components: medium trucks at about 68% of the market, school/urban buses at 18%, and recreational vehicles at 14%. In 2010, the segments held a 68%, 22%, and 10% split, respectively.

TRUCKS

In the short term, the medium duty market is still experiencing some lumpiness. However, longer-term, it is clear medium duty vehicle buyers are ready to sideline their concerns, and begin replacing aging equipment. With the exception of an order retrenchment, all other indicators are green for all time periods for medium duty trucks. The relative softness in orders is dismissible, since December was the second best order month since February 2008. A solid order month for January suggests further improvements are on tap. And the protracted weakness in the housing market is losing its stranglehold on medium duty growth, a sign buyers are becoming more comfortable with today's operating environment.

| Medium Duty Truck Current Market Activity December 2010 | | | |
|--|-------|--|--------|
| | M/M | Y/Y | 12 MMA |
| Build | 7% | 30% ▲ | 6,548 |
| units/day change | 70 | 104 | |
| Sales | 35% | 16% ▲ | 6,890 |
| Backlog | 14% | 23% | |
| unit change | 7,414 | 5,036 | |
| BL/BU ratio | 3.6 | 3.6 | |
| Inventory | -2% | -5% | |
| IN/RS ratio | 4.8 | 5.8 | |
| Net Orders | -4% | 88% ▲ | 6,976 |

PRODUCTION: Medium duty truck build improved in December, climbing 7% month over month. This comes as the result of a 70 unit per day build rate increase, to 448 units, and despite 2 fewer build days. Year to date, build was up 22%. Current OEM production plans call for build rates at approximately 385 units per day in the first and second quarters of 2011.

BACKLOG: In December, backlogs increased for the sixth time since November 2009. Taking the increased production rate into account, the backlog to build ratio for medium duty trucks rose to 3.4 months in December, moving toward the upper end of the target range of 2.5 to 3.5 months. A reading at this level normally suggests a moderate production increase is in line. If order intake strength continues, OEMs will likely make the upward adjustment sooner than later. Currently, they are hedging their bets against what appears to be sustainable improvements in demand.

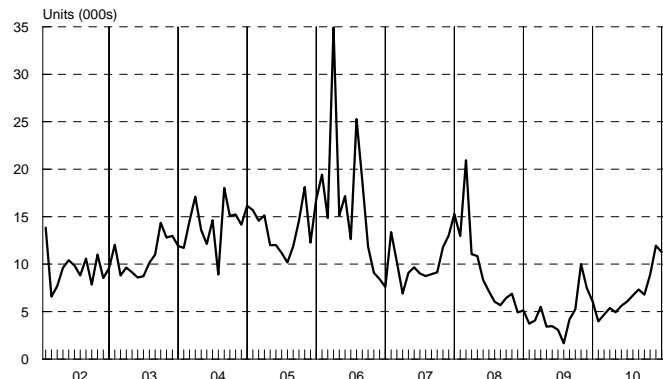
INVENTORY: Inventory decreased slightly in December contracting by about 800 units, or 2%. Medium duty truck sales in excess of build were responsible for the decrease, which drove the inventory to sales ratio down to a reading of 4.8 months. Readers should remember that a good portion of the inventory is still held by GM dealers, a dynamic that remains in play as other OEMs grapple with their build plans.

NET ORDERS: A total of 11,465 net orders for trucks were placed in December, a 4% month over month decrease. Preliminary medium duty truck net orders of 10,100 units (±5%) were received in January, the third strongest reading since April 2008.

RETAIL SALES: Retail sales of 9,440 Classes 5-7 trucks in December provided a strong finish for the year. Whether buyers were in the market to beat new model year related price increases or take advantage of accelerated depreciation, improving orders and sales suggest waning uncertainty in buyers' propensity to purchase new trucks. Year to date sales figures, up 10%, also support the hypothesis.

CLASSES 5-7 TRUCK: N.A. NET ORDERS

January '02 - December '10 (Not Seasonally Adjusted)



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MEDIUM DUTY

BUSES

The medium duty bus market continued to show further signs of weakening in December. The softness is another in a string that shows the signs of underlying fundamental problems in demand drivers. At the heart of the issue is the fallout from lower property tax revenue that is working its way through the governmental fiscal maze. Throughout the industry, small victories are being won, but such stories are far outnumbered by those reporting budget cuts that will undoubtedly have a negative impact on school bus purchases. The money to modernize and operate the bus fleet must come from somewhere. If that money is not available, administrators' creative juices will be taxed to develop workable solutions.

BACKLOG: Orders below the level of build in December pulled the backlog down by 4%, to 6,500 units. At the current low rate of production, the backlog would last about 3.9 months if no new orders were received.

PRODUCTION: Medium duty bus production decreased to 1,655 buses in December, a 16% month over month decline. December marks the second month since November 2001 that bus production has been below the 2,000 unit level. Given that the backlog is clearly contracting, OEMs will have difficulty maintaining current build rates, let

alone increase them. Ultimately, desired customer delivery schedules will dictate build changes. Bus production usually stays within a tight band, but can fluctuate widely on a percentage basis because of the relatively small number of units involved.

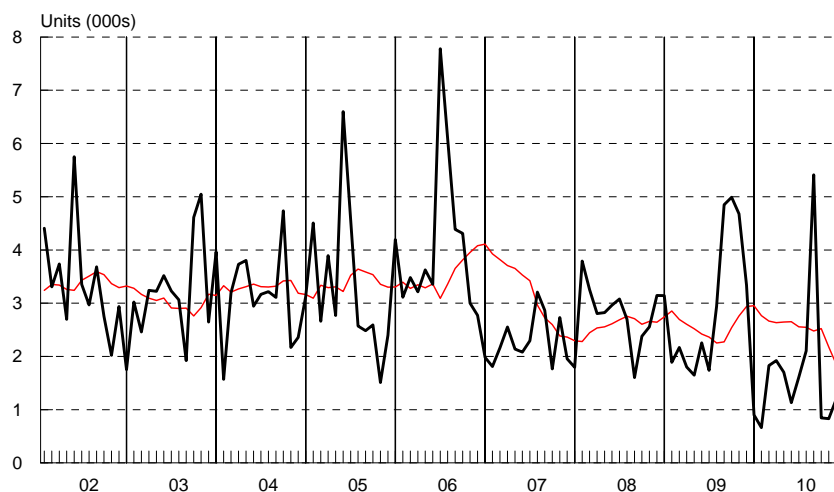
INVENTORY: The same is also true of inventory. Buses are not normally produced for inventory, although there is always a certain quantity on hand to meet immediate customer needs. Weak sales and build combined to yield an inventory to sales ratio of 2.2 months in December.

NET ORDERS: While the chart below shows an uptick in December bus net orders, it also serves to highlight the relative weakness in the segment. The data show a 16% month over month increase. However, given the shifting fundamentals, sequential improvement is not likely sustainable, at least in the near term. Historical seasonal data would suggest weakness until Q2 2011. However, it is also easy to see that traditional order patterns are in a state of flux.

RETAIL SALES: Classes 5-7 December bus retail sales were 17% weaker month over month, with a total of 1,661 units sold. Like most longer term comparisons for the bus segment, sales performance lags behind last year's pace. There is little opportunity to put a positive spin on such soft numbers.

CLASSES 5-7 BUS: N.A. NET ORDERS

January '02 - December '10 (Not Seasonally Adjusted)



ACT Research Co., LLC: Copyright 2011

MEDIUM DUTY

RECREATIONAL VEHICLES

Americans seem poised to hit the road again in their RVs. This is welcome news since the RV market has been stuck in neutral since because of the housing market crash. Plunging sales, plant closures and job cuts were the order of the day. RV makers, such as Winnebago, are now returning to profitable operations and have also begun hiring more workers. Even better, dealers are ordering more RVs for their showrooms. Thanks to loosening credit, relatively low diesel prices and improving confidence, necessary catalysts, recovery now seems more plausible. It will take years to return to the stronger markets that were typical in the middle part of this 2000's decade, but the market is moving in the right direction.

BACKLOG: Orders in excess of build pushed backlog up again in December. The industry continues to see a parade of new entrants into the market looking to make a lucrative profit from the misfortunes of others. Also, established companies are branching out from their RV roots by adding new products to their offerings.

PRODUCTION: Despite the positive outlook, build fell in December, shrinking 6% month over month. It remains significantly above readings from a year ago, thanks in part to some of the easiest comps in the history of the segment. Consumer demand will

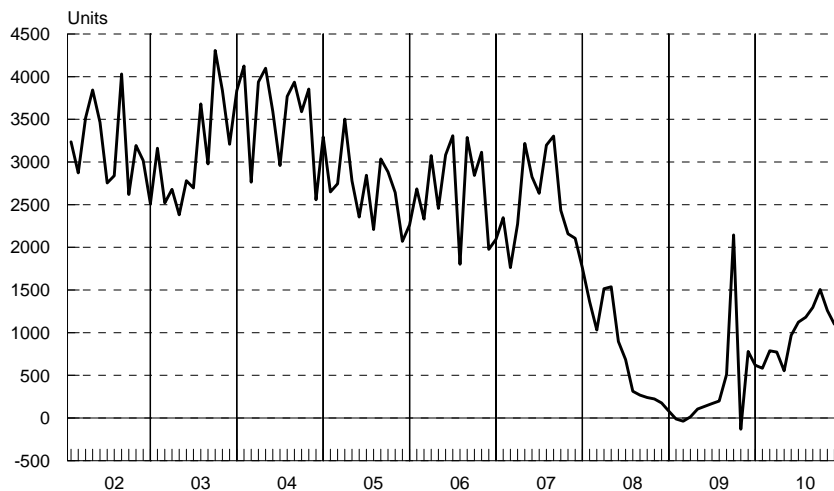
return at a measured pace over an extended period of time. Even though consumers are beginning to feel less beat up, they still have worries on their minds. Being obliged to a monthly payment for a truly discretionary good is not within the realm of possibility for most consumers.

NET ORDERS: Net orders also contracted in December, sliding 0.5% month over month; a total of 1,093 net orders were placed during the month. Highlighting how beat up the market segment was in 2010, demand for Type A RVs rose more than 170% over 2009's level. Even with that type of improvement, the market will have a long way to go before besting previous records.

RETAIL SALES: Retail sales of Classes 5-7 RVs were essentially flat in December on a month over month basis. This is a little surprising, given that the industry's largest trade show takes place in December and is normally characterized by lots of wheeling and dealing. Year to date, sales are also more than 170% above 2009's level. The industry still believes that even though a limited number of consumers have the will or the means to make large purchases, the market has not completely vanished. That belief is set against the reality that as consumers become more inclined to purchase RVs, having enough equity in their home or finding a lender willing to take the risk will remain a challenge in the foreseeable future.

CLASSES 5-7 RV: N.A. NET ORDERS

January '02 - December '10 (Not Seasonally Adjusted)



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CURRENT MARKET ACTIVITY

Barring an economic collapse of meaningful proportion, the up-cycle that got underway back in September should translate into a healthy market through the medium-term forecast horizon. Significant barriers to Class 8 demand fell by the wayside in 2010, setting the stage for the up-stage of the demand cycle to commence. Factors that weigh on the side of the turn in trend include:

- Ongoing Class 8 fleet shrinkage
- Rising freight volumes due to economic growth and a positive economic outlook
- Equilibrium in the relationship between Class 8 trucks and freight. That set the stage for rising trucker revenues and profitability in early 2010
- Improvement in used truck values which narrowed the spread between new and used prices.
- Lower barriers to entry for equipment credit as truckers' balance sheets and the economic outlook are more conducive to lending (and borrowing)
- The Class 8 fleet at oldest-ever levels is indicative of underinvestment, signaling pent-up replacement demand

The rising Class 8 order trend since September has made it apparent to most that the cycle has turned. We do not see recent order activity as an anomaly, but as the natural outcome to the positive alignment of all Class 8 demand factors. Barring an unforeseen major economic shock (\$5 petrol, euro collapse, etc.), we believe that even in the face of higher truck prices, demand will rise dramatically through 2011 and into 2012 as truckers get in line to replace aging equipment. **The growing Class 8 supply-demand imbalance is reminiscent of 2004-2005 when an underinvested Class 8 fleet ran into an economic up-cycle.** The result was record trucker profitability.

Contrary to suggestions that the tight driver supply will inhibit Class 8 demand, history suggests just the opposite outcome: **A fleet's first line of defense when the driver supply is tight is to buy new trucks to attract drivers.** Drivers aside, there are significant benefits to driving newer equipment from an operational standpoint. Tightness in the driver supply suggests that driver wages will be rising sooner, rather than later. Make no mistake that shippers will

Class 8 Order Distribution

(Data through January Preliminary 2010, annualized)

| Class 8 Orders | U.S. (000s) | Canada (000s) | Mexico (000s) | Exports (000s) | Tot NA (000s) | NA SAAR |
|----------------|-------------|---------------|---------------|----------------|---------------|--------------|
| Past 12 | 129.7 | 19.3 | 14.8 | 17.5 | 181.3 | |
| Past 6 | 164.3 | 22.8 | 15.6 | 20.5 | 223.2 | 226.8 |
| Past 3 | 220.3 | 28.8 | 16.0 | 24.1 | 289.3 | 281.7 |
| Dec. | 230.8 | 33.9 | 21.7 | 38.1 | 324.5 | 308.6 |
| Jan. (p) | | | | | 327.6 | 312.0 |

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get their products to your markets, so not having a driver is not an option.

An additional item that should spur demand in the coming cycle is CSA2010. While the world has been focused on the impact on drivers, another issue has risen to the fore. While there was already a compulsion to raise scores to attract shippers, a new one is to avoid litigation: The public availability of CSA2010 scores raises the risk of unfavorable lawsuit outcomes. One of the CSA criteria for fleets is mechanical safety violations. With CSA scores in the public domain, truckers have added impetus to keep their scores at high levels.

MODEL v FORECAST: One point that we made repeatedly throughout 2010, is that our model was indicating that Class 8 demand in 2011 would be even higher than what we were forecasting. While our Class 8 build forecasts for 2011 moved to either side of 240,000 units, our model was saying 275,000 to 280,000. The reason that we didn't push the forecast closer to modeled demand relates to our perception of the industry's ramp-up potential. Positively, the model is now saying 295,000, so the capacity shortfall in trucking will continue into 2012, keeping a lot of demand drivers in play.

DECEMBER/2010: If September marked the turn in trend, December appears to be a confirmation that a new trend has taken hold. During the month, new Class 8 orders totaled 29,461 units, while net order rose to 27,044 units. December was the fourth consecutive month of rising orders. For all of Q4, *Class 8 net orders were booked at a 289,200 unit annual rate.* Seasonal adjustment does little to mask

HEAVY DUTY

Build Timing of Units in Backlog as of December 31, 2010

| <u>CLASS 8</u> | Actual BU 2010 | Q1'11 Jan-Mar | Q2'11 Apr-Jun | Q3'11 Jul-Sep | Q4'11/ Beyond | TOTAL |
|--------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
| BACKLOG DISTRIBUTION | | 39,414 | 22,862 | 7,595 | 9,651 | 79,522 |
| . Mix by scheduled build date | | 49.6% | 28.7% | 9.6% | 12.1% | |
| Class 8 Actual/Forecast | 154,290 | 52,300 | 60,000 | 63,200 | -- | -- |
| . Open build slots: | | 12,886 | 37,138 | 55,605 | -- | -- |
| . % Open | | 24.6% | 61.9% | 88.0% | -- | -- |

the strength as orders in November and December were booked at a nearly 320,000 unit annual rate.

Unlike previous cycles that have occasionally been dominated by the U.S., there is a greater breadth of geographic demand for Class 8 equipment. In previous cycles, the U.S. has been as much as 85% of the market. In December, U.S. bound orders were just 71% of the total. It is not so much that demand from the U.S. has fallen, but rather that demand for trucks in other markets are growing at a relatively faster pace.

- U.S orders were booked at a 220,000 unit AR in Q4.
- Q4 saw Canada bound orders booked at nearly 29,000 units AR.
- Orders for Mexico rose to a 32-month high 1,800 units (21.6k AR).
- Non-NAFTA export orders rose to a three-plus year high 3,200 units. Since April, orders have been booked at a nearly 20,000 unit AR.

GOOD-BY RECESSION: Preliminary data indicate that the strong Class 8 order trend continued into the new year. When released mid month, January's orders are expected at around 27,300 units (±5%), a volume right in line with the 320,000 unit order trend of the previous two months. Seasonal adjustment drops January's net order volume to 26,000 units.

With January marking a fourth consecutive month of higher orders, the demand trend appears to be firmly established. We have seen a concurrent uptick in trailer demand, on top of healthy economic activity and continued strong trucker profitability; there is no reason to suspect that orders won't remain strong for the foreseeable future.

BACKLOG: Orders rising nearly 14,000 units above build in December caused Class 8 backlogs to rise by a similar amount to 79,522 units. That volume represents a 54% increase in the fourth quarter. Combining preliminary orders and an assumed 15,000 units built in January suggests that the Class 8 backlog will be in the neighborhood of 91,000 units at the end of January.

BL/BU: Coupling a rising backlog to December's slightly lower build rate generated a Class 8 BL/BU ratio of 5.1 months or 107 days at December's 742 unit per day build rate. The BL/BU ratio is expected to move to 5.5 months or higher in January

BL ANALYSIS: December's backlog analysis showed continued close-in interest: 85% of the orders placed either rounded out December's build plan, or were booked into the first half of 2011.

INVENTORIES: After rising through the second half of the year, inventories fell to a four month low in December as year-end sales efforts boosted sales. Inventories ended 2010 at 33,853 units, up 10% from 2009 year's end.

RETAIL SALES: Retail sales ended 2010 on a strong note, rising to a twenty-seven month high 16,900 units. Seasonally adjusted, December was in line with November's sales volume at 14,385 units. Full-year 2010 retail sales totaled 153,246 units, a 21% improvement from 2009.

IN/RS: Because of incentivized year-end sales, the IN/RS ratio always benefits from seasonal adjustment. Straight up, the IN/RS ratio fell to a four-year low 44 days/2.1 months. Seasonally adjusted, the IN/RS ratio rose by 20bps from November to 55 days/2.6 months in December.

CURRENT MARKET ACTIVITY

MARKET TRANSITION: In like a lamb, out like a lion. Through the course of 2010, demand for new trailers transitioned from weak to strong. In January, net orders for U.S. trailers were booked at just over an 85,000 unit annualized rate. In December, orders were booked at a nearly 275,000 unit rate. That 224% January to December increase widens further when the data are seasonally adjusted.

In order to get from where we were to where we are, the industry had to work its way through a sequence of roadblocks in 2011. Those roadblocks included:

- Ongoing shrinkage of the U.S. trailer population
- Rising freight volumes due to economic growth
- Equilibrium in the relationship between Class 8 trucks and freight. That set the stage for rising trucker revenues and profitability in early 2010
- Improvement in used trailer values which narrowed the spread between new and used prices. Based on a small data sample, used trailer prices rose ~25% in 2010, with wholesale prices up 50%
- Lower barriers to entry for equipment credit as truckers' balance sheets and the economic outlook are more conducive to lending (and borrowing)
- Parts of the trailer fleet are ancient: The dry and reefer van fleets, historically about 70% of the market, are both at oldest-ever levels

Trucking capacity shortages are likely to persist deep into 2012, keeping truckers' profits firm. Combining that with years of deferred capital investment and rising economic expectations, the stage is set for healthy trailer demand in 2011 and beyond. When the industry cycles, the up-cycle typically runs three or four years at above replacement level volumes.

Truckers have indicated that freight volumes began to gain traction in mid Q4 after a mid-year pause. With rising profits and margins, truckers have indicated they were boosting their capital expenditure plans for 2011. Planned increases in capex are not to add capacity, but to make up for previous neglect. After several years of below maintenance level activity, the fleet is old and costs are rising. There is a point at which rising maintenance costs and reduced utilization make operating older equipment a liability rather than a benefit.

2010 RECAP: Comparatively speaking, 2010 was a good year as shipments rose 50% from 2009. Unfortunately, that comparison was against the worst

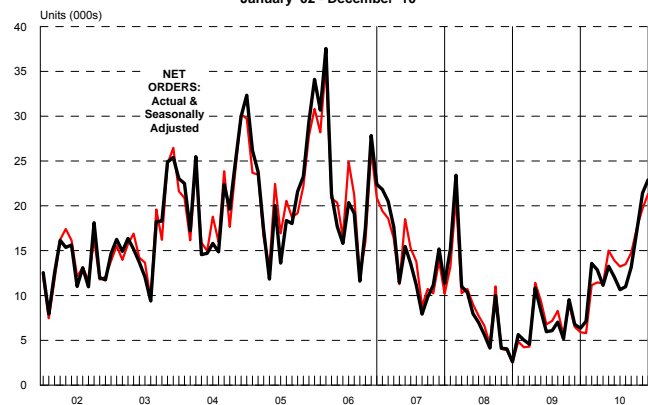
COMPLETE TRAILERS ONLY

Thousands of units
Annualized, Not SA

| December Ending | NEW Orders (AR) | | NET Orders (SAAR) | | Build (AR) | |
|-----------------|-----------------|---|-------------------|---|------------|---|
| Past 12 Mo. | 170.7 | ▲ | 161.1 | ▲ | 122.0 | ▲ |
| Past 6 Mo. | 198.2 | ▲ | 195.4 | ▲ | 144.5 | ▲ |
| Past 3 Mo. | 251.5 | ▲ | 220.2 | ▲ | 148.1 | ▲ |
| December | 278.7 | ▲ | 251.6 | ▲ | 153.9 | ▲ |

TOTAL TRAILERS: NET ORDERS

January '02 - December '10



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trailer market since 1975. How bad was 2009? It was so bad that even with a 50% increase, 2010's trailer shipment volume was the second lowest since 1983.

On a positive note, 2010's strength was back-end loaded and the industry starts 2011 with a good head of steam. In Q1'10 trailer shipments were up 19% year over year compared to a 76% gain Q4/Q4. Recent orders, up 172% year over year in Q4 suggest large percentage gains against relatively easy comparisons will continue deep into 2011.

DECEMBER: New trailer orders rose to their highest level in nearly three years in December as 23,224 orders were booked. Subtracting modest cancellations generated 22,915 net orders. December's net orders represent a 7% increase from November and a 261% increase from December 2009, when just 6,400 net orders were tallied. For all of Q4, total trailer net orders rose to 61,639 units.

- Annualized, trailer orders in Q4 were booked at a 246,600 unit annual rate.
- Seasonally adjusted, new orders for total trailer rose to a 49-month high 22,450 units.

U.S. TRAILERS

- At the total industry level, including container and chassis, net orders rose to a four-year high 27,034 units.

The year over year strength in trailer orders remains broad based. Other than our grain trailer placeholder, all nine trailer types were up in December and for all of Q4. Seven of the nine trailer categories posted triple-digit y/y gains in December and three saw gains of more than 100% for the entire quarter.

CANCELLATIONS were nearly nonexistent in December, keeping new and net order volumes in close proximity. There were 309 units cancelled, generating a cancellation rate of 1.3%. December's was the lowest cancellation rate on record and marked the fourth time in 2010 the rate fell below 2%. While truckers weren't ordering many trailers in 2010, the ones they were ordering were keepers. Despite the backlog more than doubling in 2010, we continue to expect modest cancellations for the foreseeable future (the exception being one-off events).

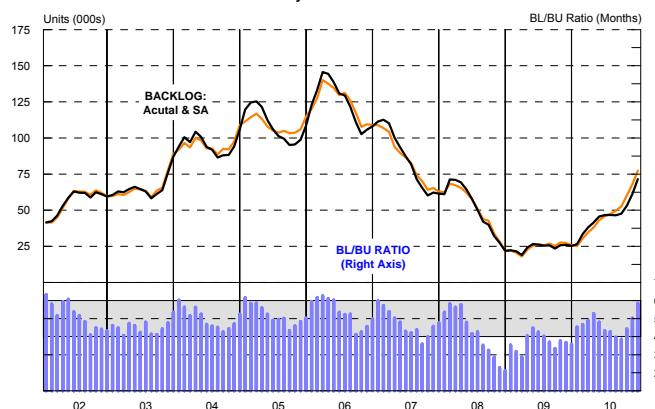
BACKLOG: When we closed the books on September, there were 47,600 orders in the backlog – nearly the same number as there were in May. Through Q4, total trailer backlogs rose by 50%, or 24,000 units to end the year at 71,600 units. The last time the industry's backlog of un-built orders was so large was July 2007. Orders typically rise to their highest volumes of the year in Q1, so we would expect backlogs to continue rising through Q1.

BUILD: Even as backlogs were building, build rates remained consistent at year's end. In September, the industry built 588 units per day. In December, the industry produced 583 units per day, generating a full-month total of 12,829 units. Full-year 2010 production came up 4 units shy of 122,000 units.

BL/BU: Flat build rates and rising backlogs have caused a two-month rise in the BL/BU ratio since September. At the start of Q4, the BL/BU ratio was 3.9 months/81 days. At the end of the year, the BL/BU ratio was 5.9 months/123 days at December's build rate. History suggests that the industry does not sit still when the BL/BU ratio is pushing six months.

Given the current order trend and backlog growth, it would appear that there is meaningful upside potential to build rates in 1H'10: Assuming a 100-day (4.8 month) target BL/BU ratio and steady orders, build rates should be pushing 700 units per day by the beginning of Q2'11. Additional backlog

TOTAL TRAILERS BACKLOG & BACKLOG/BUILD RATIO
January '02 - December '10



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accumulation in Q1 will keep pressure on build rates into Q2

TIRES: ACT personnel have had a chance to attend/present at two tire events in the past few months. The last meeting suggests the situation has not improved. Our impression is that tires will be the greatest single obstacle to rising production in 2011. Significant increases in tire demand from the BRIC countries and recoveries in the NA and European markets have put incredible strain on the tire industry's ability to meet demand. One big challenge is the finite supply of natural rubber in an expanding market. Natural rubber is a key component for long-lived commercial vehicle tire casings. Competition from both the OE and aftermarket business will push tire prices higher through 2011.

INVENTORY: Inventories fell for a third consecutive month at the end of 2010, ending the year at 8,400 units. The rise in sales coupled with the fall-off in inventory volumes generated the lowest IN/RS reading of the year in December at 13 days. [Note: The trailer inventory number is a partial industry reading, but is apples to apples.]

SHIPMENTS: Factory shipments finished the year on a strong footing, rising 1,000 units above build to a three-year high 13,860 units. Stronger shipments than build cause inventories to fall to a six-month low. Full year FS were 119,900 units.

SUMMARY: The rising order trend in trailers is being echoed on the Class 8 side of the tandem. Coupled with growing economic expectations, the pop in orders appears to be signaling that truckers not only have the wherewithal to buy equipment, but are gaining the confidence to reinvest in their businesses.

U.S. TRAILERS

With the barriers of 2010 behind us, the industry should enjoy rising volumes in 2011 and beyond.

DRY VANS: The rebound in dry van orders earlier this year followed on the heels of trucker comments indicating improving freight and profit conditions. With the positive vibe from truckers continuing, so too has demand for dry van trailers.

- Since February 2010, orders have been at “best in two years” levels. Following on the heels of a strong October, orders in December rose to a 50-month high 15,200 units.
- From January to December, backlogs rose 364% to 45,900 units at the end of December.
- At December’s build rate, the dry van BL/BU ratio jumped to 147 days/7.0 months. Back in September, the ratio was 3.7 months
- At current order and backlog levels, higher dry van build rates are imminent.

With used trailer prices recovering and orders arriving in buckets in Q4, it appears that the headwinds from the structural rebalancing are coming to an end. Dry van orders in Q4 suggest that the productivity gains of trailer tracking have worked their way through the system/been caught by rising freight growth. Because of the double whammy of falling freight and rising productivity, the dry van fleet is as old as it has ever been; we anticipate that demand will stay at elevated levels for an extended period.

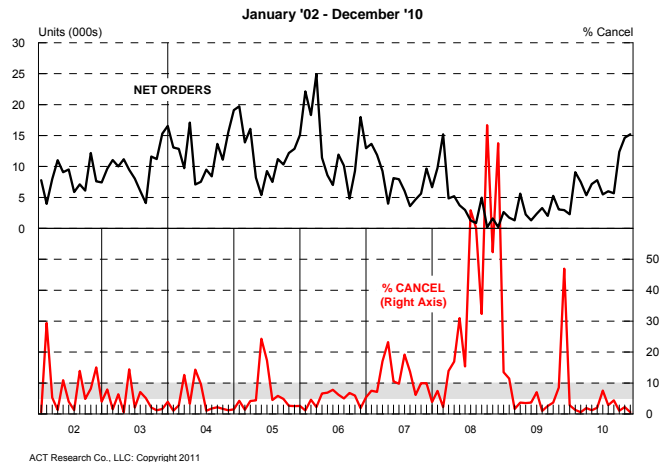
REEFER VANS: After hitting a 46-month high in November, reefer van orders jumped to a 58-month high 3,800 units in December. For all of 2010, there were 32,600 orders placed for reefer vans. Through the year’s last trimester, orders were booked at a 40,000 unit rate.

The strength in orders at the end of the year fits the seasonal order pattern. Typically orders in November and December are 10% stronger than the average month, while January and February orders are nearly 30% stronger.

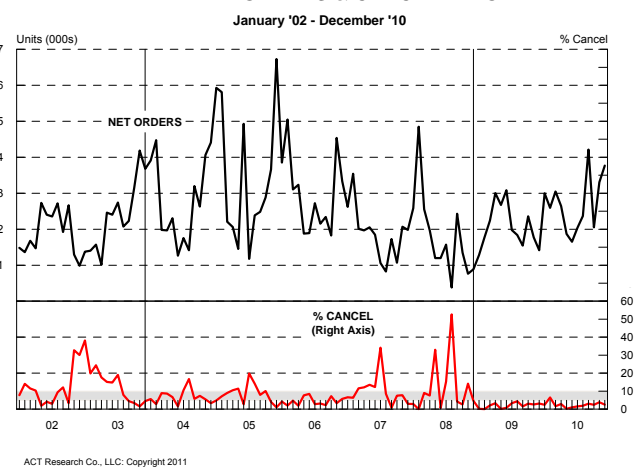
Average reefer van age rose to a record level in 2009 and continued to move higher in 2010. A reefer unit’s ability to maintain temperature is mission critical, so an older fleet signals growing replacement pressure.

- Orders rising above the rate of build pushed the backlogs to a 44-month high at 13,800 units. At December’s 116upd build rate, the BL/BU ratio was unchanged at 5.7 months, or 119 days.

DRY VAN NET ORDERS & CANCELLATION RATE



REEFER VAN NET ORDERS & CANCELLATION RATE



Order and backlog levels suggest that there is room for reefer van build rates to move higher.

FLATBEDS: The tightest capacity market sectors cited by truckers and load-boards are flatbeds. We suspect that the shortages relate to the fact that so many flatbed carriers went out of business in 2009, rather than an actual flatbed trailer shortage. With housing, steel, and autos taking the brunt of the economic downturn, it would be hard to draw-up a worse recession scenario for flatbeds. Fortunately, the economy is starting to come around:

- The total business IN/RS ratio remains near record low territory, suggesting that demand cannot be met with off the shelf inventory, but will need to be built.
- Used car prices are at record highs and supplies range from constrained to nonexistent, suggesting a stronger than expected rebound in the automotive sector is possible in 2011. In

U.S. TRAILERS

December, car sales rose to twenty-nine month high (ex-clunkers) at a 12.49 million SAAR.

Despite ongoing headwinds relating to construction and steel, flatbed demand has improved, albeit at low levels since the beginning of the year:

- The inconsistent order pattern of 2010 continued in December as orders rose to their third highest level in 2010 at 867 units.
- Backlog rose negligibly. Slightly higher build offset the backlog growth dropping the BL/BU ratio to an anemic 65 days at December's 37 unit per day build rate.

CONSTRUCTION TRAILERS: First it was residential construction – no new subdivisions. Then it was road building. Now, commercial construction markets are the economy's sickest sector. With important markets on hold or still contracting, demand in the construction trailer universe remains soft. On a positive note, stimulus dollars should start to provide some support as jobs are bid.

Dump Trailers:

- Orders are generally improved from the lows of 2009. After a weak run of form through the middle of 2010, orders ended the year on a strong note, rising to a 32-month high 622 units in December.
- Stronger orders and lower build allowed the dump trailer BL/BU ratio to rise by half a month from 75 days/3.6 months in November to 86 days/4.1 months in December. Backlog levels should allow dump trailer build rates to stabilize near current levels.

Heavy Lowbed Trailers:

If there is no construction activity, you don't need trailers to haul construction equipment.

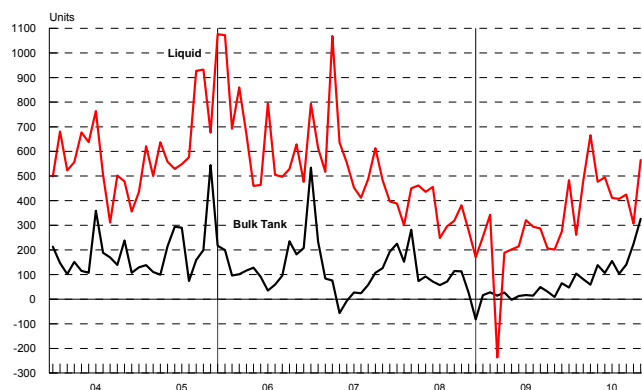
That said, orders have been trending higher since late 2009. December's order volume came in below November at 305 units. Combined, orders in November and December were the highest two month order total since mid 2007. With orders rising above build, the heavy lowbed backlog continues to expand: The BL/BU ratio rose by 30 days to 143 days at December's build rate.

Pneumatic Bulk Tanks:

The discovery of natural gas deep under shale beds across the U.S. and Canada and the process for

LIQUID & BULK TANK TRAILERS: NET ORDERS

January '04 - November '10



ACT Research Co., LLC. Copyright 2010

extracting that gas has created a growing market for pneumatic tanks. As hydraulic fracturing (frac'ing) becomes more widespread, more pneumatics will be required to haul sand to the job site.

- In Q4, orders for pneumatics were booked at a 3,500 unit annual rate. That represents the fastest rate of order placement since the three months ending February 2007. In December, 315 net orders were booked. Since May, when stronger demand took hold, orders have been booked at a 2,300 unit annualized rate
- Strong orders pushed the backlog to a 44 month high 977 units. The BL/BU ratio rose to an industry leading 202 days/9.6 months at December's daily build rate. Look for near-term increases in build rates.

LIQUID TANKS: At the beginning of 2010, liquid tanks and reefers were the first trailer types to experience a solid upward order trend. Rising freight volumes bode well for diesel fuel consumption, which in turn will support liquid tank demand.

- Liquid tank orders remained strong into December, with 466 units booked. For all of 2010, liquid tank orders totaled 5,440 units.
- Stronger orders and flat build helped to boost liquid tank backlogs in December, which rose 3% m/m to 1,624 units. The BL/BU ratio jumped by seven days to 86 days or 4.1 months at December's build rate.

TRANSPORTATION SECTOR

ACT Research maintains a truckload (TL) carrier database using data available in the financial reports of publicly traded truckload carriers. Preliminary results for Q4'10 show the carriers in the database were operating 46,011 tractors, up 1.0% from Q2'10, and had \$3.12 billion in quarterly revenue, a 14.5% increase over Q3'09. Additionally, ACT follows trends of leading public less-than-truckload (LTL) carriers which had revenue in Q3'10 of \$3.67 billion, a 3.3% increase over the prior year quarter.

ACT-ECHO SURVEY

The Volume Index for January was 50.0, indicating loads were flat with December. However, the range of responses varied more than in any previous survey. Some carriers were heavily impacted by the weather and had significant deterioration in volumes while other carriers reported strong gains. Considering the widespread weather impacts, a flat reading is probably good news.

The Pricing Index supports that view, as carriers saw increased ability to raise rates. The index was 66.1, the highest reading since June. Weather might also have an impact as "available" capacity was tight.

The Productivity Index was also flat at 50.0. Productivity gains have been weak for the past three months as seasonal volumes have slowed. In 2010, January was the starting point for volumes to increase and productivity to pick up. Given weather in January and early February, it is likely to be March before carriers see a lift from volumes in 2011.

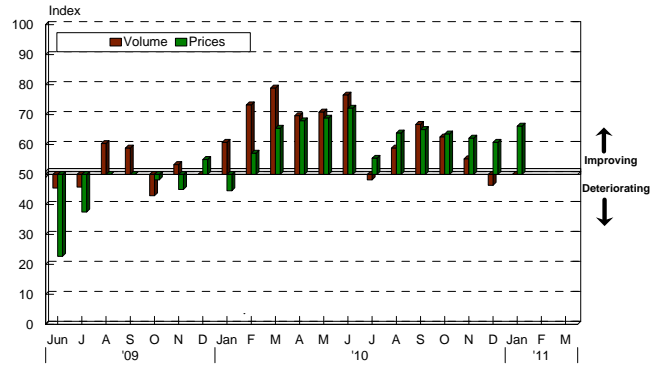
Carriers still are looking to replace and slightly add to their fleets. The Capacity Index was 53.6, down from December, but still in modest growth territory. Additionally, 71.4% of survey respondents indicated intentions to buy equipment within the next three months, the second highest reading since the start of the survey. The trend in purchases was also very weighted towards new equipment, with 88% new for tractors and 85% new for trailers.

OTHER TRUCKING METRICS

TransCore: The load-to-truck ratio declined in January to 4.78 from 4.87 in December. The significant aspect of these figures is the strength

**ACT-Echo Truckload Index
Volumes & Freight Rates**

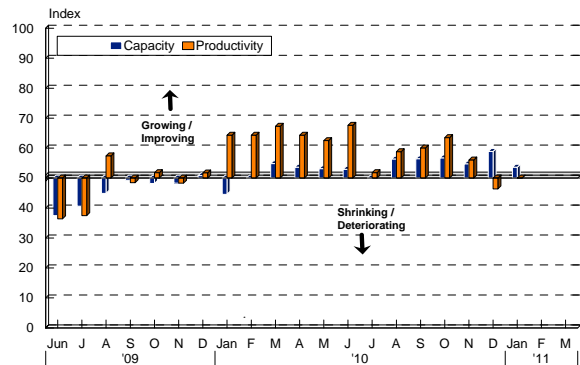
Jun '09 - Jan '11



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**ACT-Echo Truckload Index
Fleet Capacity & Productivity**

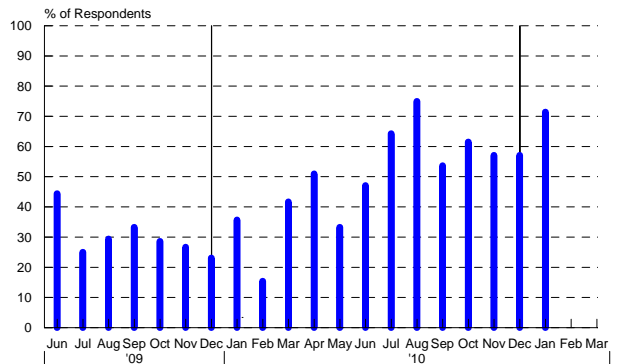
Jun '09 - Dec '10



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**ACT-Echo Truckload Index
% Respondents Buying Equipment in Next 3 Months**

Jun '09 - Dec '10



ACT Research Co., LLC. Copyright 2011

compared to prior years during these seasonally slow volume months. The table that follows

TRANSPORTATION SECTOR

provides a clear view of the difference of the winter of '10-'11 compared to prior years.

| Winter Year | December | January |
|-------------|-------------|-------------|
| '06-'07 | 1.3 | 1.0 |
| '07-'08 | 2.5 | 1.9 |
| '08-'09 | 1.1 | 0.8 |
| '09-'10 | 2.65 | 2.76 |
| '10-'11 | 4.87 | 4.78 |

The tight capacity situation in December & January is giving carriers increased confidence about pricing power when seasonal volumes pick up later in the first quarter.

According to TransCore, contract rates held steady in December. Based on continued tight capacity and results of our ACT-Echo survey, contract rates should continue to rise in Q1'11.

Ceridian-UCLA Pulse of Commerce (PCI): The seasonally adjusted index fell 0.3% m/m in January after a strong gain in December. Year-over-year growth was 3.4%, the 14th consecutive month with a y/y gain. Despite this string of gains, the index has recovered only 63% of the pre-recession peak.

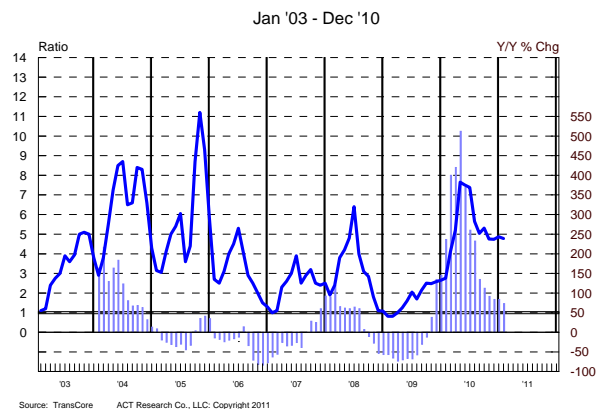
PUBLICLY TRADED TRUCKLOAD CARRIERS

Despite most of the publicly traded truckload carriers posting earnings that were short of analyst expectations, **year-over-year improvement continued to be significant for the group as a whole.** Operating revenues (excluding fuel surcharges) were up 7.6% and net income increased 45.1% to \$139 million. Net margin improved 108 basis points to 4.46%. However, net margin deteriorated slightly from 4.56% in Q3'10 and was the third straight quarter where net margins stayed basically flat at 4.5%.

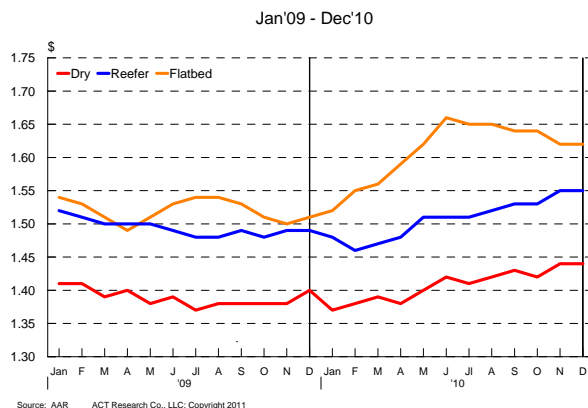
Digging deeper, most of the carriers saw net margins deteriorate from Q3 to Q4, but the group was buoyed by strong performance from the three largest carriers – JBHT (+40 bps), LSTR (+60 bps) and WERN (0 bps).

Going forward, net margin improvement will have to come from improved performance by a wider variety of carriers. While still the most profitable

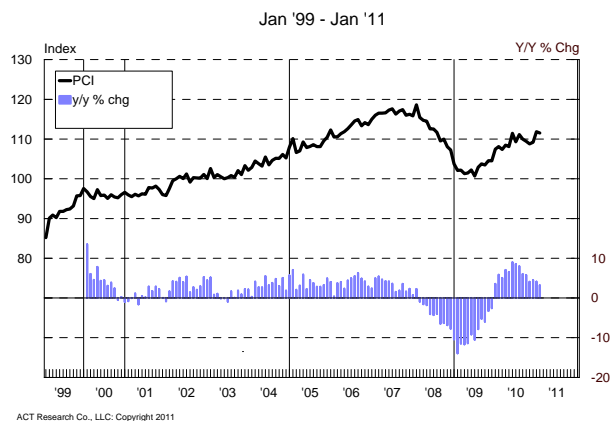
TransCore Load-to-Truck Ratio: Total



TransCore: Contract Rates



UCLA-Ceridian Pulse of Commerce Index (PCI) [Seasonally Adjusted]



carriers, Heartland (-250 bps) and Knight (-110 bps) pulled the group down in Q4. Many of the smaller carriers (Celadon, Covenant, USA Truck,

TRANSPORTATION SECTOR

etc) struggled in the quarter, but have plenty of opportunity for improvement going forward.

All of the carriers saw freight rates rising, but fuel costs rose faster than surcharges and other costs increases challenged margins. This suggests that carriers will continue to push prices higher.

RAIL INTERMODAL

Total weekly intermodal loadings are rebounding from the holiday lows, but y/y growth continues to moderate. For the week ending 1/29/11, the 4-week moving average for loads rose to 215.8K, but y/y growth dropped to 7.4%, the lowest level since Feb'10.

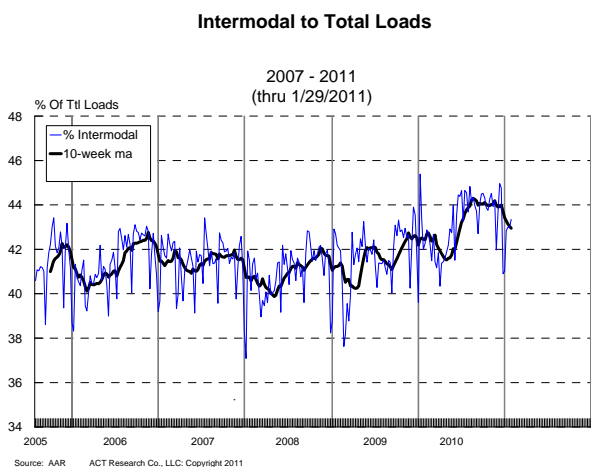
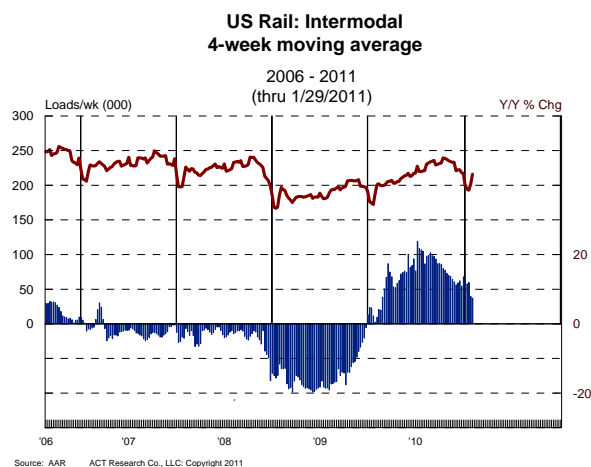
Intermodal loads closed the year 14.7% better than 2009. Container loadings ended up 16.4 % and trailer loadings posted an increase of 3.6%, largely due to strong demand for trailers in the Q4'10. The growth in trailer loadings was primarily due to a shortage domestic containers. International Container loadings were up 17.0 % in 2010 while domestic container volume was up 11.8% for the year.

TTX, an industry railcar provider, projects 5% growth for intermodal volumes in 2011. While down from the robust growth rates on 2010, this still exceeds consensus estimates for economic growth by almost 2 percentage points. The company also expects volumes to revert back towards containers at the expense of TOFC as the supply of domestic containers is expanded. TOFC loads are expected to decline by 6.8% in 2011.

A key driver of intermodal growth in 2011 will be improved imports, which are largely driven by retail sales. Retail sales topped January expectations despite the onset of a difficult winter weather season. The International Council of Shopping Centers index of 32 retailers showed a 4.8% increase for January in stores open at least a year, well above the 1.5% to 2% expectations.

"Retailers weathered the storm both literally and figuratively," said Michael P. Niemira, chief economist at the International Council of Shopping Centers. "It is a signal that underlying consumer demand is pretty solid."

Not all retailers are ready to bank on continued strong sales. "While the economy clearly began to



recover in 2010 and drove up cargo volume as retail sales improved, maintaining that momentum in 2011 could be difficult," said Jonathan Gold, National Retail Federation (NRF) vice president for supply chain and customs policy. "Consumers faced with continued high unemployment are expected to focus more on necessities than discretionary spending." The NRF is forecasting international container volume to start the year strong, but see growth rates decelerate in Q2'11.

The railroads continue to plan for growth of intermodal (both domestic and international), having invested \$50 billion on capital expenditures in the last five years and indicating plans to continue infrastructure investment. These improvements have allowed the railroads to sustain efficiency improvements from running longer trains and increasing rail velocity to increase operating margins.

TRANSPORTATION SECTOR

James Young, UP's chairman, president and CEO recently commented that rising diesel fuel prices push more freight to trains.

"Our discussions with many of our trucking partners indicate they have a very strong interest in growing the amount of intermodal business," Young told analysts on a recent conference call.

TTX has put numbers to this trend, estimating that for every 10 cent increase in fuel price domestic intermodal gains 65,000 annual loads.

From a regulatory perspective, rail intermodal continues to be the favored child of federal agencies. The Department of Transportation (DOT) has sent the Surface Transportation Board a strong endorsement of intermodal service, appearing to weigh in against a possible expansion of STB regulatory power over intermodal movements.

The Jan 31 filing by DOT General Counsel Robert Rivkin comes ahead of a Feb. 24 STB hearing, in which it will consider revoking broad exemptions now in place against regulating certain cargo classes including boxcar and intermodal traffic.

Rivkin said while the data on the other categories is unclear, intermodal "has clearly demonstrated the inherent efficiency of rail for the long-haul portion of movements of a container or trailer to or from an intermodal yard or port.

He wrote that the DOT "believes that railroads will need to play an even larger role in the future than they have in the past" and have shown that intermodal offers "significant public benefits."

DOT Secretary Ray LaHood, Rivkin has stated that one of his goals is to move more freight via rail and water carriage as a means to improve safety, preserve (highway) infrastructure and

enhance air quality. The DOT backed that up, he added, with large grants for stack train corridors being developed by Norfolk Southern Railway and CSX Transportation.

Transportation Secretary Ray LaHood told the SMC3 trucking industry group annual meeting in Atlanta last month that he expects to have a transportation bill "passed and signed by the August recess" but would not give details on what the administration hopes to see in a bill. House Transportation and Infrastructure Committee Chairman Rep. John Mica, R-Fla, has said he plans to have a series of meetings around the country before he brings a bill to the committee.

Rep. John Mica, said the administration itself had "derailed" the surface transportation reauthorization bill in 2009, and now needs to offer a plan that builds infrastructure "in a fiscally responsible manner."

"It is encouraging that they are now on board with getting infrastructure projects and jobs moving again," said Mica. "However, just another proposal to spend more of the taxpayers' money, when we have billions of dollars sitting idle tied up in government red tape, will never get our economic car out of the ditch."

Chairman Mica, signaling domestic transport goals similar to those of the Obama Administration, says he wants to advance several initiatives that shift commercial truck loads and automobiles off the nation's stressed highways.

"My goal would be to get more trucks off of the highway, and more cars off of the highway," Rep. John Mica, R-Fla., told the Journal of Commerce. He said that would ease pressure on federal road and bridge spending out of the Highway Trust Fund, by reducing the pace of wear and tear.

TRANSPORTATION SECTOR

PUBLICLY TRADED FOR HIRE TRUCKLOAD CARRIERS CURRENT FINANCIAL CONDITIONS

QUARTERLY SUMMARY Q4'10

| FINANCIAL STATISTICS (in millions) | <u>Q4'10</u> | <u>Q3'10</u> | <u>Q4'09</u> | <u>Q/Q</u> <u>% Chg.</u> | <u>Y/Y</u> <u>% Chg.</u> | |
|--|-------------------|-------------------|-------------------|-----------------------------|-----------------------------|--|
| Operating Revenue | \$ 2,710.3 | \$ 2,751.2 | \$ 2,520.0 | -1.5% | 7.6% | |
| Fuel Surcharge Revenue | \$ 405.8 | \$ 372.6 | \$ 408.1 | 8.9% | -0.6% | |
| Total Revenue | \$ 3,116.1 | \$ 3,123.8 | \$ 2,832.7 | -0.2% | 10.0% | |
| Net Income | \$ 139.0 | \$ 142.4 | \$ 95.8 | -2.4% | 45.1% | |
| Net Profit Margin | 4.46% | 4.56% | 3.38% | | | |
| | | | | | | Expenses as a % of Revenues |
| CONSOLIDATED STATEMENT of INCOME (000s) | | | | | | |
| Salaries, Wages & Benefits | \$ 728.1 | \$ 729.8 | \$ 685.1 | -0.2% | 6.3% | 23.4% |
| Fuel, Ops. & Maintenance | \$ 634.1 | \$ 610.4 | \$ 553.8 | 3.9% | 14.5% | 20.3% |
| Taxes & Licenses | \$ 47.3 | \$ 46.4 | \$ 49.9 | 1.9% | -5.4% | 1.5% |
| Insurance & Claims | \$ 82.4 | \$ 77.6 | \$ 88.5 | 6.2% | -6.9% | 2.6% |
| Communications | \$ 16.2 | \$ 17.5 | \$ 16.7 | -7.5% | -3.0% | 0.5% |
| Deprec. & Amortization | \$ 186.7 | \$ 182.4 | \$ 191.1 | 2.3% | -2.3% | 6.0% |
| Rent & Purch. Transportation | \$ 1,157.2 | \$ 1,180.2 | \$ 1,046.9 | -1.9% | 10.5% | 37.1% |
| Other Operating Expenses | \$ 33.0 | \$ 35.0 | \$ 36.8 | -5.8% | -10.5% | 1.1% |
| Total Operating Costs | \$ 2,884.9 | \$ 2,879.3 | \$ 2,668.9 | 0.2% | 8.1% | 92.6% |
| Operating Ratio | 92.6% | 92.2% | 94.2% | | | |

PRODUCTIVITY MEASURES

Period Ending Tractors

Revenue Per Tractor Per Week

Avg. Total Miles Per Tractor

Revenue per Total Mile¹

Note 1: Current and historical data revised to exclude JBHT

Note: Modeling required in quarterly productivity statistics due to absence of detail in some 10-Q reports.

Note: Additional fleet productivity statistics are available in the year end summary report.

Database includes Celadon, Covenant, FF Express, Heartland, JB Hunt, Knight, Landstar, Marten, PAM, USA Truck, and Werner

TRANSPORTATION SECTOR

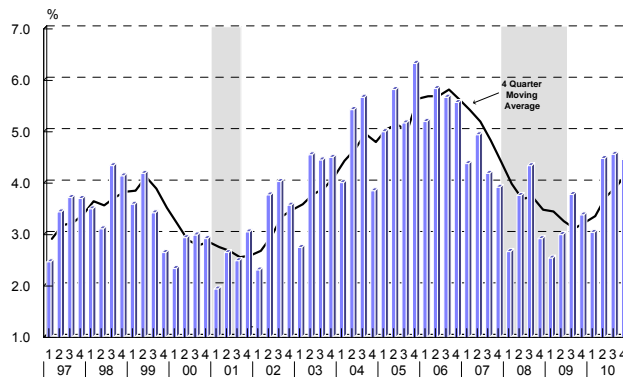
PUBLICLY TRADED FOR HIRE TRUCKLOAD CARRIERS FLEET STATISTICS

QUARTERLY SUMMARY Q4'10

| | <u>Total Revenue</u> \$M | <u>Net Income</u> \$M | <u>Profit Margin</u> % | <u>Operating Ratio</u> % | <u>Total Revenue</u> Y/Y % Chg. | <u>Net Income</u> Y/Y % Chg. |
|-------------------|-----------------------------|--------------------------|---------------------------|-----------------------------|------------------------------------|---------------------------------|
| Celadon | 133.1 | 2.9 | 2.1% | 95.8 | 2.3% | 179.9% |
| Covenant | 163.9 | 0.7 | 0.4% | 96.4 | 3.9% | -125.2% |
| FF Express | 93.9 | (2.3) | -2.5% | 107.4 | 2.6% | 10.4% |
| Heartland | 129.2 | 15.4 | 11.9% | 81.0 | 13.2% | 41.5% |
| JB Hunt | 1,020.0 | 57.9 | 5.7% | 90.5 | 16.3% | 38.9% |
| Knight | 188.3 | 14.2 | 7.6% | 87.5 | 12.2% | 8.3% |
| Landstar | 587.5 | 23.9 | 4.1% | 94.0 | 7.3% | 28.6% |
| Marten | 136.6 | 5.2 | 3.8% | 93.4 | 6.1% | 22.2% |
| PAM | 78.2 | (1.1) | -1.4% | 102.6 | -3.3% | 71.6% |
| USA Truck | 122.1 | (1.8) | -1.5% | 101.4 | 21.7% | 28.5% |
| Werner | 463.2 | 24.1 | 5.2% | 91.2 | 5.4% | 33.9% |
| TOTAL | 3,116.1 | 139.0 | 4.5% | 92.6 | 10.0% | 45.1% |

**TL Carrier Database:
Net Profit Margin**

Q1 '97 - Preliminary Q4 '10



ACT Research Co., LLC. Copyright 2011

MARKET CONDITIONS

Slowing retail sales restrained growth of total used truck sales in December. The volume of all Classes 3-8 sales reported by used truck database participants grew 4% month over month. The average sales price for the same population of trucks was 2% higher relative to November. Based on anecdotal reports from dealers, slowing growth of unit sales, and perhaps even values, is the most likely scenario moving into 2011. At issue is how the industry will deal with constrained inventory.

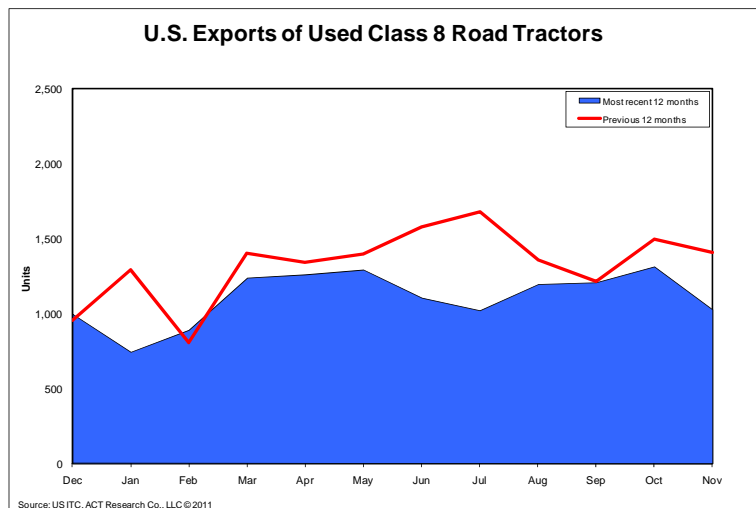
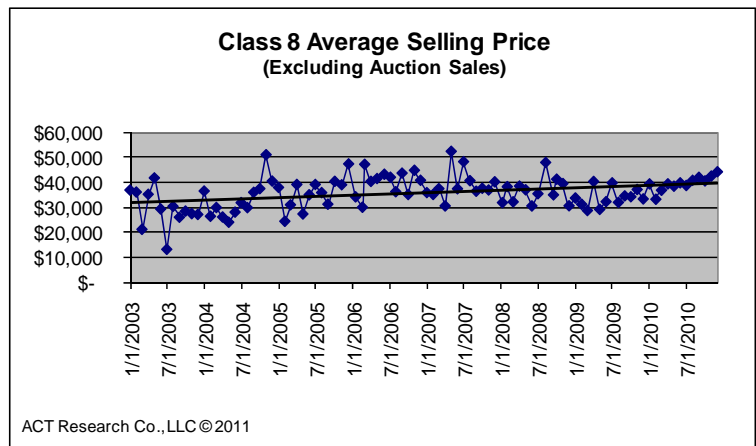
Unfortunately, the inventory shortage is exacerbated by the composition of the type of inventory that is available. One dealer commented that demand for "good" used trucks is increasing as supply decreases. He said most customers want late model, low mileage used trucks, which have typically carried a \$30,000 price tag. He also pointed out that unfortunately, the supply of those desirable used trucks is rapidly diminishing. Interestingly, some think that the lower supply and increasing used truck prices may push some customers back to new trucks: that happened in 1994-95. Regardless, used truck prices are likely to continue to rise and the competition for used trucks will increase as the supply decreases, and quipped the dealer, "Today's supply of used trucks will look good in another two to three months."

Previously, we noted that the story continues to be one of a double-edged sword. Used truck dealers and those wishing to trade in their trucks are happy to see the increased used truck values, while some used truck buyers are disappointed their trade-ins are not as valuable as they thought. Today, there is yet another interesting twist on the saga. Because of the tightness in supply, sellers are holding out for higher prices. They too are beginning to understand the lack of inventory and its implications for them. If a buyer wants or needs a truck badly enough, they will pay full price for it. The result of that situation cut into sellers' margins, since they have to pay more for the truck than they typically would.

One area that is beginning to show some much needed movement is financing. The captive and major lenders continue to loosen their restrictive lending practices and are willing to consider buyers today that they would not even have given a cursory review just six month ago. Also, regional and local banks are again starting to offer competitive rates to both used and new truck buyers.

Used truck export activity in 2010 remained below 2009's level. Besides fewer trucks, exporters are also hampered by higher prices resulting from the shortage. Regardless, the lower level of activity continues to facilitate new truck purchases and provides some relief to the industry. Government trade data for November, the latest data available, depicted in the bottom chart, show that 12,311 Class 8 road tractors have been exported, down 18% year to date. Global economic slowing and the fluctuation of the US dollar make exports a slightly tougher sell. We anticipate exports of 13,700 used Class 8 road tractors for full year 2010 and 11,500 in 2011.

If you are interested in more detailed analysis of the used truck industry, please consider subscribing to ACT Research's *U.S. Classes 3-8 Used Truck Report*. The analysis is based on an average of approximately 2,500 used truck sales per month, and covers trends in unit volumes, pricing, mileage, and age of units being sold.



FORECAST SUMMARY

ECONOMY: Economic data released over the past month continue to support the belief that the economy has moved beyond the slow-patch experienced in Q3. Outside of Baskin Robbins, it has been months since we've heard the words "double" and "dip" uttered in the same sentence, let alone consecutively. With the Federal Reserve, Congress and the President working to ensure that there would be no economic backsliding in 2011 by providing second helpings of quantitative easing and economic stimulus, economic forecasts were rising by the end of 2010. Over the past two months, the 50 economists who participate in the Blue Chip Economic Forecast (and ACT) raised their GDP forecasts on average by 50bps.

If expectations for GDP are rising, so too are expectations for increased freight activity. ACT's Freight Composite now anticipates that freight volumes will rise by 5.8% in 2011 and 5.1% in 2012.

Headwinds have diminished, but risks remain. The biggest risks are in large part outside of U.S. policy makers' control to include:

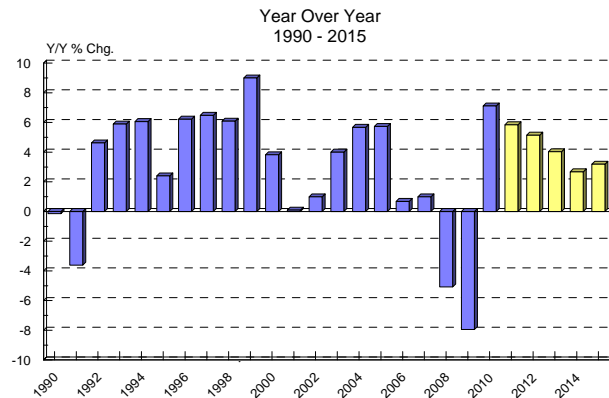
- European sovereign debt issues
- The unfolding situation in Egypt and the Middle East.
- Dollar weakness and the rapid rise in commodity prices that raise the specter of sooner, rather than later, inflation.

Time remains the key ingredient for working through the economy's imbalances. At present, the ongoing inability of the job market to find traction, weak expectations for residential and commercial construction, and state and local government budget issues continue to exert drag on an otherwise improving outlook. **We are now three years closer to recovery in a number of markets as pent-up demand is rising.** At the top of the list, consumer debt service in Q3 fell by over \$200 billion from its 2H'07 peak.

CLASS 8: The order uptick at the start of Q4 that has continued through January supports our thesis that the cause of the sharp downturn in commercial vehicle demand wasn't a structural shift in the relationship between freight and trucks, but rather, a massive downturn in freight at the end of 2008 and early 2009.

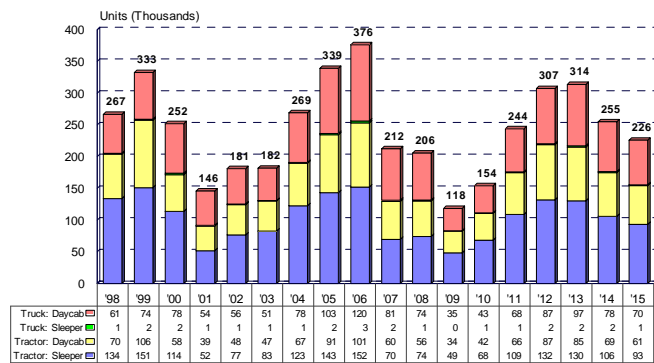
The demand drivers that we consider the keys to Class 8 (and trailer) demand came into line as we moved through 2010, setting the stage for the order

ACT U.S. Freight Composite



Source: ACT Research Co., LLC. Copyright 2011

N.A. Class 8 Production 1998-2015



ACT Research Co., LLC. Copyright 2011

rebound that we have witnessed since October. Those demand drivers include:

- The supply-demand balance between trucks and freight returned to and passed equilibrium.
- Trucker profitability rose through 2010.
- Used Class 8 prices rose through 2010, accelerating in Q4.
- Healthier operating conditions allowed credit to return to the market.
- The fleet is extremely old and after years of deferred capex, is in need of upgrading.

Even in the face of the 320,000 unit annualized rate of order placement the past three months, we are not in any hurry to push our forecasts beyond current levels. **We continue to believe that the constraining factor for Class 8 demand in 2011 won't be truckers wanting trucks, but rather, the industry's ability to build those trucks.**

FORECAST SUMMARY

CLASSES 5-7: Despite upward pressure on the medium duty build and retail sales forecasts from better than expected net order intake, no appreciable changes were made to the forecast this month. Our outlook remains one of guarded optimism. The concern is that order intake may have been artificially stimulated as buyers act to avoid model year related price increases. Many may have also been taking advantage of the liberal depreciation allowances for the 2010 tax year. If orders exhibit staying power in Q1 2011, an upward revision to the build and retail sales forecast will be in order.

On a more positive note, medium duty buyers seem to be making peace with the slow housing recovery and other consumer centric economic indicators. They appear to be undergoing a shift from a “wait and see” mode to a “let’s do this thing” attitude.

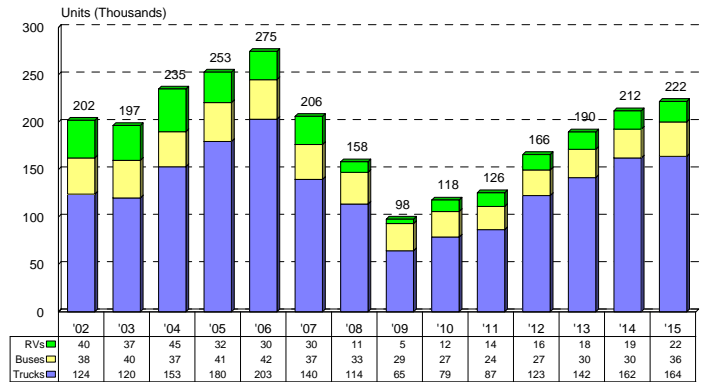
TRAILERS: Continued strength in trailer orders, strengthening economic activity, an ancient fleet, and rising trucker profitability support a rapid rise in demand. We believe that tight tire supplies may end up being the arbiter of just how many units are built in 2011.

That said, our forecast rose incrementally this month as we boosted production expectations for dry vans and pneumatic tank trailers. While the uptick in our pneumatic bulk tank forecast is not much more than a rounding error on a total industry basis, the 300 unit increase was material relative to the size of the market: Orders rising ahead of our expectations gave us the confidence that conditions were in place to support higher demand levels.

A strong fourth quarter and strength in Class 8 orders into January suggest that the industry is likely to see a complete peak order period that could have backlogs up around 90,000 to 100,000 units by the end of March. The strong uptick in orders at the start of Q4 suggests that the capacity glut that has been in evidence the past four years is greatly diminished. From May through September, orders were booked at a 169,000 annual rate. In Q4, orders were booked at a 247,000 unit annual rate.

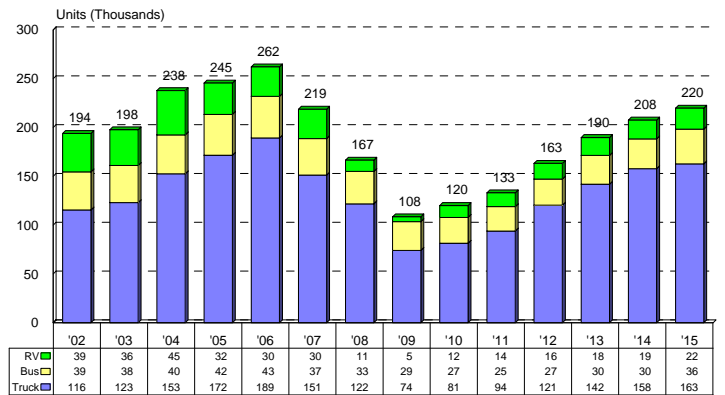
To get to our forecast, orders need to come in at around November’s order rate through March in order to support the higher build rates that will take the industry to 195,000 units of production in 2011. Record fleet age and improved consumer economy will keep demand strong in 2011 and beyond.

**Total Classes 5-7 N.A. Production
2002-2015**



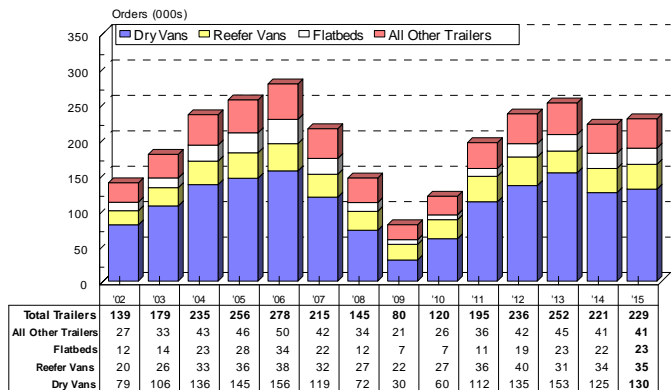
ACT Research Co., LLC: Copyright 2011

**Total Classes 5-7 N.A. Retail Sales
2002-2015**



ACT Research Co., LLC: Copyright 2011

**U.S. TRAILER FACTORY SHIPMENTS
2002-2015**



ACT Research Co., LLC: Copyright 2011

STRONGER THAN ANYONE SUSPECTS? A new data point and a new analysis add to a body of evidence that suggests current demand levels are supported by freight and profit fundamentals, rather than transient factors (like getting ahead of pricing).

The first item is continued strength in large carrier profitability. Despite a soft start to Q4, rising fuel prices through the quarter, and nasty weather at the end of the quarter, carriers were able to hold the line on revenues and profits. With one of the smaller carriers estimated, net profit margins were 4.5%. That result represents a decline of 10bps from Q3, but an increase of 110bps from Q4'09.

Looking at where the trucking industry is relative to cycle timing, we would suggest that Q4'10 is roughly equivalent to Q4'03. Of interest, the group had net profit margins of 4.5% in Q4'03. As can be seen in the profit graph, the profitability readings from the last three quarters of 2010 are a virtual repeat of those same quarters in 2003.

In our new analysis, you can't look at Transcore's loadboard data without noticing the significant seasonality of the series. Over its brief life, there is a fall-off in loads into January and a double peak into the end of Q2 and beginning of Q4.

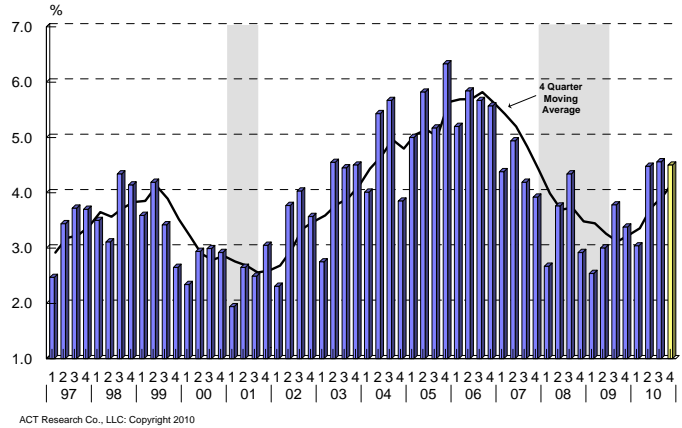
In attempting to read between the lines, we used the five most "normal" economic years of the series to generate seasonal factors to help us interpret around seasonal variability. Those years were 2004 through 2008. We threw out 2009 for obvious reasons and did not include either 2003 or 2010 in our factoring due to the fact that both years were back-end weighted as the economy was coming out of recessions at the beginning of both years.

The table at right highlights the variability of loadboard usage through the year. We assume that the extreme variability is a reflection of the seasonal nature of much spot market freight. Seasonal manufacturers would by and large rely on the spot market, while large contract shippers would use the spot market to augment their fleet during periods of peak product demand.

The mid-page loadboard graph illustrates the application of seasonal factors to the actual data. In addition to doing a good job of smoothing the historical record, seasonal adjustment reflects the relative strength of the December and January data points. Only October and November 2005 were stronger than January's SA 8.6 loads/truck reading. If the spot market is this strong now, where will those loadboard readings be in June?

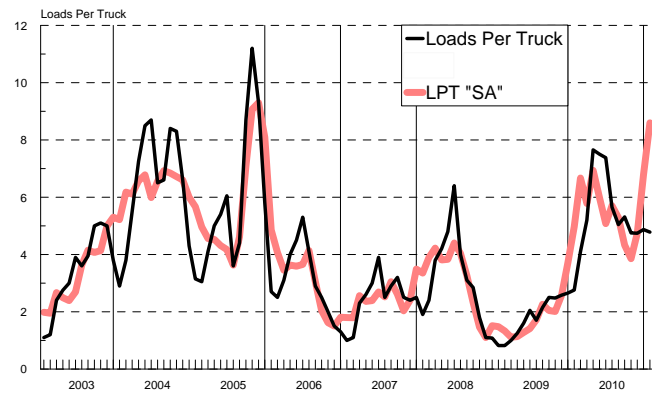
**TL Carrier Database:
Net Profit Margin**

Q1 '97 - Preliminary Q4 '10



Transcore Loadboard Data

January '03 - January '11 (2000=100)



Source: Transcore Commercial Technology Group, ACT Research Co., LLC. Copyright 2011

**Transcore Loadboard
2004-2008 Seasonal
Factors**

| | |
|------|-------------|
| Jan, | 0.56 |
| Feb. | 0.61 |
| Mar. | 0.90 |
| Apr. | 1.10 |
| May | 1.25 |
| Jun. | 1.45 |
| Jul. | 0.99 |
| Aug. | 0.95 |
| Sep. | 1.23 |
| Oct. | 1.23 |
| Nov. | 1.00 |
| Dec. | 0.72 |

APPENDIX A – DEMAND DRIVERS

MEDIUM DUTY

Demand for medium duty Classes 5-7 vehicles is typically influenced by overall economic growth and more specifically, the consumer. Consumer spending, interest rates, new and used home sales, demographics, and government budgets constitute the primary demand drivers. In addition, medium duty vehicle demand is affected by non-economic forces, such as regulatory changes and changes in the competitive landscape.

CONSUMER CONFIDENCE: Consumer spending accounts for roughly 70% of the nation's GDP. Because most consumer purchases involve the use of Classes 5-7 vehicles, consumer purchasing behavior is one of the primary drivers of medium duty vehicle demand. In addition, consumers' buying habits are heavily influenced by attitudes, which are reflected in confidence measures. According to the Conference Board, consumers seemed to be feeling a little less optimistic as 2010 drew to a close. But consumer confidence saw a nice uptick in January, reaching 60.6. That is the first above 60 reading since May 2010. Expectations had been for a healthy gain. Interesting, medium duty truck demand seems to be rising above the distractions, almost sending the signal that medium duty buyers are finding a previously elusive level of comfort with the current economic situation. Nonetheless, numerous factors continue to detract from consumers' desire to spend, including job worries and the languishing housing market. The Conference Board considers a reading of 90 or more necessary for a healthy economy. That level has not been seen since December 2007.

HOME SALES AND CONSTRUCTION: The slothful recovery in the housing market continues to be a drag on consumer sentiment and the economy. In December, sales metrics were mixed, posting short-term gains. However, they remained unfavorable relative to year ago levels. The truck market continues to make short term improvements without the benefit of consistent, corresponding growth in the housing markets. In December, the SAAR for housing starts fell 4% m/m, and was 8% lower than December 2009. New and existing home sales in December surpassed November by roughly 18% and 13%, respectively. Year over year, the picture was not as positive, with new home sales falling 8% and existing home sales dropping 3%. However, housing permits provided a bright spot in the housing data, coming in 17% stronger than December 2009.

The average sales price for existing homes sales fell by 0.4%, on a year over year basis, to \$217,900 in December. The largest contributor to the loss was the West region, which slipped 3.8%. Helping to offset the weakness was the Midwest region, which saw prices increase by 4.1%. Changes in the South and Northeast regions were minimal. The inventory of existing homes fell 4.2% relative to November, but remains more than 8% higher than December 2009. The supply of homes as measured in months, which reflects the inventory level and the current rate of sales, dropped to 8.4 months at the end of December. Mortgage rates remain elevated from their 2010 lows, due to impact of the QEII announcement on bond markets. However, rates are still low enough to facilitate the consumption of the excess supply of homes. Businesses such as contractors and builders, building material suppliers, retail stores, utility companies, and lease/rental and moving companies are inexorably tied to the housing market and will benefit from its recovery.

AUTOMOTIVE SALES: After the housing market, one of the largest remaining consumer spending impacts comes from the automotive sector. January's SAAR improved to 12.6 million units, the best rate of auto sales since Cash for Clunkers in August 2009. January's sales were 17% better than in 2009. Expectations are for sales in the 13 to 14 million unit range for 2011. Jobs and income growth are the two catalysts necessary to get auto sales back on track again. Increasing fuel prices may also have an impact. The recovery is dependent upon consumers opening their wallets and starting to spend more freely. Respectable GDP growth in Q4 2010 and rising expectations bode well for sales.

INTEREST RATES: The Federal Open Market Committee (FOMC) held its most recent meeting at the end of January. The minutes of the meeting as they relate to the current economic situation were a carbon copy from the previous meeting. The Fed still states, "that the economic recovery is continuing, though at a rate that has been insufficient to bring down unemployment. Household spending is increasing at a moderate pace, but remains constrained by high unemployment." As a result, they stayed their course, maintaining their, "existing policy of reinvesting principal payments from its securities holdings and intends to purchase \$600 billion of longer-term Treasury securities by the end of the second quarter of 2011," while assuring they will review and adjust their actions as necessary.

APPENDIX A – DEMAND DRIVERS

DEMOGRAPHICS: Two of the three medium duty vehicle segments are impacted by two specific demographic segments. At one end of the spectrum, school aged kids provide a base for modest growth in school bus demand. The population of school-aged children is expected to grow at an average of 0.6% through 2020 according to the U.S. Census Bureau. A core level of demand for school buses results from the de facto standards for mandatory vehicle age. In addition to safety concerns, health worries also help to drive spending on school buses. In an effort to reduce exposure to diesel exhaust and other pollutants, numerous initiatives have been launched to replace aging buses and clean up those that will remain in the fleet. While more students and the desire for cleaner buses should help to offset unfavorable demand trends being spurred by fiscal woes, they do not exist in a vacuum. Tight budgets have been the catalyst behind fleet reductions and other, sometimes creative, solutions to money worries. This month, a school district in Pennsylvania announced it was going to increase the number of buses that were making double runs. Previously, 38% of its buses were doing double duty, next school year that number will increase to 90%, resulting in increased utilization and the elimination of 31 buses, while saving \$875,000. This type of response provides an unsettling clarity into future expectations for bus demand.

At the other end of the spectrum, baby boomers provide a base for recreational vehicle (RV) demand. According to the U.S. Census Bureau, this demographic group is forecast to grow at an average rate of about 0.8% per year through 2020. That base has been eroded by other factors, such as the availability of discretionary spending dollars. Because many RVs are purchased with money made available from home equity loans, shrinking home values and stringent lending standards have had a negative effect on RV demand. According to Recreational Industry Vehicle Association (RVIA) President Richard Coon, "RV [wholesale] shipments ended the year on a high note providing momentum for the industry as we look to enjoy continued growth in 2011." Further, Coon suggested, "The strong shipment numbers underscores the improved level of dealer confidence in the retail environment for the upcoming year." According to the RVIA, wholesale deliveries of Type A RVs, the only RV type tracked by ACT Research, rose nearly 150% above 2009 levels.

GOVERNMENT SPENDING: While need for basic infrastructure equipment, i.e., highway, refuse, and maintenance trucks, continues to grow, there is no guarantee that demand will be converted to sales. Government spending accounts for about 20% of total US GDP. Growth expectations at the federal level call for conservative expansion. However, state and local governments are not faring well, and the other shoe is still dropping. Declines in income and sales tax revenue happened in real time as the general economy slowed, but revenue declines are still working their way through the local fiscal maze.

Plans to reauthorize the existing highway bill and renew the nation's infrastructure may be showing signs of thawing, following President Obama's State of the Union address in late January. In that speech, the President said, "We have to make America the best place on Earth to do business." The third step the President outlined to achieve that goal was, "... rebuilding America. To attract new businesses to our shores, we need the fastest, most reliable ways to move people, goods, and information -- from high-speed rail to high-speed Internet." Aside from the obvious benefits, the plan will, "put more Americans to work repairing crumbling roads and bridges. We'll make sure this is fully paid for, attract private investment, and pick projects based [on] what's best for the economy, not politicians." President Obama's comments came on the heels of House and Senate hearings on the subject, one that Transportation Secretary Ray LaHood hopes to have signed into law by August 2011.

MISCELLANEOUS DEMAND DRIVERS: The industry is in a holding pattern as the joint proposal between the National Highway Traffic Safety Administration (NHTSA) and the U.S. Environmental Protection Agency (EPA) to improve fuel economy and reduce green house gas (GHG) emissions awaits the next step in the law-making process. Public comments were due on January 31, 2011. According to industry news sources, initial reaction has been generally positive. Concerns that have surfaced include a desire to have a uniform, national standard; questions about a more robust breakdown of vehicle types and applications; and uncertainty about the change in the measure of fuel economy. The new standards attempt to measure fuel efficiency by adding a productivity component to the calculation. If accepted, the new standard would be gallons per 1,000 ton-miles, rather than miles per gallon.

APPENDIX A – POPULATION METRICS & LONG-TERM DEMAND DRIVERS

HEAVY DUTY

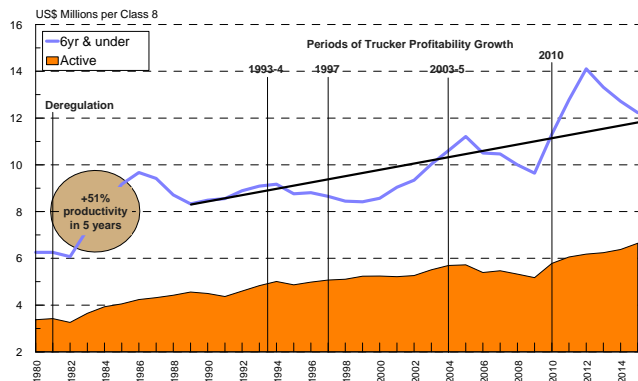
Class 8 trucks are the primary haulers of freight in North America, and the residue of much economic activity is freight to be hauled. Hence, freight generated by the economy creates demand for Class 8 trucks. Consumable goods (food, soaps, etc.) and service related activities make up the bulk of economic activity, but it is durable goods and investment by consumers and businesses that drive market cyclicality. From 2007 to 2009, while the overall economy fell by \$348 billion, durable goods spending and consumer & business investment fell by \$607 billion.

Flexibility, timeliness, reduced damage claims, and in most cases, an absence of alternatives, make Class 8 trucks the choice for most domestically manufactured finished goods, now and through the forecast horizon. As the ATA bumper-sticker says, “If you bought it, a truck brought it.” As a rule, if the economy is growing, so is freight. If freight is growing, so is the economy’s need for heavy trucks. Other considerations, like trucker profitability, are at play in the short-term Class 8 demand equation. However, over the long term, economic activity is the key determinant of demand.

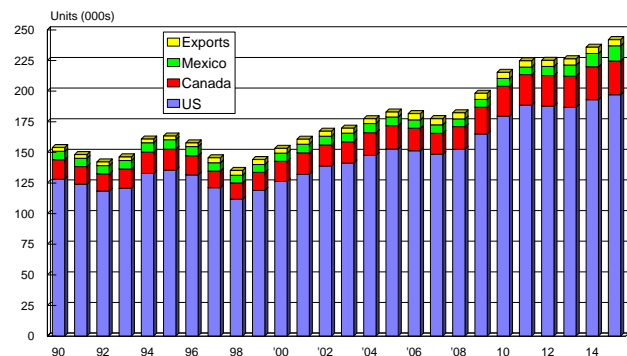
Despite the evolution of the U.S. economy, which has morphed from regulated to deregulated, from low to high tech, from inventory holding to just in time (JIT), from regional to national to global, Class 8 demand relative to economic activity has remained remarkably constant. Regardless of the period there has been a strong correlation between economic activity and the number of Class 8 units required to support that activity. One question we believe is answered in this section is, “Is there a new transportation paradigm that will change the relationship between economic output and Class 8 demand?” The short answer is, “Only at the margin.”

Former Federal Reserve Chairman Alan Greenspan proposed an explanation to the relationship between population and freight: Freight generated by the U.S. economy has grown in volume (cube), but has remained relatively stable in terms of per capita tonnage. To paraphrase, even though people have more stuff today, they still consume about the same amount of weight on a per capita basis as they did 50 or even 100 years ago. Regardless of prevailing economic trends, consumers still consume about the same amount of food and necessities, and trucks bring those products to market. The additional “stuff”

Class 8 Population: Freight per Unit
1980 - 2015e



REPLACEMENT:
NA Class 8 Active Stock
1990 - 2015



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that we do have has helped to offset the loss of domestic manufacturing. The relationship between trucks and freight is illustrated above.

IN RUST WE TRUST: The replacement of worn out equipment represents the majority of demand in any given year. ACT’s modeling indicates that 76%, of the 1.2 million Class 8 trucks sold in the U.S. from 2003 through 2008 were bought for the purpose of replacing worn-out equipment. The remaining 24% of U.S. sales represented population needed to haul the additional freight generated by economic growth as well as overbuying of equipment in 2006 ahead of the EPA2007 emissions mandate.

Examining year-ending figures, from 2007 to 2009 the amount of excess Class 8 equipment remained virtually unchanged at around 90,000 or 5% too many trucks relative to demand. Masked by the year-ending reports are sharp ups and downs that have gone on in between. From Q2’08 to Q1’09, overcapacity swung from fewer than 25,000 units to over 215,000 units (graph on A-4).

APPENDIX A – POPULATION METRICS & LONG-TERM DEMAND DRIVERS

A big difference between the current downturn and every other cycle where the industry has ended up with significant overcapacity is that used equipment prices held up relatively well – even in the face of the worst freight downturn in 60 years. Historically, used equipment values fall 50% during downturns. This cycle, prices bottomed in May 2009 falling only ~30% from the peak trend.

There are several reasons for this atypical outcome in used Class 8 pricing:

- Emissions law changes raised new truck prices. Hence, relative to new truck prices, pre-mandate used units provide value.
- The U.S. market was at a cyclical low for traders at the start of the period of overcapacity. Based on ACT's "first-trade" modeling, trades should have been at a cyclical lows from '06-'08.
- A strong global economy and weak dollar conspired to create strong international demand for used U.S. Class 8 trucks. From 2006 through 2010, 83,000 used Class 8 road tractors were exported.

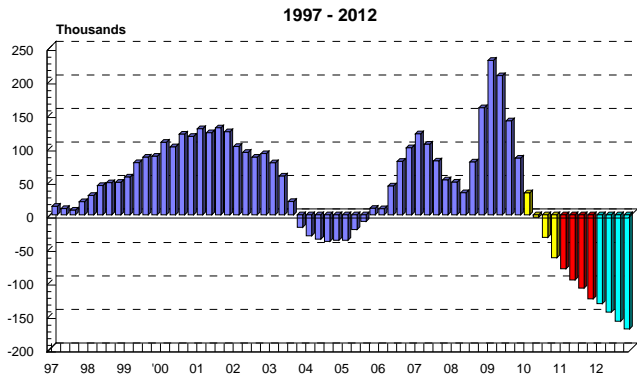
Despite the global financial crisis, the weak dollar and the second leg down in used truck prices at the end of 2008 kept used Class 8 exports strong. The strength in exports is expected to diminish as used Class 8 prices recover.

In a sign that demand has moved past the bottom of the trough, used equipment values continue to rise from their mid-2009 lows. In December, used Class 8 prices rose to a forty-two month high \$43,900. **There are multiple reasons to suggest a continuation of the uptick in used Class 8 prices:**

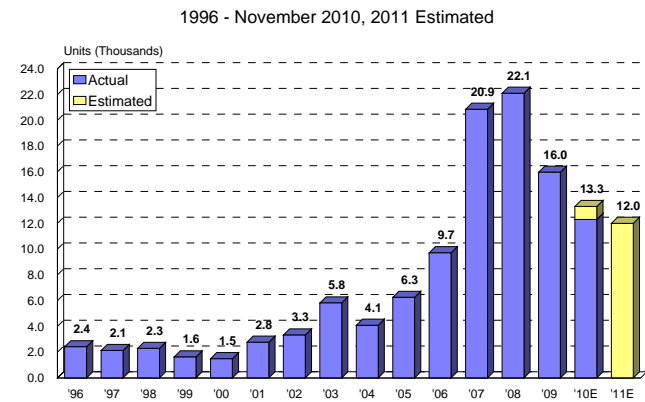
- The economy is growing, absorbing capacity.
- Business failures have slowed.
- Weak new sales generate few trades.
- Large fleets have transitioned from being sellers to buyers of equipment.

ACT's first-trade model indicates a sizeable run-up in trade activity the next few years – good news for new truck demand. A good barometer of Class 8 trade-in expectations is the number of units sold 4 to 8 years ago. Trucks purchased from 2003-2006 will be coming back into the market in a growing wave as those trucks hit their key first-trade years/critical mileage levels. Were it not for profound economic

U.S. Class 8 Supply & Freight Demand Overbuy:Underbuy



Used Class 8 Tractor Exports



International Trade Commission, ACT Research Co., LLC: Copyright 2011

| Date Sold | USC8RS | Years of Service: | | | | |
|-----------|---------|-------------------|------|------|------|------|
| | | 2010 | 2011 | 2012 | 2013 | 2014 |
| 2003 | 146,143 | 8 | 9 | 10 | 11 | 12 |
| 2004 | 208,820 | 7 | 8 | 9 | 10 | 11 |
| 2005 | 257,847 | 6 | 7 | 8 | 9 | 10 |
| 2006 | 289,656 | 5 | 6 | 7 | 8 | 9 |
| 2007 | 157,565 | 4 | 5 | 6 | 7 | 8 |

weakness, and resulting weak used equipment prices, our modeling suggests that a growing wave of trade-in activity should have started in 2009. **The failure to maintain an orderly trade cycle is expected to support a very large up-cycle in 2011-2013 (14).**

Market conditions should support a healthy recovery in used Class 8 prices. When the trucks sold from 2004-2006 start to flow into the secondary market, new Class 8 prices will have gone through two emissions mandates (2007 and 2010) that raised

APPENDIX A – POPULATION METRICS & LONG-TERM DEMAND DRIVERS

Class 8 prices by over \$19,000 (including FET) as well as the commodity driven price increase in 2011. Improving economic activity, a reversal of the capacity imbalance, and an older fleet all support rising new and used truck demand. Even as used prices recover, used trucks will continue to move offshore – albeit in shrinking volumes. Further afield, weak Class 8 sales from 2007 to 2010 should translate into premium used truck pricing in the 2013-2016 period.

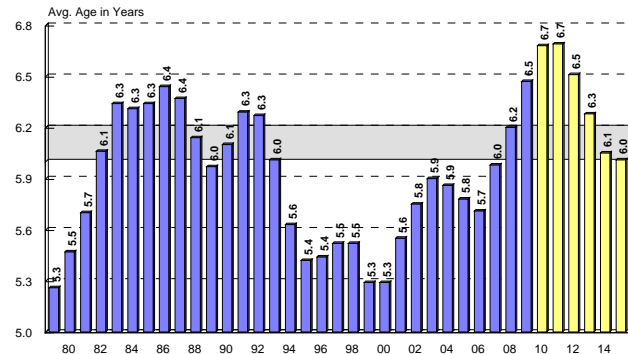
FLEET AGE: If there is too much quality, i.e., the fleet is too young, weak demand is likely. Conversely, if the fleet is too old, stronger demand is required as older units are replaced with more reliable and less costly to operate vehicles. By the end of 2009, the U.S. fleet was the oldest on record at 6.5 years. In 2011, fleet age is projected to peak at just below 6.7 years. The median age the past 25 years has been 5.9 years. We believe optimum fleet age should settle out around 6.1 years. The average age profile of the fleet in Canada tells a similar story.

Consumed Versus Chronological Age: Between the Hours of Service (HoS) regulations that began in April 2004, the emissions overcapacity situation that peaked in Q1'07, and the sharp downturn in economic activity at the end of 2008, the chronological age today overstates the consumed age of the fleet. The question is, How much? Even assuming a 10% overall impact, the age of the fleet would still be at its oldest since 1992 at 6.1 years, and ready for replacement.

Accumulated mileage is a critical consideration, as there is a direct correlation between usage and operating costs. Repair bills typically rise sharply in the fifth year of operation, or around 500,000 miles as parts wear out, thereby raising costs and reducing reliability. Because of the negative productivity impact of the 2005 HoS regulations on long haul fleets (-4%), average age comparisons are not quite apples to apples. Fleets that drove 120,000 miles per year before the change saw miles fall to about 115,000 per year. Hence, between pre and post regulation, a 4-year old truck today has about 20,000 miles less than a comparable 4-year old truck from 2004. At 10k miles/month, that 20,000 mile differential represents about two extra months of operation. On the flip side, *if you are using your truck 4% less because of a fall-off in productivity (as opposed to freight), that would suggest a need for 4% more trucks to haul the same freight.*

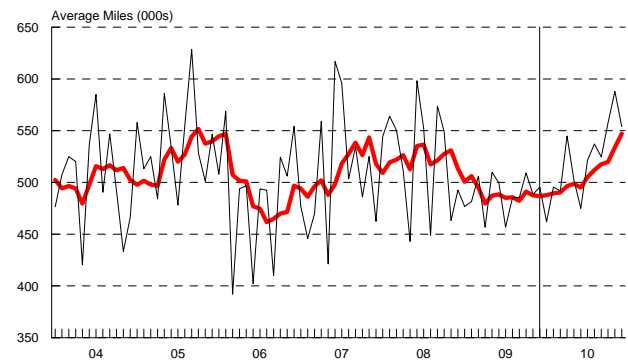
AVERAGE AGE: U.S. Class 8 Active Population

1979 - 2015



Used Class 8: Average Miles

January '04 - December '10 (Not Seasonally Adjusted)



ACT Research Co., LLC. Copyright 2011

APU IMPACT: A question that is tied to the chronological versus the consumed age of the fleet debate is the expanded usage of auxiliary power units (APUs). At the crux of the debate: In the process of saving considerable amounts of fuel, APUs also significantly reduce idling, which should translate into extended engine life. We do not believe the increased usage of APUs will trigger a material shift in demand - at least not for the upcoming cycle. Some considerations:

- Too few APUs were installed in the last cycle to materially impact the upcoming cycle.
- The engine may not be running, but the rest of the truck is experiencing as much wear and tear.
- Fleets with APUs should enjoy higher profitability, thereby facilitating new truck buys.
- For fleets trading at 5 years or less, the trade has never been about the engine life.

APPENDIX A – POPULATION METRICS & LONG-TERM DEMAND DRIVERS

- As anti-idling becomes more widespread and oil prices rise, used trucks with APUs should command premium pricing. That is not the case for APU equipped units today.

TRUCKER PROFITABILITY: Typically moving hand in hand with rising freight volumes, trucker profitability is a key consideration in understanding when the market will turn. As can be seen in the TL carrier profit margin chart, there is a solid correlation between periods of profitability and Class 8 demand. When profits were strong from 2004-2006, truckers bought a lot of trucks. Conversely, periods of falling profitability, 2001-2002 and 2007-2009 were marked by fleets shedding capacity rather than replacing equipment. **Rising trucker profitability beginning in early 2010 is a key support for stronger Class 8 demand.** Positive anecdotes from truckers starting in early 2010 indicating a return of equilibrium between trucks and freight were borne out with the best profit reading in 14 quarters in Q2 at 4.5%. **The data are incomplete, but it appears that in Q4 the public TL carriers had one of their best ever quarters for profit margins.** With the economy coming around and excess capacity drying up, the second most critical prerequisite (after freight) has come into line.

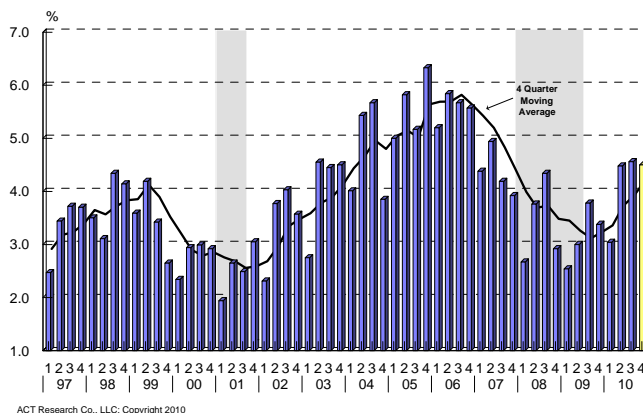
BUSINESS FAILURES: Business failures provide capacity relief. Unlike exports however, capacity relief derived from business failures is temporary. When businesses fail, trucks are parked. Unlike exported trucks, which are parked offshore, we believe that business failure units are typically back in the market within six months.

Avondale Partners indicated that in Q3, business failures fell again in Q3 to 355 fleets and 10,700 trucks. Back in Q1'10, 730 fleets operating 33,700 trucks failed. To be fair, Q1 is typically the peak quarter for business failures owing to a number of annual fees that come due. With freight returning and the supply-demand equilibrium coming back into line, we suspect that failures will remain low because:

- With freight returning and capacity tightening, it should be easier for truckers to resume on-time payments with bankers who chose to forebear on collecting outstanding loans in 2009.
- Where else can a trucker find a job?
- Based on fleet age, truckers have more equity in their equipment than they did in 2000-2001: fewer truckers are upside-down on their loans.

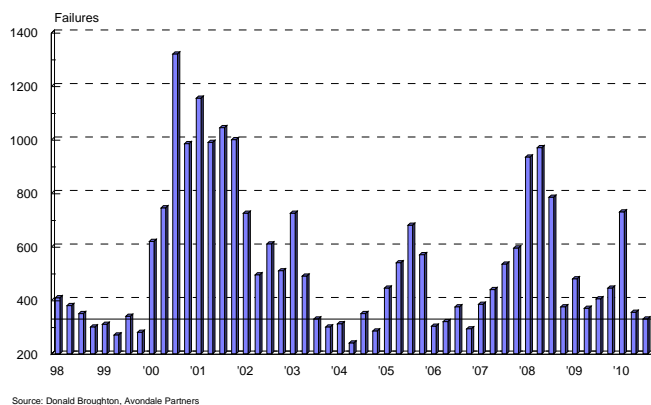
**TL Carrier Database:
Net Profit Margin**

Q1 '97 - Preliminary Q4 '10



Trucker Business Failures: 5 or More Trucks

Q1'1998 - Q3'2010



DEPRECIATION/BOOK VALUE: An issue gaining prominence vis-à-vis the lack of fleet turnover in recent years is asset value. Specifically, conditions have been so bad for so long, fleets have not been refreshing their equipment. Hence, many fleets are running out of value on their oldest equipment. This situation has negative implications for marginal fleets' ability to remain afloat. Based on disclosures from the big publicly traded carriers, fleets will write-off their tractors a couple years longer than they plan on keeping them. For many fleets, 2008 and 2009 represented the cushion years for the oldest units in their fleets. **By 2011, there will be a growing wave of units running out of book value.**

Of Note: In conjunction with their Q2 10Q report, one big public carrier indicated that they would extend their depreciation cycle from 25% at 60 months to 0% at 80 months. In Q3, that same carrier reported that maintenance costs rose to record levels. Not

APPENDIX A – POPULATION METRICS & LONG-TERM DEMAND DRIVERS

surprisingly, their fleet age was also at a record high. Obviously, there is a fine line between maximizing value and “too long.” Undoubtedly, a lot of fleets will have the same experience in coming quarters.

NEW DEMAND: The new-growth piece of Class 8 demand is dependent on the economy generating new freight to haul. If there is less freight, à la 2009, fewer trucks are needed. Through 2015, the forecast anticipates that the U.S. economy will grow 17% and freight volumes will expand by 27%. Because of the need to work through excess capacity at the front of the forecast period, as well as a round of productivity increases brought about by green initiatives and fuel prices, the U.S. Class 8 active fleet is projected to grow just 3.2% over the forecast period. At the end of 2015, the U.S. active fleet (15-years, uptime adjusted) is projected at 2.06 million units.

Based on the current forecast, fleet age is expected to reach its cyclical peak in 2011 at a record 6.7 years. Improving sales will reverse the rising age trend. However, even with a healthy rebound starting in 2011, it won't be until 2013 that U.S. fleet age returns to the high-end of its long-term range at 6.3 years. From 1988 through 2008, fleet age averaged 5.8 years. Over those two decades, fleet age ranged from 5.3 to 6.3 years.

Just as there are unpleasant ramifications when there are too many new trucks above economic need, a fleet that is too old also eats into profits. A JIT economy requires a minimum level of fleet quality to get the work done. As well as being more expensive to operate, a fleet that is too old can't maintain the exacting delivery standards of today's economy. Average fleet age rising to a record level suggests pent-up demand is building.

NON-FREIGHT DEMAND FACTORS: Over any given 5-year period, there is a high degree of correlation between U.S. economic activity and the trucks needed to haul the freight. While economic growth is the ultimate arbiter of demand, it is far from the only factor in what is typically a short-term buying decision. Those “other” factors can be found in the answers to the interrelated questions, “Are truckers making money?”, “Will trading now maximize the value proposition for buying new?”, and “Will replacing an old truck with a new truck allow me to make more money?” While there are other questions, we suspect they all ultimately tie

back to operating costs and trucker profitability.

Overbuys and prebuys have occurred because predictability was added to that cost outlook: Truckers could see why it made sense to buy, so they did. Few truckers prebought ahead of the EPA mandate in October 2002. Those who did were rewarded as industry capacity tightened and the economy accelerated. On the flip side, visibility was too good ahead of EPA'07: Truckers overcapacitized the market just ahead of a slowdown in economic activity. The story is the same for truckers who took advantage of aggressive OEM financing in the late 1990s: Everyone was punished as the freight economy went belly-up in 2000.

Along these lines, we suspect that there are trade-in implications related to the higher new vehicle costs. With new Class 8 units saddled with ~\$22,000 in new purchase price since 2002 (not including Federal Excise and State taxes), truckers will either A) drive their trucks longer to lower per mile costs, or B) increase freight rates to more quickly recoup the costs of the new equipment. We suspect that the answer, as it has always been, is relative: Truckers will keep equipment longer during periods of overcapacity when freight rates are hard to come by and trade sooner when profitability dictates.

EPA MANDATES: Adding complexity to the short-term forecast is EPA'10, which raised the price of a new Class 8 unit in a still overcapacitized market that has been experiencing weak used Class 8 pricing. If those issues weren't enough, after the last two mandates, few truckers are anxious to be the first to experience the problems associated with early production vehicles.

As the fleet continues to age, replacement pressures will increase. Many fleets who prebought equipment ahead of EPA'07 will not have purchased equipment

Evolution, Not Revolution

| Detracting From | Accretive to | Trend Period |
|-----------------------------|-------------------------------|-----------------|
| Packaging evolution | Population Growth | 20 Year/Forever |
| Retail Consolidation | Internet Shopping | 20 Year/20 Year |
| Electronics Miniaturization | Ubiquitousness of electronics | 20 Year/20 year |
| Intermodal | | 20 Year |
| JIT Operations | JIT Operations | 20 Year |
| | Mfg. On-shoring (Mex.) | Coming |

APPENDIX A – POPULATION METRICS & LONG-TERM DEMAND DRIVERS

in any meaningful volumes in over four years. Factors that allowed carriers to extend trade cycles through 2008 and 2009 include:

- The fall-off in economic activity was so steep that carriers sold-off older equipment, keeping fleet age lower.
- Lingering excess capacity and the subsequent sharp decline in economic activity caused miles per tractor to fall ~10% from Q4'08 to Q2'09.

CAFE 2014 (13): Beginning with *model year* 2014 (early 2013), Class 8 trucks will, for the first time, have to meet fuel economy standards. At the ATA's annual meeting in October 2010, a panel of engine manufacturers agreed that the first step was easily attainable, so we do not anticipate surprises in terms of demand timing. Because the second step, with 2018 model year equipment falls beyond the range of the forecast, our only comment is that any impact on demand will revolve around payback time vis-à-vis the cost of the technology and the fuel savings.

DRIVER SITUATION: Despite nearly 10% unemployment, the driver shortage has returned. If truckers can't meet on-time deadlines with older trucks, they certainly can't meet them without drivers. Even though the driver situation temporarily fell off the radar, driver acquisition and retention remain long-term issues.

While "driver shortage" is the correct terminology, "driver pay shortage," "driver quality of life shortage," and "qualified driver candidate shortage" are more apt descriptions. What was a good paying, medium status job when the industry was deregulated back in 1981 has become a low paying, low status job. Simultaneously, liability issues, drug/alcohol testing, etc., have raised the bar for qualification: A pulse is no longer sufficient qualification to drive a truck.

Demographics and liability concerns make the driver shortage a chronic problem. The sharp snap-back in freight has brought the issue back to the fore – even with 8 million more unemployed than the last time drivers were in short supply. Some reasons for the shortage include

- Extended unemployment benefits are keeping potential drivers at home: Why work when you are getting paid to not work?
- Driver pay was cut and remains below 2007 levels.

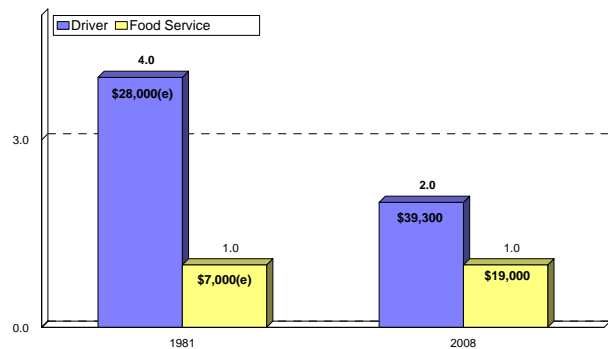
- Fleets disassembled their recruiting departments.

We suspect that with high unemployment, to include a weak construction sector, it will be easier to find drivers than it was back in 2004-2005 when the construction market was white-hot.

Longer term, truckers are projected to exit the workforce in a growing wave. The first baby-boomers begin turning 65 in 2012. Considering it was difficult to find drivers when there was a 1.1 million person gap between 21 year old and 65 year old males back in 2004, it should prove more challenging when the gap between CDL eligible and retirement eligible males drops to under 500,000 bodies. The choices? Import workers (a historically touchy subject for politicians), entice older drivers to stay longer, or pay drivers more money.

The Root of the Driver Shortage

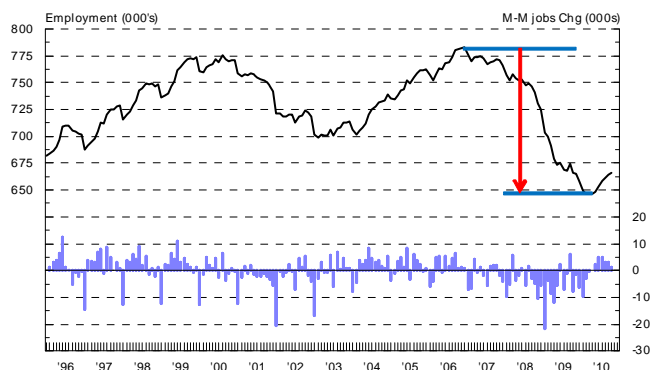
Driver Wages Relative to Food Prep Workers



BLS OES, ACT Research Co., LLC. Copyright 2011

Truck Transportation Employment General Freight Trucking: Long Distance

January 1996 - October 2010 (Not SA)



Source: BLS, ACT Research. Copyright 2010

APPENDIX A – DEMAND DRIVERS

U.S. TRAILERS

FREIGHT: The relationship between the health of the trailer industry and economic activity is straightforward: Economic growth creates new freight that requires more trailers to haul. Conversely, when the economy shrinks and freight volumes fall, fewer trailers are needed and overcapacity results. As illustrated in the dry van freight composite, the drop-off in freight this cycle was particularly deep.

Traditionally, economic down cycles follow a script: Inflation ticks up, interest rates rise, and consumption falls. That downturn in spending causes business inventories to rise relative to sales, which in turn triggers a pullback in manufacturing as production is cut to realign inventories with sales. With consumers not consuming and producers not producing, inflation cools, the Federal Reserve cuts interest rates and consumers reengage.

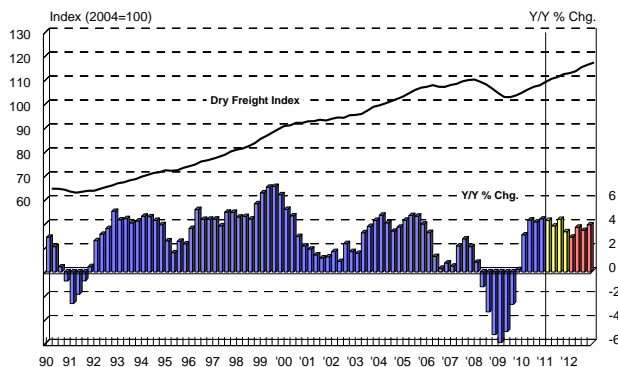
The current cycle is somewhat different: The economy did not cycle once the Fed cut interest rates. Because of the debt and credit related component of the “great recession,” ACT’s Class 8 freight composite declined 8.0% y/y in 2009. Our dry van composite, which fell 3.4% in 2009, fared better due to the less severe downturn in consumer staples and services.

POPULATION AND FLEET AGE: The result of very low new trailer shipments since early 2008 is a shrinking trailer population and an aging fleet. From the end of 2007 through the end of 2011, ACT’s modeling projects that the U.S. trailer population will have fallen by 10.1%, dropping from 3.08 million to 2.77 million units. At the end of 2009, the average age of the total trailer fleet was a half year older than it has ever been. **By the end of 2011, average fleet age will have risen to 8.2 years, marking the fourth consecutive year to be designated as having the “oldest fleet on record.”**

In addition to the decline in freight during the recession, structural changes in dry van utilization have exacerbated demand weakness. *However, it is not just dry vans that are at record fleet age levels, but reefer vans and heavy lowbeds as well.* Other trailer types like flatbeds, pneumatic tanks, and dump trailers have seen fleet ages rise to levels not seen since the aftermath of the 1991 recession.

The population decline is the result of new trailer deliveries falling below replacement levels. Using 2009 as an example, 80,000 new trailers were

Dry Van Freight Composite
1990 - 2012



ACT Research Co., LLC. Copyright 2011

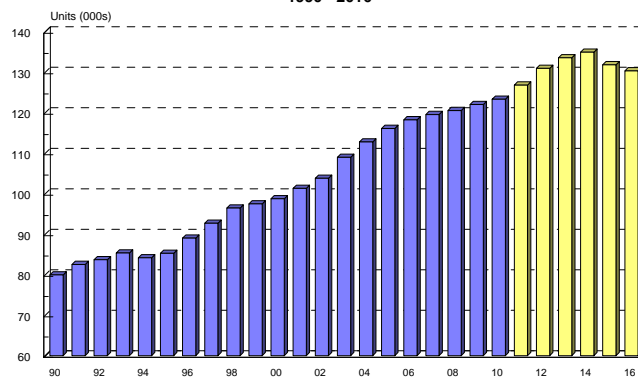
shipped. Based on fleet demographics, ACT’s population model indicates that ~185,000 trailers needed to be replaced. Hence, in 2009, the overall trailer fleet contracted by ~105,000 units.

DRY VAN POPULATION: The dry van population plateaued in 2006 and 2007 at around 1.83 million units. The forecast anticipates that the dry van population will bottom out in 2011 at 1.61 million units, 251,000 units, or 12%, below its peak.

Dry van replacement rates are set to rise through the forecast period as the large supplies of trailers that were built from the mid to late 1990s reach the end of their useful lives. Presently, dry van replacement is just above 120,000 units per year, peaking in 2014 at 134,000 units.

Historically, dry vans have represented nearly 60% of total trailer demand. They were just 37% of factory shipments in 2009, rising to 50% of shipments in 2010. On top of the recession, the widespread implementation of trailer tracking was a critical factor in the sharpness of the fall-off in dry van demand.

DRY VANS:
Scrapage/Underlying Replacement Demand
1990 - 2016



ACT Research Co., LLC. Copyright 2011

APPENDIX A – DEMAND DRIVERS

REEFER VAN POPULATION: As illustrated in the reefer van population and age graph, there is a significantly greater degree of predictability in reefer van demand than there is for other trailer types. Since 1980, the average age of the reefer van fleet has been maintained in a tight range from 5.2 to 6.1 years. That is less than half the volatility experienced in either the dry van or flatbed markets. The predictability in reefer van age comes from three factors relating to keeping the box at a proscribed temperature.

- The insulating foam in the sidewalls breaks down (degasses) over time.
- The van box itself can become compromised.
- The reefer unit on the front of the box wears out.

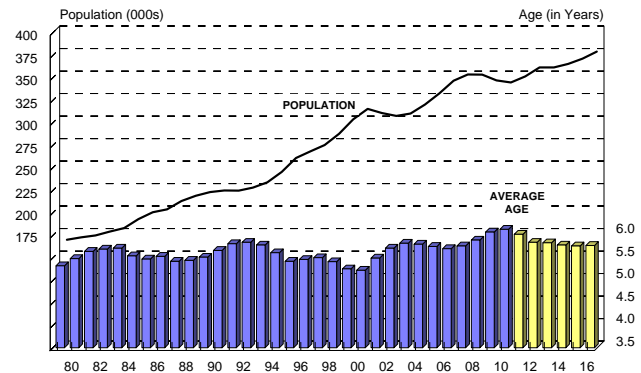
When it is again time to replace the refrigeration unit at around 12 years, it is not worth putting a new unit on a box whose insulation is degraded/waterlogged and whose sidewalls are not tight.

Despite improved construction techniques, foam insulation longevity, and reefer unit quality, it is expected that reefer van fleet age will remain close to historical levels thanks to California Air Resources Board (CARB) regulations that mandate a late-model/clean diesel reefer fleet. Starting in 2009, CARB regulations made it illegal to operate non-retrofitted reefer vans in California older than seven years. The regulation maintains the seven-year age limit/retrofitting on a go-forward basis. The ATA's first attempt to have the regulation thrown out failed (April 6,'10). If CARB ultimately prevails, thirteen additional states are likely to adopt the rule.

FLATBED POPULATION: The flatbed story is in large part the story of steel output, automobile production, and new home construction in the United States. Flatbed shipments hitting a 56-year low in 2009 speaks volumes about the economy's weakest sectors. Coincidentally, new home construction fell to a 56-year low in 2009.

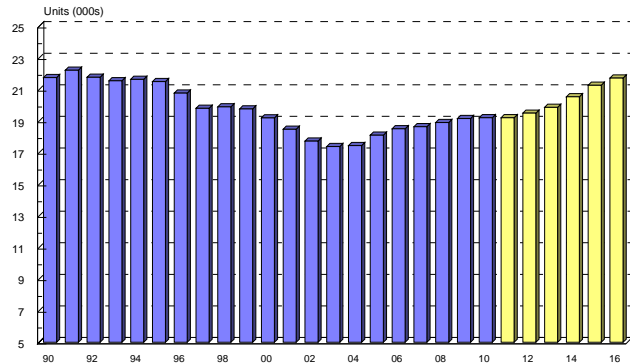
As flatbeds are primarily haulers of steel and other heavy materials, the average age trend tracks fortunes of the U.S. steel industry from bust to boom in the 1980s and 1990s as well as the debt fueled 2000s. Last decade, steady automobile output and runaway housing activity drove the flatbed trailer population to a 20-year high at just over 300k units. Fleet age was maintained in a narrow band from 1999 through 2007.

**REEFER VANS:
Population & Average Age
1979 - 2016**



ACT Research Co., LLC. Copyright 2011

**FLATBED TRAILERS:
Scrapage/Underlying Replacement Demand
1990 - 2016**



ACT Research Co., LLC. Copyright 2011

The global economic recovery, green considerations, and deglobalization are a good combination for flatbed trailers as manufacturers return production closer to end markets. Consider:

- Dollar weakness will boost U.S. competitiveness
- Higher oil will make the ~7,000mi. Asian supply chain a burden for high weight-low value goods
- Growing pressure to reduce carbon footprints
- A rising RMB

These elements provide a compelling scenario for above trend manufacturing output. Add to that a rising replacement trend and the fact that the two flatbed intensive domestic freight sectors, construction (residential and commercial) and automotive, are still at well below trend levels. One could make a case for robust flatbed demand by the second half of the forecast period, once the excesses of last decade are purged from the system.

APPENDIX A – DEMAND DRIVERS

OTHER TRAILER DEMAND DRIVERS: Dry and reefer vans and flatbed trailers make up the lion's share of new trailer demand: From 1999 through 2008, those three types accounted for 82% of the trailer units shipped in the U.S. The remaining 18% of the market were mission specific trailers and are affected by different sets of demand drivers: Dump trailers, lowbed trailers and pneumatic dumps are especially impacted by commercial construction, road building, mining and oil exploration. Liquid tanks haul loads of fruit juice, but they also haul chemicals and petroleum products. Grain trailers have almost everything to do with profitability in the agricultural sector, with very little impact from other economic sources.

STRUCTURAL & SYSTEMIC ISSUES: From 1999 through 2008, dry vans represented 58% of all U.S. trailer shipments. Hence, when things go wrong in the dry van market, there is a profound impact on the overall trailer market. Two interrelated phenomena have had a profound impact on dry van demand.

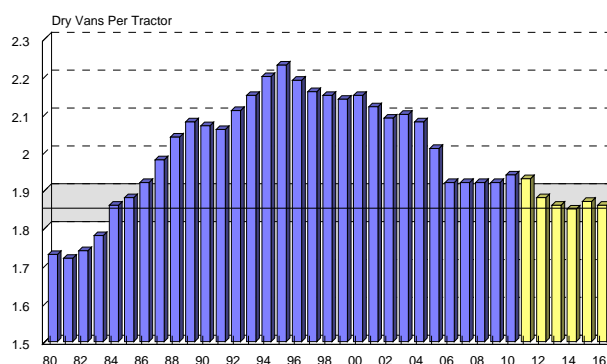
STRUCTURAL: The first set of issues effecting dry van demand are structural: Over the past two decades:

- Significant gains in dry van quality. Sidewalls evolved from FRP to aluminum plate to composites. Today's dry vans are more resistant to damage and easier to repair.
- Length law changes in 1984, 1987 and 1991 had truckers returning to the market before their old trailers wore out.
- The transitions to and from higher dry van to tractor ratios. In the 1990s, higher ratios evolved as manufacturing went to JIT deliveries and truckers adopted drop-and-hook strategies to keep drivers and tractors deployed. Higher ratios mean lower utilization which extends trailer life.

Negative implications of the high to low ratio transition: A 1:1 trailer to tractor ratio would mean that a trailer ran as many miles as a tractor. At 2 trailers per tractor, each trailer runs half the miles. Going from a 2:1 ratio to a 3:1 ratio effectively boosts the life expectancy of a trailer by 50%.

- Starting in 2004, truckers began aggressively installing **trailer tracking devices** to improve fleet management. Driscoll & Assoc. estimated that at the end of 2008, there were ~650,000 trailer tracking devices installed, falling to

U.S. Dry Van to Adjusted Tractor Population
1980 - 2016



ACT Research Co., LLC. Copyright 2011

580,000 at the end of 2009. Because trailer tracking allows fleets to meaningfully improve utilization levels, yesterday's high equipment ratios created large overcapacity.

- The intermodal shift away from trailer on flatcar (TOFC) to domestic containers. TOFC loads fell from 3.4 million in 2000 to 1.64 million in 2009. Assuming each TOFC van trailer carried 35 loads per year, every 1,000,000 load shift from TOFC to container means that 29,000 van trailers are no longer needed in the fleet. That 1.8m load decline in TOFC represents roughly ~3,700 units of new dry van demand per year falling by the wayside.

The chart above attempts to quantify where the dry van to tractor ratios shift stands. At the end of 2009, the ratio remained at 1.9 dry vans per "dry van tractor," 12% below the level in 2000. Based on a target ratio of 1.85 trailers per tractor, at the end of 2009 there were still 65,000, or 4% too many dry van trailers relative to the target ratio. Looking forward, as the economy and Class 8 markets return to growth, the remaining capacity overhang will rapidly be absorbed.

SYSTEMIC: These issues relate to the pullback in economic activity and the collateral damage from the financial crisis. Those issues include:

- Excessively weak used trailer prices fed by weak demand and shrinking dry van ratios. Used trailer prices rose through 2010.
- Credit availability. Not only do tighter lending standards limit truckers' ability to borrow money, it also affects freight volumes as consumers and business find it more difficult to access capital.

APPENDIX B – FORECAST TABLES

N.A. CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 1

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|---------------------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASSES 5-7 RETAIL SALES | | | | | | | | | | | |
| . Truck | 74,181 | 18,237 | 20,190 | 19,454 | 23,550 | 81,431 | 20,861 | 22,881 | 24,093 | 26,164 | 94,000 |
| YY % Change | -39.1 | -4.5 | 12.4 | 17.0 | 14.9 | 9.8 | 14.4 | 13.3 | 23.8 | 11.1 | 15.4 |
| . Bus | 29,442 | 6,732 | 6,485 | 7,034 | 6,296 | 26,547 | 5,548 | 6,085 | 6,408 | 6,959 | 25,000 |
| YY % Change | -11.2 | -2.9 | -6.7 | -14.4 | -14.2 | -9.8 | -17.6 | -6.2 | -8.9 | 10.5 | -5.8 |
| . RV | 4,876 | 2,909 | 2,474 | 3,593 | 3,101 | 12,077 | 3,129 | 3,432 | 3,614 | 3,925 | 14,100 |
| YY % Change | -57.6 | 294.2 | 341.0 | 248.5 | 21.8 | 147.7 | 7.6 | 38.7 | 0.6 | 26.6 | 16.8 |
| TOTAL CLASSES 5-7 | 108,499 | 27,878 | 29,149 | 30,081 | 32,947 | 120,055 | 29,539 | 32,399 | 34,115 | 37,047 | 133,100 |
| YY % Change | -34.8 | 4.2 | 14.4 | 16.2 | 8.5 | 10.7 | 6.0 | 11.1 | 13.4 | 12.4 | 10.9 |
| CLASSES 5-7 PRODUCTION | | | | | | | | | | | |
| . Truck | 64,574 | 17,223 | 18,694 | 19,588 | 23,432 | 78,937 | 18,905 | 20,805 | 22,778 | 24,286 | 86,774 |
| YY % Change | -43.3 | 1.1 | 23.0 | 40.7 | 27.1 | 22.2 | 9.8 | 11.3 | 16.3 | 3.6 | 9.9 |
| . Bus | 28,606 | 7,036 | 7,127 | 6,682 | 6,040 | 26,885 | 5,332 | 5,868 | 6,425 | 6,850 | 24,475 |
| YY % Change | -14.2 | 8.3 | 7.1 | -14.5 | -21.0 | -6.0 | -24.2 | -17.7 | -3.9 | 13.4 | -9.0 |
| . RV | 4,553 | 2,817 | 2,503 | 3,689 | 3,110 | 12,119 | 3,121 | 3,434 | 3,760 | 4,009 | 14,324 |
| YY % Change | -58.9 | 401.2 | 383.2 | 284.7 | 23.7 | 166.2 | 10.8 | 37.2 | 1.9 | 28.9 | 18.2 |
| TOTAL CLASSES 5-7 | 97,733 | 27,076 | 28,324 | 29,959 | 32,582 | 117,941 | 27,358 | 30,108 | 32,962 | 35,145 | 125,573 |
| YY % Change | -38.3 | 12.4 | 26.7 | 32.0 | 14.0 | 20.7 | 1.0 | 6.3 | 10.0 | 7.9 | 6.5 |

U.S. CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 2

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|---------------------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|---------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASSES 5-7 RETAIL SALES | | | | | | | | | | | |
| . Retail Sales | 91,464 | 24,333 | 24,966 | 25,389 | 28,818 | 103,506 | 25,078 | 27,506 | 28,963 | 31,452 | 113,000 |
| YY % Change | -33.3 | 10.9 | 15.8 | 17.1 | 9.6 | 13.2 | 3.1 | 10.2 | 14.1 | 9.1 | 9.2 |
| CLASSES 5-7 PRODUCTION | | | | | | | | | | | |
| . Production | 83,806 | 23,344 | 23,976 | 25,487 | 28,706 | 101,513 | 23,171 | 25,500 | 27,917 | 29,766 | 106,354 |
| YY % Change | -35.2 | 11.5 | 24.9 | 33.0 | 17.1 | 21.1 | -0.7 | 6.4 | 9.5 | 3.7 | 4.8 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.
 YY % Change are current quarter vs. same quarter one year ago.
 Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

CANADIAN CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 3

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASSES 5-7 RETAIL SALES | | | | | | | | | | | |
| . Retail Sales | 8,483 | 1,616 | 2,019 | 2,220 | 2,048 | 7,903 | 2,286 | 2,507 | 2,640 | 2,867 | 10,300 |
| YY % Change | -39.3 | -26.1 | -7.9 | 0.2 | 8.4 | -6.8 | 41.5 | 24.2 | 18.9 | 40.0 | 30.3 |
| CLASSES 5-7 PRODUCTION | | | | | | | | | | | |
| . Production | 7,021 | 1,706 | 1,788 | 1,906 | 2,134 | 7,534 | 2,267 | 2,495 | 2,731 | 2,912 | 10,406 |
| YY % Change | -48.2 | -1.7 | -1.9 | 13.0 | 20.1 | 7.3 | 32.9 | 39.5 | 43.3 | 36.5 | 38.1 |

MEXICO CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 4A

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASSES 5-7 RETAIL SALES | | | | | | | | | | | |
| . Retail Sales | 7,394 | 1,514 | 1,675 | 1,684 | 1,637 | 6,510 | 1,664 | 1,826 | 1,922 | 2,088 | 7,500 |
| YY % Change | -42.1 | -33.9 | 13.9 | -2.7 | -13.9 | -12.0 | 9.9 | 9.0 | 14.2 | 27.5 | 15.2 |
| CLASSES 5-7 PRODUCTION | | | | | | | | | | | |
| . Production | 5,870 | 1,575 | 2,001 | 1,881 | 1,352 | 6,809 | 1,423 | 1,566 | 1,714 | 1,828 | 6,530 |
| YY % Change | -54.7 | 42.5 | 72.6 | 18.2 | -32.9 | 16.0 | -9.7 | -21.8 | -8.9 | 35.2 | -4.1 |

EXPORT CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 4B

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|---------------------------------|-------|------|-------|-------|------|-------|------|------|-------|------|-------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASSES 5-7 RETAIL SALES | | | | | | | | | | | |
| . Retail Sales | 1,158 | 415 | 489 | 707 | 525 | 2,136 | 510 | 560 | 590 | 640 | 2,300 |
| YY % Change | -58.0 | 17.2 | 94.8 | 185.1 | 72.1 | 84.5 | 23.0 | 14.5 | -16.6 | 21.9 | 7.7 |
| CLASSES 5-7 PRODUCTION | | | | | | | | | | | |
| . Production | 1,036 | 451 | 559 | 685 | 390 | 2,085 | 497 | 547 | 599 | 639 | 2,283 |
| YY % Change | -59.2 | 40.9 | 212.3 | 169.7 | 37.8 | 101.3 | 10.3 | -2.1 | -12.5 | 63.9 | 9.5 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.

YY % Change are current quarter vs. same quarter one year ago.

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

N.A. CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 5

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CLASSES 5-7 RETAIL SALES | | | | | | | | |
| . Truck | 121,883 | 74,181 | 81,431 | 94,000 | 120,500 | 142,000 | 157,900 | 162,800 |
| YY % Change | -19.4 | -39.1 | 9.8 | 15.4 | 28.2 | 17.8 | 11.2 | 3.1 |
| . Bus | 33,143 | 29,442 | 26,547 | 25,000 | 26,700 | 29,500 | 30,400 | 35,500 |
| YY % Change | -11.6 | -11.2 | -9.8 | -5.8 | 6.8 | 10.5 | 3.1 | 16.8 |
| . RV | 11,498 | 4,876 | 12,077 | 14,100 | 16,100 | 18,200 | 19,300 | 21,500 |
| YY % Change | -61.7 | -57.6 | 147.7 | 16.8 | 14.2 | 13.0 | 6.0 | 11.4 |
| TOTAL CLASSES 5-7 | 166,524 | 108,499 | 120,055 | 133,100 | 163,300 | 189,700 | 207,600 | 219,800 |
| YY % Change | -23.9 | -34.8 | 10.7 | 10.9 | 22.7 | 16.2 | 9.4 | 5.9 |
| CLASSES 5-7 PRODUCTION | | | | | | | | |
| . Truck | 113,858 | 64,574 | 78,937 | 86,774 | 122,792 | 141,667 | 162,340 | 164,156 |
| YY % Change | -19.0 | -43.3 | 22.2 | 9.9 | 41.5 | 15.4 | 14.6 | 1.1 |
| . Bus | 33,352 | 28,606 | 26,885 | 24,475 | 26,973 | 29,842 | 30,402 | 36,238 |
| YY % Change | -9.4 | -14.2 | -6.0 | -9.0 | 10.2 | 10.6 | 1.9 | 19.2 |
| . RV | 11,084 | 4,553 | 12,119 | 14,324 | 16,167 | 18,267 | 19,333 | 21,567 |
| YY % Change | -62.6 | -58.9 | 166.2 | 18.2 | 12.9 | 13.0 | 5.8 | 11.6 |
| TOTAL CLASSES 5-7 | 158,294 | 97,733 | 117,941 | 125,573 | 165,931 | 189,775 | 212,075 | 221,960 |
| YY % Change | -23.5 | -38.3 | 20.7 | 6.5 | 32.1 | 14.4 | 11.8 | 4.7 |

U.S. CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 6

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASSES 5-7 RETAIL SALES | | | | | | | | |
| . Retail Sales | 137,034 | 91,464 | 103,506 | 113,000 | 140,000 | 162,000 | 177,000 | 186,000 |
| YY % Change | -27.1 | -33.3 | 13.2 | 9.2 | 23.9 | 15.7 | 9.3 | 5.1 |
| CLASSES 5-7 PRODUCTION | | | | | | | | |
| . Production | 129,250 | 83,806 | 101,513 | 106,354 | 141,650 | 160,733 | 180,638 | 187,213 |
| YY % Change | -27.0 | -35.2 | 21.1 | 4.8 | 33.2 | 13.5 | 12.4 | 3.6 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.
 YY % Change are current quarter vs. same quarter one year ago.

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

CANADIAN CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 7

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASSES 5-7 RETAIL SALES | | | | | | | | |
| · Retail Sales | 13,968 | 8,483 | 7,903 | 10,300 | 11,400 | 13,200 | 14,900 | 16,300 |
| · YY % Change | 11.2 | -39.3 | -6.8 | 30.3 | 10.7 | 15.8 | 12.9 | 9.4 |
| CLASSES 5-7 PRODUCTION | | | | | | | | |
| · Production | 13,548 | 7,021 | 7,534 | 10,406 | 11,698 | 13,660 | 15,333 | 16,625 |
| · YY % Change | 7.3 | -48.2 | 7.3 | 38.1 | 12.4 | 16.8 | 12.2 | 8.4 |

MEXICO CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 8A

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASSES 5-7 RETAIL SALES | | | | | | | | |
| · Retail Sales | 12,762 | 7,394 | 6,510 | 7,500 | 9,000 | 11,000 | 11,700 | 13,000 |
| · YY % Change | -13.4 | -42.1 | -12.0 | 15.2 | 20.0 | 22.2 | 6.4 | 11.1 |
| CLASSES 5-7 PRODUCTION | | | | | | | | |
| · Production | 12,957 | 5,870 | 6,809 | 6,530 | 9,625 | 11,823 | 12,054 | 13,573 |
| · YY % Change | -7.9 | -54.7 | 16.0 | -4.1 | 47.4 | 22.8 | 2.0 | 12.6 |

EXPORT CLASSES 5-7 VEHICLE SALES AND PRODUCTION OUTLOOK: TABLE 8B

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASSES 5-7 RETAIL SALES | | | | | | | | |
| · Retail Sales | 2,760 | 1,158 | 2,136 | 2,300 | 2,900 | 3,500 | 4,000 | 4,500 |
| · YY % Change | -17.9 | -58.0 | 84.5 | 7.7 | 26.1 | 20.7 | 14.3 | 12.5 |
| CLASSES 5-7 PRODUCTION | | | | | | | | |
| · Production | 2,539 | 1,036 | 2,085 | 2,283 | 2,958 | 3,558 | 4,050 | 4,550 |
| · YY % Change | -20.5 | -59.2 | 101.3 | 9.5 | 29.6 | 20.3 | 13.8 | 12.3 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.

YY % Change are current quarter vs. same quarter one year ago.

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

NORTH AMERICAN CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 9

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|-----------------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASS 8 RETAIL SALES | | | | | | | | | | | |
| . Tractor (Sleeper) | 50,764 | 12,951 | 15,042 | 17,821 | 20,564 | 66,378 | 21,671 | 26,407 | 27,748 | 31,099 | 106,925 |
| YY % Change | -33.8 | 22.8 | 27.8 | 38.5 | 32.0 | 30.8 | 67.3 | 75.6 | 55.7 | 51.2 | 61.1 |
| . Tractor (Daycab) | 35,232 | 9,434 | 10,094 | 11,431 | 11,698 | 42,657 | 13,087 | 15,947 | 16,757 | 18,781 | 64,572 |
| YY % Change | -36.2 | 1.0 | 41.1 | 50.7 | 4.9 | 21.1 | 38.7 | 58.0 | 46.6 | 60.5 | 51.4 |
| . Truck (Sleeper) | 517 | 138 | 233 | 191 | 299 | 861 | 274 | 333 | 350 | 393 | 1,350 |
| YY % Change | -68.0 | -13.2 | 130.7 | 80.2 | 98.0 | 66.5 | 98.3 | 43.1 | 83.4 | 31.3 | 56.8 |
| . Truck (Daycab) | 40,396 | 9,730 | 11,439 | 9,895 | 12,286 | 43,350 | 13,468 | 16,412 | 17,245 | 19,328 | 66,453 |
| YY % Change | -45.2 | -11.6 | 16.6 | 9.1 | 16.9 | 7.3 | 38.4 | 43.5 | 74.3 | 57.3 | 53.3 |
| TOTAL CLASS 8 | 126,909 | 32,253 | 36,808 | 39,338 | 44,847 | 153,246 | 48,500 | 59,100 | 62,100 | 69,600 | 239,300 |
| YY % Change | -38.8 | 3.9 | 27.7 | 32.8 | 19.9 | 20.8 | 50.4 | 60.6 | 57.9 | 55.2 | 56.2 |

CLASS 8 PRODUCTION

| | | | | | | | | | | | |
|----------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| . Tractor (Sleeper) | 48,626 | 13,840 | 15,322 | 17,866 | 21,428 | 68,456 | 23,370 | 26,811 | 28,240 | 30,609 | 109,029 |
| YY % Change | -34.6 | 43.8 | 40.1 | 29.4 | 50.3 | 40.8 | 68.9 | 75.0 | 58.1 | 42.8 | 59.3 |
| . Tractor (Daycab) | 34,426 | 9,648 | 10,086 | 10,978 | 11,542 | 42,254 | 14,093 | 16,168 | 17,031 | 18,459 | 65,751 |
| YY % Change | -38.5 | 10.9 | 58.6 | 31.1 | 5.0 | 22.7 | 46.1 | 60.3 | 55.1 | 59.9 | 55.6 |
| . Truck (Sleeper) | 371 | 178 | 249 | 183 | 233 | 843 | 296 | 340 | 358 | 388 | 1,383 |
| YY % Change | -73.3 | 87.4 | 223.4 | 123.2 | 99.1 | 127.2 | 66.5 | 36.6 | 95.7 | 66.6 | 64.0 |
| . Truck (Daycab) | 34,973 | 11,323 | 9,540 | 11,287 | 10,587 | 42,737 | 14,535 | 16,675 | 17,564 | 19,037 | 67,811 |
| YY % Change | -52.7 | 12.4 | 29.1 | 47.8 | 7.2 | 22.2 | 28.4 | 74.8 | 55.6 | 79.8 | 58.7 |
| TOTAL CLASS 8 | 118,396 | 34,989 | 35,197 | 40,314 | 43,790 | 154,290 | 52,294 | 59,994 | 63,193 | 68,493 | 243,974 |
| YY % Change | -42.4 | 22.8 | 42.1 | 34.8 | 24.3 | 30.3 | 49.5 | 70.5 | 56.8 | 56.4 | 58.1 |

MEMO: NORTH AMERICAN CLASS 8 PRODUCTION BY ENGINE DISPLACEMENT*

| | | | | | | | | | | | |
|----------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|
| . Class 8 MDD | 17,452 | 4,262 | 3,400 | 3,451 | 4,931 | 16,043 | 5,350 | 5,927 | 6,439 | 6,952 | 24,668 |
| YY % Change | -42.9 | -33.7 | 12.6 | -4.8 | 6.9 | -8.1 | 25.5 | 74.3 | 86.6 | 41.0 | 53.8 |
| . Class 8 HDD | 100,944 | 30,727 | 31,797 | 36,863 | 38,859 | 138,247 | 46,945 | 54,066 | 56,754 | 61,541 | 219,305 |
| YY % Change | -42.3 | 23.6 | 46.0 | 43.0 | 31.0 | 37.0 | 52.8 | 70.0 | 54.0 | 58.4 | 58.6 |
| TOTAL CLASS 8 | 118,396 | 34,989 | 35,197 | 40,314 | 43,790 | 154,290 | 52,294 | 59,994 | 63,193 | 68,493 | 243,974 |
| YY % Change | -42.4 | 22.8 | 42.1 | 34.8 | 24.3 | 30.3 | 49.5 | 70.5 | 56.8 | 56.4 | 58.1 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.

YY % Change are current quarter vs. same quarter one year ago.

* MDD: Class 8 truck with engines have displacement ≤ 10 liters

* HDD: Class 8 truck with engines have displacement > 10 liters

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

U.S. CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 10

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|-----------------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|---------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASS 8 RETAIL SALES | | | | | | | | | | | |
| TOTAL CLASS 8 | 96,972 | 24,462 | 26,344 | 28,429 | 30,874 | 110,109 | 36,279 | 44,208 | 46,452 | 52,062 | 179,000 |
| YY % Change | -30.7 | 9.3 | 19.2 | 23.4 | 4.8 | 13.5 | 48.3 | 67.8 | 63.4 | 68.6 | 62.6 |
| CLASS 8 PRODUCTION | | | | | | | | | | | |
| TOTAL CLASS 8 | 93,746 | 25,729 | 24,301 | 27,797 | 30,709 | 108,536 | 38,990 | 44,730 | 47,115 | 51,067 | 181,901 |
| YY % Change | -29.2 | 18.4 | 20.6 | 15.8 | 10.2 | 15.8 | 51.5 | 84.1 | 69.5 | 66.3 | 67.6 |

CANADIAN CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 11

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|-----------------------------|--------|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASS 8 RETAIL SALES | | | | | | | | | | | |
| TOTAL CLASS 8 | 13,517 | 3,906 | 4,815 | 4,701 | 5,481 | 18,903 | 5,168 | 6,298 | 6,617 | 7,417 | 25,500 |
| YY % Change | -43.7 | 8.6 | 48.8 | 61.5 | 45.2 | 39.8 | 32.3 | 30.8 | 40.8 | 35.3 | 34.9 |
| CLASS 8 PRODUCTION | | | | | | | | | | | |
| TOTAL CLASS 8 | 12,784 | 5,206 | 4,427 | 4,421 | 4,493 | 18,547 | 5,590 | 6,413 | 6,755 | 7,321 | 26,079 |
| YY % Change | -41.3 | 51.8 | 105.9 | 43.8 | 8.8 | 45.1 | 7.4 | 44.9 | 52.8 | 63.0 | 40.6 |

MEXICO CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 12A

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|-----------------------------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASS 8 RETAIL SALES | | | | | | | | | | | |
| TOTAL CLASS 8 | 8,762 | 1,851 | 2,568 | 2,703 | 4,377 | 11,499 | 3,506 | 4,273 | 4,489 | 5,032 | 17,300 |
| YY % Change | -60.8 | -7.1 | 20.9 | 18.9 | 84.6 | 31.2 | 89.4 | 66.4 | 66.1 | 15.0 | 50.4 |
| CLASS 8 PRODUCTION | | | | | | | | | | | |
| TOTAL CLASS 8 | 5,193 | 1,869 | 3,044 | 3,895 | 3,909 | 12,717 | 3,899 | 4,473 | 4,712 | 5,107 | 18,191 |
| YY % Change | -76.4 | 149.2 | 183.7 | 135.2 | 128.1 | 144.9 | 108.6 | 47.0 | 21.0 | 30.6 | 43.0 |

EXPORT CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 12B

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|-----------------------------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| CLASS 8 RETAIL SALES | | | | | | | | | | | |
| TOTAL CLASS 8 | 7,658 | 2,034 | 3,081 | 3,505 | 4,115 | 12,735 | 3,547 | 4,322 | 4,541 | 5,090 | 17,500 |
| YY % Change | -63.6 | -34.2 | 125.2 | 150.7 | 128.5 | 66.3 | 74.4 | 40.3 | 29.6 | 23.7 | 37.4 |
| CLASS 8 PRODUCTION | | | | | | | | | | | |
| TOTAL CLASS 8 | 6,673 | 2,185 | 3,425 | 4,201 | 4,679 | 14,490 | 3,816 | 4,378 | 4,611 | 4,998 | 17,802 |
| YY % Change | -77.4 | -15.0 | 146.2 | 257.5 | 204.6 | 117.1 | 74.6 | 27.8 | 9.8 | 6.8 | 22.9 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.
 YY % Change are current quarter vs. same quarter one year ago.
 Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

NORTH AMERICAN CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 13

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CLASS 8 RETAIL SALES | | | | | | | | |
| . Tractor (Sleeper) | 76,677 | 50,764 | 66,378 | 106,925 | 128,856 | 128,205 | 111,279 | 96,163 |
| YY % Change | -0.9 | -33.8 | 30.8 | 61.1 | 20.5 | -0.5 | -13.2 | -13.6 |
| . Tractor (Daycab) | 55,256 | 35,232 | 42,657 | 64,572 | 84,900 | 83,262 | 72,420 | 62,662 |
| YY % Change | -20.0 | -36.2 | 21.1 | 51.4 | 31.5 | -1.9 | -13.0 | -13.5 |
| . Truck (Sleeper) | 1,614 | 517 | 861 | 1,350 | 1,609 | 1,978 | 1,706 | 1,533 |
| YY % Change | -29.4 | -68.0 | 66.5 | 56.8 | 19.2 | 22.9 | -13.7 | -10.1 |
| . Truck (Daycab) | 73,756 | 40,396 | 43,350 | 66,453 | 84,825 | 95,056 | 82,595 | 72,142 |
| YY % Change | -17.0 | -45.2 | 7.3 | 53.3 | 27.6 | 12.1 | -13.1 | -12.7 |
| TOTAL CLASS 8 | 207,303 | 126,909 | 153,246 | 239,300 | 300,191 | 308,500 | 268,000 | 232,500 |
| YY % Change | -12.8 | -38.8 | 20.8 | 56.2 | 25.4 | 2.8 | -13.1 | -13.2 |
| CLASS 8 PRODUCTION | | | | | | | | |
| . Tractor (Sleeper) | 74,386 | 48,626 | 68,456 | 109,029 | 132,038 | 130,446 | 106,033 | 93,497 |
| YY % Change | 6.6 | -34.6 | 40.8 | 59.3 | 21.1 | -1.2 | -18.7 | -11.8 |
| . Tractor (Daycab) | 55,986 | 34,426 | 42,254 | 65,751 | 86,904 | 84,807 | 68,851 | 60,846 |
| YY % Change | -6.3 | -38.5 | 22.7 | 55.6 | 32.2 | -2.4 | -18.8 | -11.6 |
| . Truck (Sleeper) | 1,392 | 371 | 843 | 1,383 | 1,652 | 1,997 | 1,618 | 1,497 |
| YY % Change | -31.6 | -73.3 | 127.2 | 64.0 | 19.5 | 20.8 | -19.0 | -7.5 |
| . Truck (Daycab) | 73,875 | 34,973 | 42,737 | 67,811 | 86,764 | 96,657 | 78,423 | 70,119 |
| YY % Change | -8.6 | -52.7 | 22.2 | 58.7 | 28.0 | 11.4 | -18.9 | -10.6 |
| TOTAL CLASS 8 | 205,639 | 118,396 | 154,290 | 243,974 | 307,358 | 313,907 | 254,925 | 225,958 |
| YY % Change | -3.2 | -42.4 | 30.3 | 58.1 | 26.0 | 2.1 | -18.8 | -11.4 |
| MEMO: NORTH AMERICAN CLASS 8 PRODUCTION BY ENGINE DISPLACEMENT* | | | | | | | | |
| . Class 8 MDD | 30,640 | 17,452 | 16,043 | 24,668 | 31,074 | 31,736 | 25,773 | 22,844 |
| YY % Change | -11.5 | -42.9 | -8.1 | 53.8 | 26.0 | 2.1 | -18.8 | -11.4 |
| . Class 8 HDD | 174,999 | 100,944 | 138,247 | 219,305 | 276,284 | 282,171 | 229,152 | 203,114 |
| YY % Change | -3.1 | -42.3 | 37.0 | 58.6 | 26.0 | 2.1 | -18.8 | -11.4 |
| TOTAL CLASS 8 | 205,639 | 118,396 | 154,290 | 243,974 | 307,358 | 313,907 | 254,925 | 225,958 |
| YY % Change | -3.2 | -42.4 | 30.3 | 58.1 | 26.0 | 2.1 | -18.8 | -11.4 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.

YY % Change are current quarter vs. same quarter one year ago.

* MDD: Class 8 truck with engines have displacement ≤ 10 liters

* HDD: Class 8 truck with engines have displacement > 10 liters

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

U.S. CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 14

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASS 8 RETAIL SALES | | | | | | | | |
| TOTAL CLASS 8 | 139,876 | 96,972 | 110,109 | 179,000 | 235,000 | 241,000 | 210,000 | 175,000 |
| YY % Change | -11.2 | -30.7 | 13.5 | 62.6 | 31.3 | 2.6 | -12.9 | -16.7 |
| CLASS 8 PRODUCTION | | | | | | | | |
| TOTAL CLASS 8 | 132,323 | 93,746 | 108,536 | 181,901 | 240,950 | 246,737 | 201,150 | 169,575 |
| YY % Change | -0.9 | -29.2 | 15.8 | 67.6 | 32.5 | 2.4 | -18.5 | -15.7 |

CANADIAN CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 15

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASS 8 RETAIL SALES | | | | | | | | |
| TOTAL CLASS 8 | 23,996 | 13,517 | 18,903 | 25,500 | 30,700 | 33,000 | 28,000 | 26,000 |
| YY % Change | -3.4 | -43.7 | 39.8 | 34.9 | 20.4 | 7.5 | -15.2 | -7.1 |
| CLASS 8 PRODUCTION | | | | | | | | |
| TOTAL CLASS 8 | 21,781 | 12,784 | 18,547 | 26,079 | 31,913 | 32,987 | 26,567 | 25,483 |
| YY % Change | 0.7 | -41.3 | 45.1 | 40.6 | 22.4 | 3.4 | -19.5 | -4.1 |

MEXICO CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 16A

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASS 8 RETAIL SALES | | | | | | | | |
| TOTAL CLASS 8 | 22,371 | 8,762 | 11,499 | 17,300 | 18,991 | 20,000 | 17,000 | 18,500 |
| YY % Change | -16.4 | -60.8 | 31.2 | 50.4 | 9.8 | 5.3 | -15.0 | 8.8 |
| CLASS 8 PRODUCTION | | | | | | | | |
| TOTAL CLASS 8 | 22,009 | 5,193 | 12,717 | 18,191 | 19,137 | 19,417 | 15,667 | 18,442 |
| YY % Change | -13.0 | -76.4 | 144.9 | 43.0 | 5.2 | 1.5 | -19.3 | 17.7 |

EXPORT CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 16B

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASS 8 RETAIL SALES | | | | | | | | |
| TOTAL CLASS 8 | 21,060 | 7,658 | 12,735 | 17,500 | 15,500 | 14,500 | 13,000 | 13,000 |
| YY % Change | -26.0 | -63.6 | 66.3 | 37.4 | -11.4 | -6.5 | -10.3 | 0.0 |
| CLASS 8 PRODUCTION | | | | | | | | |
| TOTAL CLASS 8 | 29,526 | 6,673 | 14,490 | 17,802 | 15,358 | 14,767 | 11,542 | 12,458 |
| YY % Change | -7.4 | -77.4 | 117.1 | 22.9 | -13.7 | -3.9 | -21.8 | 7.9 |

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.
YY % Change are current quarter vs. same quarter one year ago.

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B – FORECAST TABLES

U.S. TRAILER FACTORY SHIPMENTS OUTLOOK: TABLE 17

| | 2009 | 2010 | | | | 2010 | 2011 | | | | 2011 |
|---------------------------------------|--------|--------|--------|--------|--------|---------|--------|--------|--------|--------|---------|
| | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | |
| U.S. TRAILER FACTORY SHIPMENTS | | | | | | | | | | | |
| Dry Vans | 29,950 | 7,926 | 12,663 | 17,565 | 21,693 | 59,847 | 25,873 | 28,458 | 29,395 | 28,274 | 112,000 |
| Y/Y % Change | -58.3 | 30.7 | 108.8 | 102.8 | 136.8 | 99.8 | 226.4 | 124.7 | 67.4 | 30.3 | 87.1 |
| Reefer Vans | 22,029 | 5,844 | 7,021 | 6,941 | 7,038 | 26,844 | 8,623 | 9,455 | 9,216 | 8,706 | 36,000 |
| Y/Y % Change | -17.9 | 41.4 | 26.4 | 13.2 | 13.4 | 21.9 | 47.6 | 34.7 | 32.8 | 23.7 | 34.1 |
| Total Vans | 51,979 | 13,770 | 19,684 | 24,506 | 28,731 | 86,691 | 34,496 | 37,913 | 38,611 | 36,980 | 148,000 |
| Y/Y % Change | -47.3 | 35.1 | 69.4 | 65.6 | 87.0 | 66.8 | 150.5 | 92.6 | 57.6 | 28.7 | 70.7 |
| Platforms | 6,528 | 1,295 | 1,515 | 1,955 | 2,233 | 6,998 | 2,739 | 2,901 | 2,840 | 2,720 | 11,200 |
| Y/Y % Change | -47.3 | -22.5 | -16.4 | 14.1 | 67.8 | 7.2 | 111.5 | 91.5 | 45.3 | 21.8 | 60.0 |
| Heavy Lowbeds | 1,259 | 324 | 456 | 569 | 667 | 2,016 | 677 | 730 | 709 | 683 | 2,800 |
| Y/Y % Change | -47.3 | 26.6 | 57.8 | 60.3 | 85.8 | 60.1 | 109.0 | 60.1 | 24.7 | 2.5 | 38.9 |
| Dumps | 3,448 | 872 | 1,099 | 1,106 | 1,118 | 4,195 | 1,607 | 1,771 | 1,688 | 1,534 | 6,600 |
| Y/Y % Change | -54.4 | 2.8 | 32.1 | 23.7 | 27.9 | 21.7 | 84.3 | 61.1 | 52.6 | 37.2 | 57.3 |
| Liquid Tanks | 3,272 | 759 | 995 | 1,353 | 1,253 | 4,360 | 1,515 | 1,533 | 1,494 | 1,458 | 6,000 |
| Y/Y % Change | -46.9 | -23.2 | -3.0 | 71.7 | 44.2 | 18.8 | 99.5 | 54.1 | 10.4 | 16.4 | 37.6 |
| Bulk Tanks | 322 | 159 | 221 | 275 | 335 | 990 | 450 | 488 | 443 | 419 | 1,800 |
| Y/Y % Change | -78.4 | 35.9 | 268.3 | 382.5 | 280.7 | 207.5 | 183.3 | 120.8 | 60.9 | 25.1 | 81.8 |
| Total Tanks | 3,594 | 918 | 1,216 | 1,628 | 1,588 | 5,350 | 1,965 | 2,021 | 1,937 | 1,877 | 7,800 |
| Y/Y % Change | -53.0 | -16.9 | 12.0 | 92.7 | 65.9 | 34.0 | 114.0 | 66.2 | 19.0 | 18.2 | 45.8 |
| All Other Trailers | 11,821 | 2,873 | 3,626 | 3,911 | 4,229 | 14,639 | 4,489 | 4,886 | 4,924 | 4,702 | 19,000 |
| Y/Y % Change | -15.3 | 6.1 | 20.9 | 27.7 | 38.6 | 23.8 | 56.2 | 34.7 | 25.9 | 11.2 | 29.8 |
| Total Trailers | 78,629 | 20,052 | 27,596 | 33,675 | 38,566 | 119,889 | 45,973 | 50,222 | 50,708 | 48,496 | 195,400 |
| Y/Y % Change | -44.8 | 19.5 | 48.1 | 55.4 | 75.8 | 51.7 | 129.3 | 82.0 | 50.6 | 25.7 | 63.0 |
| All Chassis | 1,597 | 535 | 1,431 | 2,850 | 1,520 | 6,336 | 2,403 | 2,909 | 3,290 | 2,397 | 11,000 |
| Y/Y % Change | -81.9 | 119.3 | 527.6 | 719.0 | 95.6 | 296.7 | 349.2 | 103.3 | 15.5 | 57.7 | 73.6 |
| Dollies | 1,266 | 189 | 191 | 770 | 221 | 1,371 | 680 | 773 | 732 | 814 | 3,000 |
| Y/Y % Change | -52.8 | 67.3 | -6.4 | -1.8 | 33.9 | 8.3 | 259.8 | 304.9 | -4.9 | 268.3 | 118.8 |
| Total Axled | 81,492 | 20,776 | 29,218 | 37,295 | 40,307 | 127,596 | 49,056 | 53,905 | 54,731 | 51,708 | 209,400 |
| Y/Y % Change | -47.1 | 21.2 | 53.2 | 63.6 | 76.1 | 55.8 | 136.1 | 84.5 | 46.8 | 28.3 | 64.1 |

Note: Trailer Factory Shipments tie to ACT Research Company's U.S. Trailers Report published monthly.

Y/Y % Change are current quarter vs. same quarter one year ago.

All Other Trailers includes grain, pole & logging, livestock, refuse/transfer, 10-40 ton lowbed, and other miscellaneous trailer types.

APPENDIX B – FORECAST TABLES

U.S. TRAILER FACTORY SHIPMENTS OUTLOOK: TABLE 18

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| U.S. TRAILER FACTORY SHIPMENTS | | | | | | | | |
| Dry Vans | 71,755 | 29,950 | 59,847 | 112,000 | 135,000 | 153,000 | 125,000 | 130,000 |
| YY % Change | -39.5 | -58.3 | 99.8 | 87.1 | 20.5 | 13.3 | -18.3 | 4.0 |
| Reefer Vans | 26,842 | 22,029 | 26,844 | 36,000 | 40,300 | 30,700 | 34,000 | 35,000 |
| YY % Change | -17.0 | -17.9 | 21.9 | 34.1 | 11.9 | -23.8 | 10.7 | 2.9 |
| Total Vans | 98,597 | 51,979 | 86,691 | 148,000 | 175,300 | 183,700 | 159,000 | 165,000 |
| YY % Change | -34.7 | -47.3 | 66.8 | 70.7 | 18.4 | 4.8 | -13.4 | 3.8 |
| Platforms | 12,396 | 6,528 | 6,998 | 11,200 | 18,700 | 23,200 | 21,500 | 22,800 |
| YY % Change | -44.5 | -47.3 | 7.2 | 60.0 | 67.0 | 24.1 | -7.3 | 6.0 |
| Heavy Lowbeds | 2,388 | 1,259 | 2,016 | 2,800 | 3,400 | 3,800 | 3,400 | 3,800 |
| YY % Change | -28.2 | -47.3 | 60.1 | 38.9 | 21.4 | 11.8 | -10.5 | 11.8 |
| Dumps | 7,566 | 3,448 | 4,195 | 6,600 | 10,000 | 11,300 | 10,900 | 11,900 |
| YY % Change | -25.9 | -54.4 | 21.7 | 57.3 | 51.5 | 13.0 | -3.5 | 9.2 |
| Liquid Tanks | 6,163 | 3,272 | 4,360 | 6,000 | 6,400 | 6,200 | 5,400 | 5,500 |
| YY % Change | -9.6 | -46.9 | 18.8 | 37.6 | 6.7 | -3.1 | -12.9 | 1.9 |
| Bulk Tanks | 1,489 | 322 | 990 | 1,800 | 2,200 | 2,350 | 2,250 | 2,100 |
| YY % Change | -26.5 | -78.4 | 207.5 | 81.8 | 22.2 | 6.8 | -4.3 | -6.7 |
| Total Tanks | 7,652 | 3,594 | 5,350 | 7,800 | 8,600 | 8,550 | 7,650 | 7,600 |
| YY % Change | -13.5 | -53.0 | 34.0 | 45.8 | 10.3 | -0.6 | -10.5 | -0.7 |
| All Other Trailers | 13,958 | 11,821 | 14,639 | 19,000 | 20,000 | 21,000 | 19,000 | 18,000 |
| YY % Change | -19.1 | -15.3 | 23.8 | 29.8 | 5.3 | 5.0 | -9.5 | -5.3 |
| Total Trailers | 142,557 | 78,629 | 119,889 | 195,400 | 236,000 | 251,550 | 221,450 | 229,100 |
| YY % Change | -33.0 | -44.8 | 51.7 | 63.0 | 20.8 | 6.6 | -12.0 | 3.5 |
| All Chassis | 8,846 | 1,597 | 6,336 | 11,000 | 14,000 | 17,000 | 14,000 | 13,000 |
| YY % Change | 8.6 | -81.9 | 296.7 | 73.6 | 27.3 | 21.4 | -17.6 | -7.1 |
| Dollies | 2,683 | 1,266 | 1,371 | 3,000 | 3,400 | 4,000 | 3,500 | 4,000 |
| YY % Change | -48.6 | -52.8 | 8.3 | 118.8 | 13.3 | 17.6 | -12.5 | 14.3 |
| Total Axled | 154,086 | 81,492 | 127,596 | 209,400 | 253,400 | 272,550 | 238,950 | 246,100 |
| YY % Change | -31.9 | -47.1 | 55.8 | 64.1 | 21.0 | 7.6 | -12.3 | 3.0 |

Note: Trailer Factory Shipments tie to ACT Research Company's U.S. Trailers Report published monthly.

YY % Change are current quarter vs. same quarter one year ago.

All Other Trailers includes grain, pole & logging, livestock, refuse/transfer, 10-40 ton lowbed, and other miscellaneous trailer types.

APPENDIX B – FORECAST TABLES

N.A. CLASS 4 VEHICLE PRODUCTION OUTLOOK: TABLE 19

| | <u>2009</u> | <u>2010</u> | | | | <u>2010</u> | <u>2011</u> | | | | <u>2011</u> |
|---------------------------|-------------|-------------|-----------|-----------|-----------|-------------|-------------|-----------|-----------|-----------|-------------|
| | | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | |
| CLASS 4 PRODUCTION | | | | | | | | | | | |
| · US | 15,958 | 3,730 | 3,282 | 4,190 | 4,534 | 15,737 | 2,361 | 2,570 | 2,403 | 2,423 | 9,758 |
| · YY % Change | -60.1 | -5.4 | -21.8 | 20.4 | 4.5 | -1.4 | -36.7 | -21.7 | -42.6 | -46.6 | -38.0 |
| · CANADA | 1,623 | 275 | 492 | 364 | 416 | 1,547 | 387 | 421 | 394 | 397 | 1,600 |
| · YY % Change | -19.5 | -11.6 | 6.5 | -11.7 | -5.0 | -4.7 | 40.8 | -14.3 | 8.3 | -4.5 | 3.4 |
| · MEXICO | 392 | 55 | 22 | 20 | 16 | 113 | 73 | 79 | 74 | 75 | 300 |
| · YY % Change | -29.7 | -53.8 | -76.1 | -78.7 | -81.6 | -71.2 | 32.0 | 259.2 | 269.5 | 365.6 | 165.5 |
| · EXPORT | 324 | 32 | 118 | 52 | 194 | 396 | 97 | 105 | 99 | 99 | 400 |
| · YY % Change | -46.6 | -69.2 | 13.5 | -14.8 | 252.7 | 22.2 | 202.4 | -10.7 | 89.5 | -48.8 | 1.0 |
| TOTAL CLASS 4 | 18,297 | 4,092 | 3,914 | 4,626 | 5,160 | 17,793 | 2,917 | 3,176 | 2,970 | 2,994 | 12,058 |
| · YY % Change | -57.6 | -8.6 | -19.4 | 14.3 | 4.9 | -2.8 | -28.7 | -18.9 | -35.8 | -42.0 | -32.2 |

Note: Historical production data derived from Ward's FS-5S report published monthly.

YY % Change are current quarter vs. same quarter one year ago.

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

APPENDIX B- FORECAST TABLES

N.A. CLASS 4 VEHICLE PRODUCTION OUTLOOK: TABLE 20

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| CLASS 4 PRODUCTION | | | | | | | | |
| . US | 40,010 | 15,958 | 15,737 | 9,758 | 8,667 | 14,167 | 18,708 | 24,708 |
| YY % Change | 8.4 | -60.1 | -1.4 | -38.0 | -11.2 | 63.5 | 32.1 | 32.1 |
| . CANADA | 2,015 | 1,623 | 1,547 | 1,600 | 1,700 | 1,800 | 1,900 | 2,000 |
| YY % Change | -22.6 | -19.5 | -4.7 | 3.4 | 6.3 | 5.9 | 5.6 | 5.3 |
| . MEXICO | 558 | 392 | 113 | 300 | 400 | 500 | 600 | 700 |
| YY % Change | -34.7 | -29.7 | -71.2 | 165.5 | 33.3 | 25.0 | 20.0 | 16.7 |
| . EXPORT | 607 | 324 | 396 | 400 | 500 | 600 | 700 | 800 |
| YY % Change | 12.8 | -46.6 | 22.2 | 1.0 | 25.0 | 20.0 | 16.7 | 14.3 |
| TOTAL CLASS 4 | 43,190 | 18,297 | 17,793 | 12,058 | 11,267 | 17,067 | 21,908 | 28,208 |
| YY % Change | 5.6 | -57.6 | -2.8 | -32.2 | -6.6 | 51.5 | 28.4 | 28.8 |

Note: Historical production data derived from Ward's FS-5S report published monthly.

YY % Change are current quarter vs. same quarter one year ago.

Build Location: The geography of a built unit reflects the market for which it is destined, NOT the country in which the actual production takes place.

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| | |
|--|--|
| STATE OF THE INDUSTRY (SOI) reports , published monthly, provide the most up-to-date industry statistics and analysis, with rolling six-month industry production plans. | |
| <p>N.A. Classes 5-8 NEW Vehicles: includes all market indicators (order backlog, build, field inventory, new orders, cancellations, net orders, and retail sales) for Class 5 and Classes 6-7 trucks, buses, step vans, and RVs as well as Class 8 vehicles for total North America.</p> <p>Option a: Country: Same N.A. data divided into the U.S., Canada, Mexico, and total N.A. exports.</p> <p>Option b: Bus: N.A. Class C, Class D, Commercial/Shuttle, and Urban/Other bus data.</p> <p>Option c: Publicly Traded Truck Load Carrier Database</p> | <p>Preliminary net orders published on the 2nd working day of the month.</p> <p>“Flash” data report with current and ytd data published 16th-18th of the month, followed by a complete report with analysis and build plans.</p> <p>Published mid-month</p> <p>Published mid-month</p> <p>Published quarterly</p> |
| <p>N.A. OEM Classes 5, 6-7 and 8 Build & Retail Sales: Current month & YTD data and analysis by geography (U.S., Canada, Mexico, and export) by vehicle GVW categories by OEM.</p> | <p>Published mid-month</p> |
| <p>SOI: U.S. Trailers: Data for all major trailer types for each of the market/business indicators (order backlog, build, inventory, new orders, cancellations, net orders, and factory shipments).</p> <p>Option c: Publicly Traded Truck Load Carrier Database</p> | <p>Published third week of the month</p> <p>Published quarterly</p> |
| <p>U.S. Classes 3-8 USED Trucks: Comprehensive analysis including unit and dollar sales, average age, average miles and measures of truck condition</p> | <p>Published on the 25th of each month with a “flash” data report on the 10th of each month.</p> |
| FORECASTS | |
| <p>New for Outlook subscribers:</p> <p>Option d: ACT Economic Database</p> | <p style="text-align: center;">NEW</p> <p>Updated 2-3 times monthly</p> |
| <p>China Commercial Vehicle Outlook (joint effort with the China State Information Center): An in-depth analysis of China’s macroeconomy as well as the medium and heavy-duty truck market; a forecast on macroeconomic trends and truck sales; and a competitive analysis on major OEMs.</p> | <p>Published quarterly</p> |
| <p>GCVF: The Global Commercial Vehicle Forecast (joint effort with J.D. Power & Associates): A comprehensive perspective of the major OEMs production and sales worldwide. Forecasts go forward ten years on an annual basis. OEM country data is rolled to a worldwide total so that the OEMs and/or countries can be compared on a global basis. ACT’s SOI reports support the North America data series in the GCVF. The GCVF analyzes the current state of the economy and commercial vehicle industry for each country and then provides annual production and sales forecasts at the OEM/country/GVW level with supporting logic.</p> | <p>Published quarterly</p> |
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