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COMMERCIAL VEHICLES **Forecast**

ACT N.A. Commercial Vehicle OUTLOOK

July 10, 2013

Contributor to Blue Chip Economic Indicators
and WSJ Economic Forecast Panel

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The ACT N.A. Commercial Vehicle OUTLOOK is published monthly by Americas Commercial Transportation Research Company, LLC (ACT), 4400 Ray Boll Blvd., Columbus, IN 47203. Phone: 812-379-2085, Fax: 812-378-5997, e-mail: trucks@actresearch.net

HIGHLIGHTS

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NORTH AMERICAN ECONOMY

- Despite the negative air of the past few weeks our positive outlook for the U.S. economy remains in place.
- The international economic outlook also darkened, particularly with regard to China.
- The outlook for the transportation sector continues favorable.
- We do not believe that the jump in interest rates is sufficient to restrict housing activity to any measureable extent.
- We continue to expect growth to advance at a 2.5% to 3.0% pace for the remainder of 2013.
- Evidence of increased consumer ability to spend can be seen in the firm and rising pace of home sales as well as the jump in automobile sales to a nearly 16 million annualized pace.
- Better than expected revenues as well as political maneuvering have deferred the debt ceiling issue until late 2013 at the earliest.
- Given the large gap between actual and potential GDP, development of persistent price pressures appears unlikely in 2013 and possibly 2014.
- The Federal Reserve is likely to begin reducing its monthly purchase of approximately $85 billion in securities (QE3)..

MEDIUM DUTY

- The total medium duty market turned in very respectable results in May.
- June's preliminary medium duty truck net order intake of 11,100 units (±5%) confirms the segment has entered the summer slowdown season.

HEAVY DUTY

- The Class 8 forecast remains unchanged again in the July OUTLOOK.
- At a recently attended conference at which a number of trucking companies presented, the consensus opinion could be summed up as muted optimism.
- Cancellations fell meaningfully in May, just missing the all time low.
- Up 3% m/m, the increase in production was in line with seasonal patterns.
- Although up m/m, cancellations of 7.9% of new orders and 1.4% of the backlog remained within acceptable limits.

• .TRAILERS

- We are now entering the time of year when most ordering has been done, fleets begin to assess their equipment needs for next year, and OEMs move into the production season, working down the backlogs developed over the winter and spring.
- Fleet attitudes continue to be cautious; despite recent positive ATA freight reports.
- While May's 33% m/m decline in net orders might normally be a "headline statistic," it has to be considered from the perspective of April volume, which was exceptionally strong.

TRANSPORTATION SECTOR

- June's shipment volume is the lowest Cass has recorded for the same month in the last three years.
- As capacity has been removed from the motor carrier industry, the possibility of double digit price increase is possible if the economy shifts into high gear. Meanwhile, with the slow economic growth recovery, it has been hard for the carriers to push through rates higher than the low to mid-single-digit percentage range.
- Trucking in the U.S. will remain the top transportation mode through 2024.
- Polk data reflects that 28 percent of all Classes 3-8 trucks registered in the U.S between 2007 through 2012, or 2.5 million of 8.6 million, are now equipped with new technology clean diesel engines.
- Weekly loading for the week ending June 15 was the highest level since October 2012.
- Containerized imports jumped 17.6 percent month-over-month…the largest month-to-month rise in the past four Aprils.

USED EQUIPMENT

- Reported volumes of used Classes 3-8 truck sales in May were flat month over month. Individual outlets continue to exhibit widely varying results, as do the different weight groups.

FORECAST SUMMARY

- Slower Class 8 orders in June and the expectation that seasonal factors will keep orders below the rate of production in July and August suggest that likely 2013 forecast range has shifted incrementally lower.
- With many truckers waiting until the last minute to place orders, the cushion on which expectations are built remains thin. To that end, the economy is a key component of industry direction in 2H'13.
- Classes 5-7: While the pace of build and retail sales lag behind the forecast, robust net order activity and historical seasonal patterns once again substantiate the decision to stand pat on the forecast.
- Trailers: With modest order assistance, backlogs are sufficient to support current production levels into the end of 2013.
- The U.S. trailers forecast for 2013 was lowered incrementally to 244,800 units.

BUILD/FACTORY SHIPMENTS SUMMARY

NORTH AMERICAN CLASSES 4-8 VEHICLES & TRAILERS

		2013					2014				
	2012	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
N.A. CLASS 4											
US	3,623	1,009	1,270	1,273	1,379	4,931	1,704	2,171	2,015	2,110	8,000
CANADA	1,553	358	435	436	472	1,700	383	488	453	475	1,800
MEXICO & EXPORT	658	106	290	290	314	1,000	256	326	302	317	1,200
TOTAL N.A.	5,834	1,473	1,994	1,998	2,165	7,631	2,343	2,985	2,771	2,901	11,000
N.A. CLASSES 5-7											
US	165,129	39,211	44,318	42,365	45,794	171,688	47,852	49,687	43,873	43,869	185,281
CANADA	11,597	2,890	3,817	3,649	3,944	14,300	4,070	4,226	3,732	3,731	15,759
MEXICO & EXPORT	11,723	2,791	2,951	2,821	3,050	11,613	3,265	3,391	2,994	2,994	12,644
TOTAL N.A.	188,449	44,892	51,087	48,835	52,788	197,602	55,187	57,304	50,598	50,594	213,683
N.A. CLASS 8											
US	201,313	39,188	50,869	51,376	54,168	195,601	57,127	59,277	57,588	57,050	231,041
CANADA	30,565	6,659	7,397	7,471	7,876	29,403	8,272	8,583	8,339	8,261	33,454
MEXICO & EXPORT	46,842	9,167	9,151	9,242	9,745	37,305	8,992	9,330	9,064	8,980	36,367
TOTAL N.A.	278,720	55,014	67,417	68,089	71,789	262,309	74,391	77,190	74,991	74,291	300,862
TOTAL CLASSES 4-8											
US	370,065	79,408	96,458	95,014	101,341	372,220	106,682	111,135	103,476	103,029	424,322
CANADA	43,715	9,907	11,649	11,555	12,293	45,403	12,725	13,298	12,523	12,467	51,013
MEXICO & EXPORT	59,223	12,064	12,392	12,354	13,109	49,919	12,513	13,047	12,361	12,290	50,210
TOTAL N.A.	473,003	101,379	120,499	118,922	126,742	467,542	131,920	137,479	128,360	127,786	525,545
U.S. TRAILERS											
VANS	163,637	39,587	44,879	45,620	43,414	173,500	41,684	47,469	48,333	46,013	183,500
SPECIALTY	73,204	16,483	18,638	18,552	17,576	71,250	17,590	19,563	19,449	18,398	75,000
CHASSIES/DOLLIES	7,154	873	2,059	2,216	1,853	7,000	1,808	2,316	2,491	2,086	8,700
TOTAL AXLED	243,995	56,943	65,575	66,388	62,843	251,750	61,082	69,347	70,274	66,497	267,200

FORECAST CHANGE SUMMARY

(MONTH/MONTH CHANGE)	2013	2014	2015	2016	2017	2018
U.S. GDP	-10 bps	-10 bps	-	-	-	-
BUILD/FACTORY SHIPMENTS						
CLASS 4	-	-	-	-	-	-
CLASSES 5-7	-	-	-	-	-	-
CLASS 8	-	-	-	-	-	-
TOTAL TRAILERS	(1,650)	-	-	-	-	-

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.
Y/Y % 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.

CURRENT POSTURE OF THE U.S. ECONOMY

Despite the negative air of the past few weeks our positive outlook for the U.S. economy remains in place. The economic mood has darkened, but has so far been confined to the financial markets. Between May 20 and June 24, U.S. equity markets saw valuations drop by around 5.5%. Over the same span, the yield on the ten year U.S. Treasuries rose about 55 basis points to about 2.55%. If we measure activity from early May instead, the increase in the interest rate was even sharper, nearly one full percentage point. Since the sell-off, the equity and fixed-income markets have recovered a bit but still remain well below the May high value peak.

The spark that ignited the sell-off was the comment by Chairman Bernanke on June 19 indicating that the Fed's monthly program of purchasing approximately $85 billion in Treasuries and other securities may be curtailed. Despite the fact that the Chairman's statement was filled with caveats and conditional clauses, financial market participants assumed that the beginning of the end of Fed purchases is nigh and is an unfavorable development.

At around the same time the international economic outlook also darkened, particularly with regard to China. Recent monthly figures indicate that the Chinese economy continues to slow. We estimate that the annualized real GDP growth rate in Q1'13 was 6.6%, (7.7% y/y), well below the 10%-plus growth rate achieved in 2009 and 2010. Barring an imminent rebound, it is questionable whether the Chinese government's targeted growth figure of 7.5% for 2013 can be achieved.

Despite slower economic growth, the People's Bank of China on June 20, 2013 allowed short-term interest rates to jump approximately 270 basis points to almost 11%. The tightening action appears aimed at curbing the rapid surge in credit, particularly by governmental and shadow banking institutions. The overall credit-to-GDP ratio is estimated to currently approach 200 percent. Five years ago the ratio stood at a more respectable and manageable 120 percent.

With inflation averaging approximately 2.5%, the Chinese Central Bank's actions raised the real cost of funds sharply. High short-term rates are likely to dampen demand, thereby further softening economic activity. Whether this will be a short-lived pause or a longer term event is a critical consideration for global economic growth.

The U.S. economic situation, on the other hand, has remained relatively constructive. Most of the U.S. economic reports in recent weeks have been positive and better than anticipated, including the June employment report. Other labor market data like employment, labor turnover, and claims have been flat to improving. Additionally, we would place housing, consumer spending, business expenditures, and measures of confidence in this category. Manufacturing activity and credit, on the other hand, remain lackluster. Nonetheless it is worth noting that there have been few signs of outright weakness.

We do not mean to ignore headwinds that affect the economy. Decelerating growth in emerging markets, the recession in the Euro-zone, the potential for a jump in energy prices are all developments that could negatively affect U.S. economic activity. Even Congressional maneuvering with regard to the U.S.

Real GDP & Components

Q/Q at Seasonally Adjusted annual Rate

	Real GDP	Personal Consumption Expenditures	Business Fixed Investment	Residential Fixed Investment	Government Consumption Expenditures	Imports	Exports
Q1'12	2.0%	2.4%	7.5%	20.6%	-3.0%	3.1%	4.4%
Q2'12	1.3%	1.5%	3.6%	8.4%	-0.7%	2.8%	5.2%
Q3'12	3.1%	1.6%	-1.8%	13.6%	3.9%	-0.6%	1.9%
Q4'12	0.4%	1.8%	13.1%	17.5%	-7.0%	-4.2%	-2.8%
Q1'13	1.8%	2.6%	0.4%	14.0%	-4.8%	-0.4%	-1.1%

fiscal situation and debt ceiling are potentially negative. Because of the better cash flows and calendar timing, these latter issues are not likely to surface until the end of 2013 or later. We believe that the U.S. economy can traverse these potential pitfalls and continue expanding. If surprises do occur, we anticipate they are more likely to be in a favorable direction rather than detrimental.

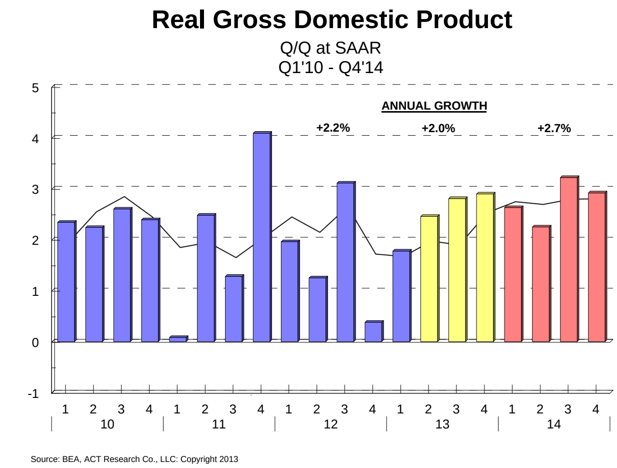
Even the Fed's curtailment and ending of QE3, which if current trends continue could begin toward the end of 2013, is not especially daunting from our perspective. If the Fed is correct, the impact of faster economic growth and increased wealth should more than offset the removal of the Fed's accommodative policy of security purchases and symptomatic rise in interest rates.

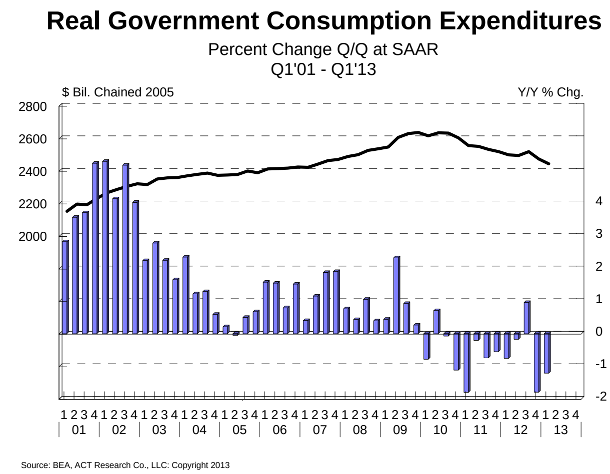
We expect GDP growth to advance at a 2.5% to 3.0% pace for the remainder of 2013 and continue accelerating in 2014. While consumer spending should remain stable in the 2% range, we look for forward thrust in GDP to emanate from housing and business investment. Federal government spending should continue retrenching, albeit slowly, while the remaining sectors stay relatively flat.

The outlook for the transportation sector continues favorable. Indications for the two primary drivers of transportation demand, housing and business investment, point to continued future growth. Activity in the crude oil and shale oil sectors are also favorable for heavy trucks. Finally, cost pressures on trucking firms are likely to stay contained as energy prices are stable to declining while commodity prices remain under downward pressure.

Q1'13 GDP: The final revision to first quarter real GDP lowered growth to 1.8% from the previously reported 2.4%. The softer figure resulted primarily from a lower estimate in the service component of consumption (PCE), specifically, household services and the "other" categories. Goods spending of PCE remained as initially reported. Business investment on structures was also lowered slightly. The other elements were largely unchanged.

The first quarter's 1.8% growth rate follows an anemic 0.4% increase in the final quarter of 2012. The advance in Q1 primarily reflects contributions from PCE, inventory investment, and residential fixed investment. Declines in government spending, federal and state and local, and exports contributed drag. Imports, which are a subtraction in GDP calculation, decreased and thus added a marginal





0.1% to GDP. Inflation, however measured, was largely unchanged in the 1.0% to 1.3% range; well below the Fed's 2% target.

With regard to Q2, we expect GDP to expand by 2.7%. The latest reported monthly PCE figures imply spending at a 1.5% annualized rate, suggesting our expectation for growth may be overstated. Because Q2 GDP data will be released in conjunction with wide-spread revisions and the fact that the spending figures are inconsistent with the income data, we maintain our forecast. We believe that income growth, rising wealth from equities and home prices, increased confidence and better credit conditions will stimulate consumer spending, if not in Q2 then certainly by the second half of 2013.

Our Q2 estimate also assumes strength in housing, business investment in structures, and inventory accumulation. On the other hand, we look for Federal spending to decline at a -5% annualized rate following the prior quarter's -8% fall.

Long-term interest rates have risen sharply in recent weeks. The yield on the 10-year Treasury climbed nearly 100 basis points from early May to the end of June and currently stands at 2.50. 15-year mortgages have moved similarly and are now around 3.5%, or 1ppt higher than early May.

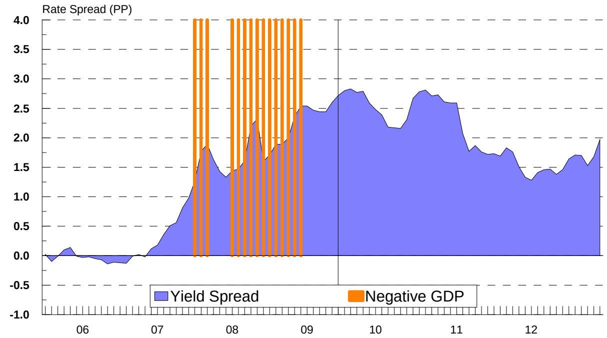
We do not believe that the jump in interest rates is sufficient to restrict housing activity to any measureable extent. First the level of rates, adjusted for inflation and potential home price increases, is not high. With regard to inflation of 2%, the real mortgage rate is only about 1.5%. When measured against likely price appreciation, the real rate is probably negative, at least for the next few years. Furthermore, the National Retailers Affordability Index is at relatively high levels. Finally, homeownership, when compared to renting, is still a relative bargain. The major drawback to housing demand remains credit financing availability and stability of income. This is more likely a restraint for the lower portions of the income distribution.

Despite the downward revision to Q1 GDP, we continue to expect growth to advance at a 2.5% to 3.0% pace for the remainder of 2013 and acceleration to around 3% in 2014.

WORTH NOTING: Major revisions to GDP calculations, covering the period 1929-Q1'13, are scheduled to be released on July 31, 2013. Among the changes will be a shift in accounting for intellectual property such as pharmaceutical spending and entertainment such as movies. They will be treated as capital investment rather than simply expenditures. Also a change to measuring defined benefit pension plans is on the docket.

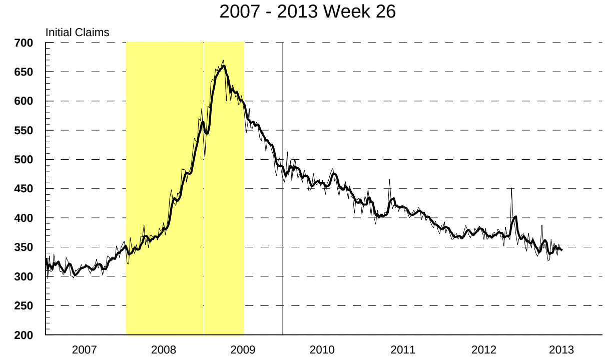
It is expected that the proposed changes will raise the level of real GDP by approximately $500 billion or 3% as well as alter the amount attributed to various categories like business investment. To us, these changes are secondary; the real focus will be on any change in the estimate of GDP growth trends. Real GDP growth over the past four years has been approximately 2%. Revisions reporting slower growth would raise concerns about the viability of the recovery as well as delay any Fed abandonment of QE3. Stronger growth than currently reported would have the opposite effect. We have no a priori information as to the likely direction of the revisions, if any, to the trend growth rate.

YIELD SPREAD
2-Year and 10-Year Treasuries
January 2006 - June 2013



Source: Federal Reserve Board, ACT Research: Copyright 2013

Initial Claims for Jobless Benefits (SA)
Actual & 4-Week Moving Average
2007 - 2013 Week 26



Source: BLS, ACT Research: Copyright 2013

JUNE EMPLOYMENT REPORT: More of the same, with a shade to the upside, best characterizes the employment report. Nonfarm payroll employment increased by 195,000. With upward revisions to 195,000 in May and 199,000 in April, the three and six month averages are close to 200,000 jobs per month. The unemployment rate was unchanged at 7.6 while the broader U-6 measure rose to 14.3% from 13.8%. Average hourly earnings increased at a 2.2% annualized rate, suggesting no faltering on the income side.

Strength was in the usual sectors: business and professionals (+53k), leisure and hospitality (+75k) and trade and transportation (+45k). Manufacturing employment declined by -6k, the fourth consecutive drop for this sector, but construction added 13k. Truck transportation employment declined by -3.5k, after a -2.4k drop in May. April's sharp 11.6k jump is being whittled to a more reasonable and trend-following pattern. Employment in motor vehicles rose 5.1 and May's figure was revised to +4.8, hinting at some increased auto related activity.

Consumer Indicators

	Real Disposable Income	Non-Farm Payrolls	New Job Growth	U-6 Unemployment Rate	Avg. Weekly Hours	Personal Savings Rate	U.of M. Consumer Sentiment	Consumer Price Index	Real Retail Sales	Case-Shiller 20 City Home Price Index
	Y/Y%Chg.	Y/Y%Chg.	M/M, 000s		Hours		Index	Y/Y%Chg.	Y/Y%Chg.	Y/Y%Chg.
June	1.3%	1.6%	87	14.8%	33.7	4.1%	73.2	1.7%	2.0%	0.6%
July	1.5%	1.7%	153	14.9%	33.7	3.9%	72.3	1.4%	2.7%	1.1%
Aug.	1.6%	1.7%	165	14.7%	33.6	3.7%	74.3	1.7%	3.6%	1.9%
Sep.	1.7%	1.6%	138	14.7%	33.7	3.3%	78.3	2.0%	3.6%	3.0%
Oct.	1.6%	1.6%	160	14.5%	33.6	3.7%	82.6	2.2%	2.2%	4.3%
Nov.	3.5%	1.7%	247	14.4%	33.7	4.7%	82.7	1.8%	2.7%	5.6%
Dec.	6.4%	1.7%	219	14.4%	33.7	7.4%	72.9	1.8%	3.3%	7.0%
2013	0.3%	1.5%	148	14.4%	33.6	2.2%	73.8	1.6%	2.9%	8.1%
Feb.	0.7%	1.6%	332	14.3%	33.8	2.6%	77.6	2.0%	2.2%	9.4%
Mar.	0.8%	1.5%	142	13.8%	33.8	2.6%	78.6	1.5%	1.7%	10.9%
Apr.	1.1%	1.6%	199	13.9%	33.7	3.0%	76.4	1.1%	2.5%	12.0%
May	1.1%	1.6%	195	13.8%	33.7	3.2%	84.5	1.4%	2.9%	--
June	--	1.7%	195	14.3%	33.7	--	84.1	--	--	--

CONSUMER INDICATORS: This is a banner month: all the components of the consumer matrix are positive. The strength of the components suggests that future consumption is likely to accelerate from the current pace and reinforces our outlook for the second half of 2013. Evidence of increased consumer ability to spend can be seen in the firm and rising pace of home sales as well as the jump in automobile sales to a nearly 16 million annualized pace.

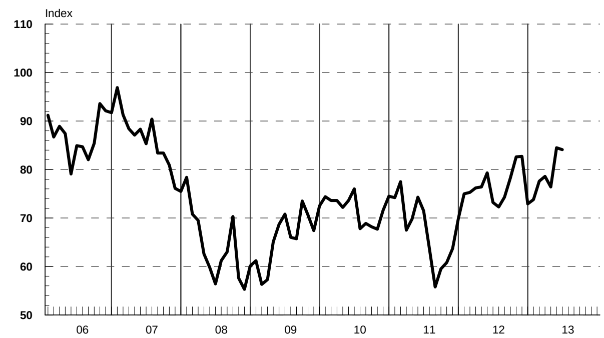
The Thomson/Reuters University of Michigan Consumer Sentiment Index in May stood at 84.1, just a tad below last month's reading, levels not seen since 2007 and prior to the onset of the Great Recession. The rise was driven by increases in both the expectations and current conditions components. The strength was echoed by the other surveys of confidence.

The confidence gains, according to respondents, were driven by rising household wealth, implying that the optimistic outlook is being driven by the higher end of the income spectrum. Firmer expectations are associated with a greater propensity to spend.

Housing prices, as measured by the Case-Shiller 20-City Index, rose 12.1% y/y, the 11th consecutive positive reading. All cities recorded increases on a monthly basis, and approximately 60% of the markets registered year-over-year increases in excess of 10%. Other measures of housing prices are also recording solid increases.

University of Michigan: Consumer Sentiment

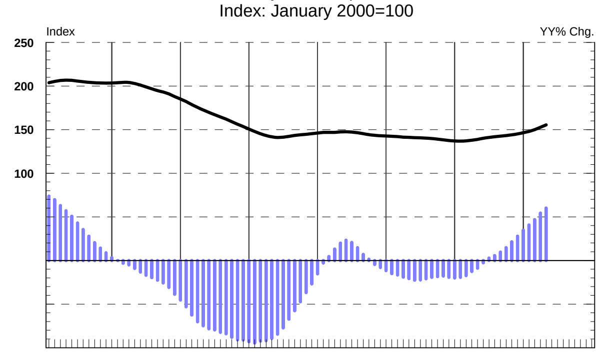
January 2006 - June 2013
Index Q1'66=100



Source: SRC at U.Mich., ACT Research: Copyright 2013

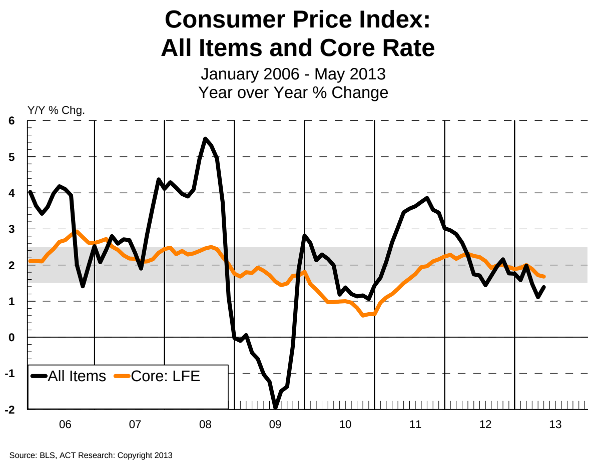
S&P Case-Shiller 20-City Housing Price Index

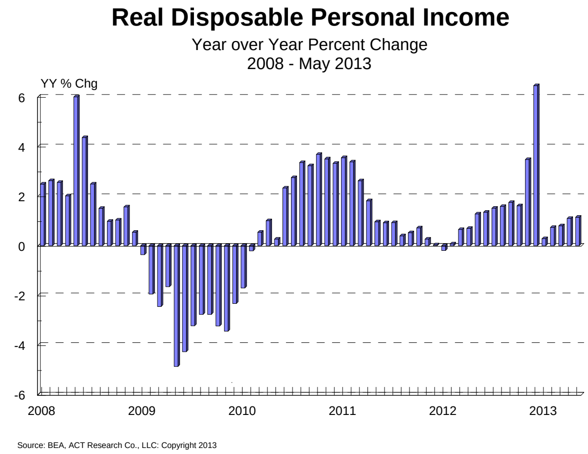
January 2006 - April 2013
Index: January 2000=100



Source: Federal Reserve Board, ACT Research: Copyright 2013

Retail spending by consumers has also been positive. In May, real retail sales rose at a 2.9% y/y pace. It should be noted that this strength is at





variance with figures released in conjunction with the income data. The conflict is likely to be resolved when real GDP in Q2 is reported.

The pace of inflation as measured by the CPI rose by 1.4% y/y in May while the core rate increased at a 1.7% pace. Both measures continue to be below the Fed's presumed acceptable pace of 2%. The low rate of inflation provides some wiggle room for Fed policy initiatives as well as increases in consumer spending power.

The potential for consumer spending is enhanced. Real disposable income is growing at a 1.2% pace, a return to the pace experienced in 2012. In addition the saving rate has returned to the 3% range. With growth in home values and equity, the gap between the desired saving rate and 3% has narrowed considerably. Thus the pressure to save rather than spend has also been greatly reduced. Employment growth, while not soaring continues to advance at a moderate pace.

FREIGHT METRICS: This is a good month: all the components of the freight matrix are also pointing to strength with manufacturing possibly characterized as neutral.

The pace of freight movement improved in early 2013. ACT's Quarterly Freight Composite is estimated to have risen at a 6.9% annual rate in Q1'13 following modest growth in 2012. The ATA tonnage index tells a similar tale, rising at a 7.2% y/y pace in May following a 3.8% pace in April. The strength is not unanticipated given the rising pace of housing activity, improved business spending, and continued activity in oil and gas exploration.

Forward-looking indicators suggest that additional strength is likely in coming months. The June ISM index rebounded to 50.9 after a 49 reading in May. This figure suggests that June industrial production

Freight Metrics

	ACT Freight Composite	ATA SA Truck Tonnage	Trucking Employment	ISM Index	ISM: New Orders	ISM: Exports	Industrial Production	Cap. Goods Orders (ex air, etc.)	Car & Light Truck Sales	Housing Starts
	Q/Q SAAR	Y/Y%Chg.	Y/Y%Chg.	Index	Index	Index	Y/Y%Chg.	Y/Y%Chg.	Mil. SAAR	000s SAAR
June	1.7%	3.2%	3.6%	50.2	47.8	47.5	4.4%	2.2%	14.33	757
July		4.2%	4.0%	50.5	48.0	46.5	4.2%	-2.7%	14.04	741
Aug.		3.8%	4.1%	50.7	47.1	47.0	2.8%	-2.8%	14.46	749
Sep.	3.8%	1.6%	4.0%	51.6	52.3	48.5	2.9%	-6.0%	14.88	854
Oct.		-3.7%	4.3%	51.7	54.2	48.0	2.2%	-4.0%	14.23	864
Nov.		4.0%	4.2%	49.9	50.3	47.0	3.3%	2.7%	15.48	842
Dec.	2.8%	-2.2%	4.0%	50.2	49.7	51.5	2.7%	-4.7%	15.33	983
2013		3.6%	3.5%	53.1	53.3	50.5	2.0%	6.5%	15.22	898
Feb.		2.5%	3.0%	54.2	57.8	53.5	2.3%	-0.8%	15.32	969
Mar.	6.9%	2.9%	2.6%	51.3	51.4	56.0	3.0%	-0.2%	15.21	1,005
Apr.		3.8%	3.4%	50.7	52.3	54.0	1.8%	2.8%	14.86	856
May		7.2%	2.8%	49.0	48.8	51.0	1.6%	3.6%	15.23	914
June	1.8%	--	2.2%	50.9	51.9	54.5	--	--	15.89	--

is likely to be more robust than May's unchanged figure and April's -0.4% decline. The industrial sector has been a laggard in recent months. June's ISM hints that firmer economic news is on the horizon.

Durable goods orders rose +1.5% in May (3.6% y/y) following April's upwardly revised +1.2% (2.8% y/y). The upward trend in orders, although modest, is exceeding shipments suggesting faster production and inventory investment is likely. The ISM for new orders supports this analysis. It jumped from 48.8 in May to 51.9 in June.

The ISM for exports rose to 54.5 from May's 51 reading, the seventh consecutive reading above 50. The increase is surprising given European weakness and what appears to be a developing softness in Asia. We know that it typically takes several months before changes in fundamentals affect the export markets. Continued strength in the ISM's export component may reflect this phenomenon.

Car and light vehicle sales in June averaged 15.9 million (SAAR), nearly 0.7 million units faster than the average pace of the prior six months. What's more, for a fourth consecutive month, truck sales exceeded passenger cars. We draw two lessons from this. One, that fundamentals are enabling consumers to increase their spending. Second, that spending on light trucks augurs well for increased business spending on transportation equipment.

Industrial production was unchanged (1.6% y/y) in May following a decrease -0.4 percent in April (1.8% y/y). Growth in the industrial sector has been lackluster and there is little at present to suggest a trend change. Surveys of activity are mixed at best. Vehicle manufacturers are about to increase production schedules and the June production ISM jumped to 53.4 from last month's 48.6. Offsetting this was the June report that manufacturing employment fell -6k, the fourth consecutive drop for the sector.

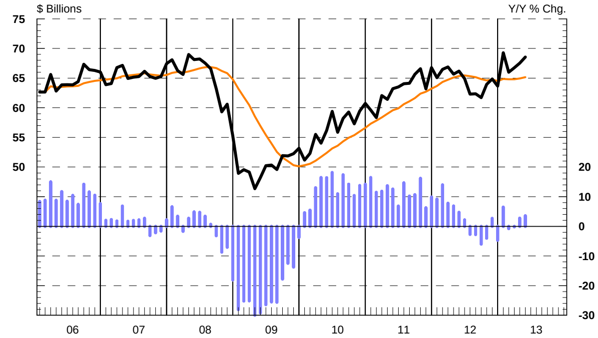
Housing starts regained momentum in May, totaling 914,000 units after April's plunge to 856,000. Pent up demand in terms of household building, firm prices and a lack of existing home inventory suggest future increases are likely.

PETROLEUM AND NATURAL GAS: The energy complex has been unusually quiet in recent months. WTI crude prices have been rising slowly in an irregular fashion year to date. Despite the fact that WTI prices have risen by nearly $4/bbl., gasoline cost at the pump has remained around the $3.65 level while diesel has fallen from $3.93 to $3.84 over the same time span.

The spread between WTI and Brent has been narrowing. It now stands at around $5. We believe

Manufacturers' New Orders: Nondefense Capital Goods Excluding Aircraft

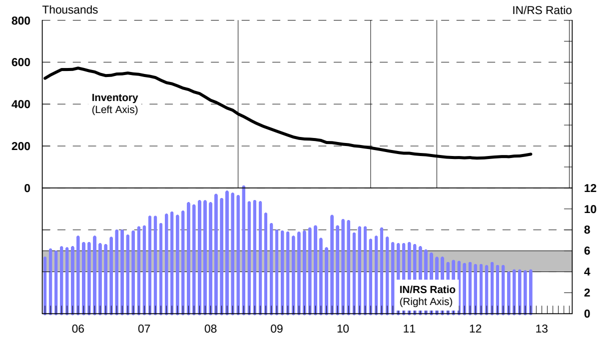
January 2006 - May 2013
Billions of Dollars-SAAR



Source: Census Bureau, ACT Research: Copyright 2013

New Home Inventory & IN/RS

January 2006 - May 2013
Thousands of Units-SAAR



Source: Census Bureau, ACT Research: Copyright 2013

Petroleum Price Trend

	West Texas Intermediate Crude Oil $/Barrel	Brent Crude Oil $/Barrel	Retail Diesel (All Grades) $/Gallon	Unleaded Gasoline (All Grades) $/Gallon	Natural Gas Futures: 1 Mo. $/1MmBTU
June	$ 82.30	$ 95.16	$ 3.76	$ 3.62	$ 2.50
July	$ 87.90	$ 102.62	$ 3.72	$ 3.50	$ 2.96
Aug.	$ 94.13	$ 113.36	$ 3.98	$ 3.78	$ 2.81
Sep.	$ 94.51	$ 112.86	$ 4.12	$ 3.91	$ 2.92
Oct.	$ 89.49	$ 111.71	$ 4.09	$ 3.81	$ 3.50
Nov.	$ 86.66	$ 109.06	$ 4.00	$ 3.52	$ 3.69
Dec.	$ 87.86	$ 109.49	$ 3.96	$ 3.38	$ 3.44
2013	$ 94.69	$ 112.45	$ 3.91	$ 3.39	$ 3.35
Feb.	$ 96.21	$ 116.43	$ 4.11	$ 3.74	$ 3.31
Mar.	$ 93.00	$ 109.18	$ 4.07	$ 3.77	$ 3.77
Apr.	$ 91.86	$ 102.25	$ 3.93	$ 3.62	$ 4.16
May	$ 94.39	$ 102.63	$ 3.87	$ 3.67	$ 4.07
June	$ 95.77	$ 102.74	$ 3.84	$ 3.66	$ 3.86

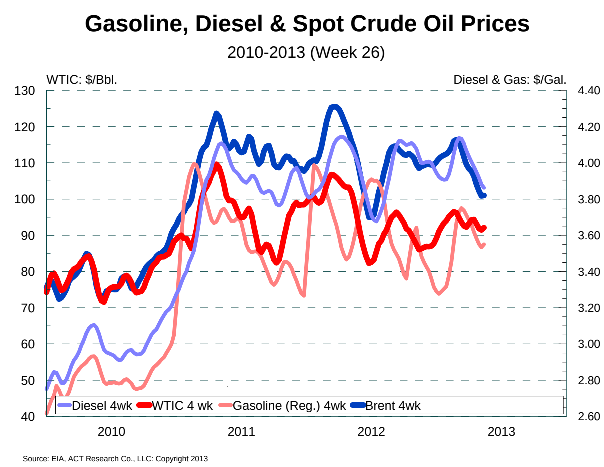
that the narrowing reflects the fact that surplus U.S. crude has begun to enter the world distribution system. After two years, a return to near parity in price may finally have arrived.

Our near-term outlook on prices at the pump remains largely unchanged. Gasoline prices should oscillate in the $3.35 to $3.75 range, while diesel prices are expected to range between $3.80 and $4.10. In recent days crude prices have risen sharply, likely reflecting the volatile political situation in Egypt. Unless the political situation in the Middle East deteriorates further, we suspect that the negative impact will be temporary and minor, especially considering that Egypt is not an oil power.

Natural gas prices have stabilized around the $4.00/mmbtu level. The Baker-Hughes rig count for natural gas has begun to plateau at the 354 level after being halved over the course of the previous 12 months. These developments reinforce our belief that we are near the break-even point for natural gas producers, which we estimate lies in the $4.50 to $6.00 range.

ECONOMIC SIGNPOST DEVELOPMENTS

- **Non-Farm Payroll Employment and Initial Unemployment Claims:** A sustained jump above 200,000 per month in employment, declines in initial claims well below the 350,000 level, and continued increases in hiring and quit rates (JOLTS data) are signs of improving labor markets. As of June we appear to be on the cusp of such a development.
- **Inflation:** We continue to expect CPI to fluctuate around the 2% mark for total and core inflation measures. To date, the inflation numbers have been well below these benchmarks.
- **Consumer Spending:** Vehicle sales jumped to 16 million units, and continued increases in housing starts, sales, and prices suggest that consumer spending will not falter but continue advancing at a 2% to 2.5% pace. We are on track with these signposts.
- **Dollar Value on FX Markets:** Concerns about Europe and economic activity of emerging economics are boosting the dollar's value. Until these matters are resolved, the dollar is expected to remain firm.
- **Politics:** The implementation of the Sequester may make the public more amenable to additional cuts in government spending. The prospect for a "grand resolution" of budgetary issues does not appear likely. Better than expected revenues as well as political maneuvering have deferred the debt ceiling issue until late 2013 at the earliest.



SUMMARY: The long-term outlook for the U.S. economy is for continued, accelerating growth. We expect U.S. GDP to expand by 2.0% in 2013 and grow even faster in 2014. Strength in consumer spending, housing, and business fixed investment should offset weakness in government outlays, especially federal, as well as the trade sector.

Rising asset values, healthier balance sheets, a greater willingness to lend, as well as favorable developments in the energy sector, suggest that consumer spending can advance at around 2%-2.5%. Strong auto and home sales support this outlook.

Inflationary pressures are likely to fluctuate around 2%. Given the large gap between actual and potential GDP, development of persistent price pressures appears unlikely in 2013 and possibly 2014. In recent months, the pleasant surprise has been a slowing of inflation to below 1.5%.

As its confidence in the firmness of the economy recovery grows, the Federal Reserve is likely to begin reducing its monthly purchase of approximately $85 billion in securities (QE3). Based on current trends, this withdrawal is likely to begin toward the end of 2013. The paring of support will continue at a roughly $10 billion monthly reduction in the rate of purchases, concluding sometime in 2H'14.

NORTH AMERICAN ECONOMY

U.S. ECONOMIC ACTIVITY

	2011	2012	2013	2014	2015	2016	2017	2018
	(A)	(A)	(F)	(F)	(F)	(F)	(F)	(F)
Real GDP (bil. US$05)	13299.1	13593.2	13861.4	14237.0	14621.9	14953.5	15388.7	15861.8
y/y % chg.	**1.8%**	**2.2%**	**2.0%**	**2.7%**	**2.7%**	**2.3%**	**2.9%**	**3.1%**
Personal Consumption (bil. US$05)	9430.7	9603.3	9821.5	10061.8	10313.3	10529.9	10824.8	11149.5
y/y % chg.	**2.6%**	**1.8%**	**2.3%**	**2.4%**	**2.5%**	**2.1%**	**2.8%**	**3.0%**
PCE: Durable Goods (bil US$05)	1263.2	1360.9	1464.0	1558.4	1633.2	1703.4	1771.6	1877.8
y/y % chg.	**7.2%**	**7.7%**	**7.6%**	**6.4%**	**4.8%**	**4.3%**	**4.0%**	**6.0%**
Business Fixed Investment (bil. US$05)	1378.2	1487.9	1557.7	1651.7	1734.3	1803.7	1911.9	2026.6
y/y % chg.	**8.6%**	**8.0%**	**4.7%**	**6.0%**	**5.0%**	**4.0%**	**6.0%**	**6.0%**
Residential Fixed Investment (bil. US$05)	327.6	367.1	419.8	481.4	519.9	551.1	573.2	596.1
y/y % chg.	**-1.4%**	**12.1%**	**14.3%**	**14.7%**	**8.0%**	**6.0%**	**4.0%**	**4.0%**
Government Purchases (bil. US$05)	2523.9	2481.1	2411.5	2393.5	2405.4	2429.5	2441.6	2453.8
y/y % chg.	**-3.1%**	**-1.7%**	**-2.8%**	**-0.7%**	**0.5%**	**1.0%**	**0.5%**	**0.5%**
Exports (bil. US$05)	1776.9	1837.3	1854.5	1920.3	2006.7	2105.0	2208.2	2316.4
y/y % chg.	**6.7%**	**3.4%**	**0.9%**	**3.5%**	**4.5%**	**4.9%**	**4.9%**	**4.9%**
Imports (bil. US$05)	2184.9	2238.1	2242.7	2316.7	2397.8	2505.7	2610.9	2720.6
y/y % chg.	**4.8%**	**2.4%**	**0.2%**	**3.3%**	**3.5%**	**4.5%**	**4.2%**	**4.2%**
Net Exports as % of GDP	**3.1%**	**2.9%**	**2.8%**	**2.8%**	**2.7%**	**2.7%**	**2.6%**	**2.5%**
Consumer Price Index - All (82-84=100)	225.0	229.6	233.5	237.9	243.2	248.5	254.0	259.6
y/y % chg.	**3.2%**	**2.0%**	**1.7%**	**1.9%**	**2.2%**	**2.2%**	**2.2%**	**2.2%**
Unemployment (%)	**8.9**	**8.1**	**7.4**	**6.8**	**6.8**	**6.5**	**6.5**	**6.4**
Industrial Production	93.7	97.0	100.0	103.5	106.7	109.9	113.1	116.5
y/y % chg.	**3.4%**	**3.6%**	**3.1%**	**3.5%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Freight Composite (bil. US$05)	11754.8	12330.3	12819.6	13427.8	13974.6	14508.2	15088.6	15759.4
y/y % chg.	**3.5%**	**4.9%**	**4.0%**	**4.7%**	**4.1%**	**3.8%**	**4.0%**	**4.4%**

Source: ACT Research Co., LLC

U.S. ECONOMIC ACTIVITY
Real GDP & Components

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
	(F)	(F)	(F)	(F)	(F)	(F)	(F)	(F)
Real GDP (bil. US$05)	13725.7	13809.2	13905.1	14004.7	14095.9	14174.5	14287.2	14390.3
Q/Q % Chg. @ SAAR	**1.8%**	**2.5%**	**2.8%**	**2.9%**	**2.6%**	**2.2%**	**3.2%**	**2.9%**
Personal Consumption (bil. US$05)	9726.2	9791.9	9853.1	9914.7	9969.2	10029.0	10091.7	10157.3
Q/Q % Chg. @ SAAR	**2.6%**	**2.7%**	**2.5%**	**2.5%**	**2.2%**	**2.4%**	**2.5%**	**2.6%**
Business Fixed Investment (bil. US$05)	1524.0	1543.1	1566.2	1597.5	1615.5	1637.7	1662.3	1691.4
Q/Q % Chg. @ SAAR	**0.4%**	**5.0%**	**6.0%**	**8.0%**	**4.5%**	**5.5%**	**6.0%**	**7.0%**
Residential Fixed Investment (bil. US$05)	399.1	412.1	426.5	441.4	456.9	472.9	489.4	506.5
Q/Q % Chg. @ SAAR	**14.0%**	**13.0%**	**14.0%**	**14.0%**	**14.0%**	**14.0%**	**14.0%**	**14.0%**
Government Purchases (bil. US$05)	2428.2	2410.0	2404.0	2404.0	2398.0	2392.0	2392.0	2392.0
Q/Q % Chg. @ SAAR	**-4.8%**	**-3.0%**	**-1.0%**	**0.0%**	**-1.0%**	**-1.0%**	**0.0%**	**0.0%**
Net Exports as % of GDP	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**
Freight Composite (bil. US$05)	12673.0	12729.1	12841.1	13035.3	13178.5	13314.7	13524.4	13693.8
Q/Q % Chg. @ SAAR	**6.9%**	**1.8%**	**3.6%**	**6.2%**	**4.5%**	**4.2%**	**6.5%**	**5.1%**

(A): ACTUAL, (I): Initial, (P): Preliminary, (F): Forecast
Source: ACT Research Co., LLC

CANADA

In the Bank of Canada's June Financial System Review (FSR), the Governing Council asserted that risks to the country's financial system are high. The five main concerns are:

- financial stresses in the euro area,
- lackluster global demand,
- record-setting household indebtedness,
- imbalances in housing market segments, and
- pitfalls of prolonged low interest rates.

Improvements cited since December 2012 include:

- easing of funding pressures in the euro area,
- avoidance of the fiscal cliff in the U.S.,
- deceleration of household credit growth, and
- moderation of housing market activity.

The FSR revealed that risks associated with the Euro-area crisis, the Canadian household financial situation, and the domestic housing market "have decreased but remain within the same risk category" since its last report.

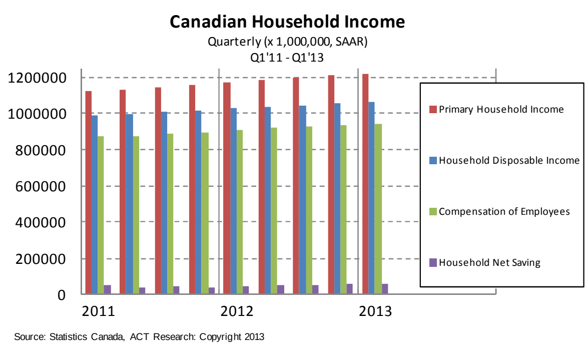
Earlier this year, the Bank downgraded economic growth for 2013 to 1.5%, upgraded 2014 to 2.8%, and projected 2015 at 2.7%. Amid continued softness, total and core inflation expectations have been pushed back and are not projected to reach 2% until mid-2015, a year later than previously anticipated. The overnight rate remains at 1%. Canada's economic growth overall remains modest but positive, albeit lower than its potential.

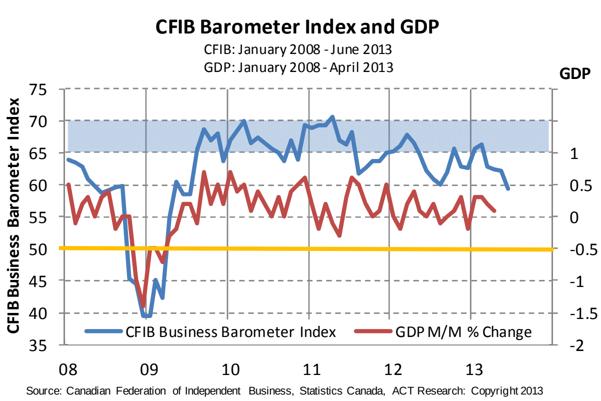
GDP: April's GDP rose just 0.1%, down slightly from 0.2% in March and 0.3% in January and February. Goods production and construction were down, while service industries, manufacturing, and utilities saw gains during the month. Following the recent lockout, this year's extended NHL season is credited with a portion of the service sector gain as the arts and entertainment segment grew an astounding 3.4% in April. Additionally, wholesale and retail trades both rose during the month, up 0.6% and 0.5%, respectively.

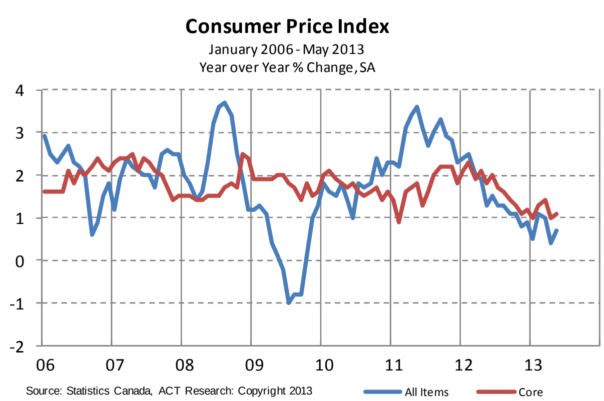
Small business confidence, as measured by the Canadian Federation of Independent Business (CFIB) Business Barometer Index, fell for a fourth consecutive month, reaching 59.4 in June. The last time this indicator fell under 60 was July 2009. As a diffusion index, a reading above 50 indicates optimism; while a reading above 65 signals that the economy is growing at its potential.

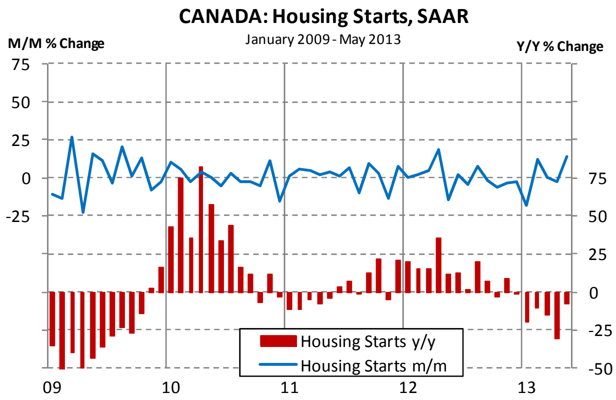
CONSUMERS: Consumer prices (CPI) in May increased 0.7% y/y, following a 0.4% rise the previous month. The CPI inflation control range maintained by the Bank of Canada is 1% to 3%. May's core CPI, which excludes the most volatile products, mirrored April's increase of 1.1% y/y, a level last seen in December 2012. The previous two months' core CPI was 1.4%.

Canadians continue to shoulder the record levels of debt relative to income that persisted throughout 2012. The Canadian household savings rate ended Q1'13 at 5.5% while compensation and income are on the rise. The debt-to-disposable income ratio dipped below 164% in Q1, the first time it has been under that mark since early last year.









Source: Statistics Canada, Canada Mortgage and Housing Corporation, ACT Research: Copyright 2013

HOUSING: March starts reached just over 181,000 units, but dropped in April to 176,000. May's housing starts regained momentum, rising 13.8% m/m to 200,200 units, but were down -7.9% y/y. This is the sixth month of year-over-year drops, partially season-related and partially a result of pre-buys. An unexpected tightening of government-backed insured mortgages took effect in July 2012.

INDUSTRY: Manufacturing sales have been oscillating since Q3'12, producing negatives in 4 of the past 5 months. May's m/m sales tumbled -2.4% from -0.3% in April. Sales declined in more than half of the country's industries, including a dive in petroleum and coal products, down -8.8%. Durable goods dropped -1.6% in May, after a slight increase the previous month. Non-durables fell -3.2% in May, following April's mere -0.8% drop.

Other manufacturing highlights:

- Inventories rose 0.6%, improving for the fourth consecutive month.
- April's inventory-to-sales ratio stands at 1.43 after being virtually unchanged in March.
- New orders lost again in April, down -0.9%. However, this is an improvement from the previous two month's growth rates of -2.2% in March and -4.0% in February.
- Unfilled orders dropped slightly, down -0.1%. This second straight m/m decline follows a string of four consecutive monthly gains.

CANADIAN ECONOMIC INDICATORS

	2011	2012	2013	2014	2015	2016	2017
Real GDP (bil. C$07)	1545.4	1584.0	1611.0	1638.3	1676.0	1717.9	1757.4
y/y % chg.	**2.5%**	**1.7%**	**1.7%**	**2.3%**	**2.5%**	**2.3%**	**2.2%**
Personal Consumption Expenditures (bil. C$07)	909.5	930.4	948.1	967.1	991.2	1011.1	1032.3
y/y % chg.	**2.3%**	**1.9%**	**2.0%**	**2.5%**	**2.0%**	**2.1%**	**2.0%**
PCE: Durable Goods (bil. C$07)	126.3	128.6	131.9	133.4	136.0	137.1	139.3
y/y % chg.	**1.8%**	**2.6%**	**1.1%**	**2.0%**	**0.8%**	**1.6%**	**2.0%**
Business Fixed Investment (bil. C$07)	312.1	346.7	368.2	381.9	409.7	431.9	450.9
y/y % chg.	**11.1%**	**6.2%**	**3.7%**	**7.3%**	**5.4%**	**4.4%**	**4.2%**
BFI: Equipment (bil. C$07)	76.7	83.3	87.6	89.4	95.1	100.8	105.5
y/y % chg.	**8.6%**	**5.2%**	**2.0%**	**6.4%**	**6.0%**	**4.7%**	**4.5%**
Residential Fixed Investment (bil. C$07)	106.5	108.2	114.8	112.0	111.3	113.0	115.2
y/y % chg.	**1.6%**	**6.1%**	**-2.4%**	**-0.7%**	**1.6%**	**1.9%**	**1.4%**
Net Exports ($ bil.)	**-35.8**	**-45.1**	**-39.1**	**-36.2**	**-24.9**	**-19.8**	**-18.0**
Consumer Price Index (02=100)	119.9	123.4	125.2	126.5	128.6	131.1	133.7
y/y % chg.	**2.9%**	**1.5%**	**1.0%**	**1.7%**	**1.9%**	**2.0%**	**2.0%**
30 Year Gov't. Bonds (%)	3.1	2.4	2.8	3.3	3.5	3.7	3.5
3 Month T. Bill (%)	0.9	0.9	1.0	1.2	1.7	2.6	3.3
Exchange Rate (US$ per C$)	**1.01**	**1.00**	**0.97**	**0.95**	**0.99**	**0.99**	**1.01**
Unemployment Rate	7.4	7.2	7.0	6.7	6.7	6.5	6.2

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

MEXICO

Mexico's economy decelerated to 0.8% in Q1'13 after growing 3.2% in Q4'12. Mexico's finance ministry attributed the results to slowing growth in the U.S., Mexico's largest trading partner. Although the economic data is giving mixed signals, with some indicators up and some down, there seems to be no doubt that the economy is continuing to decelerate due to weakening domestic demand. The external sector also remains subdued. The Mexican economy is expected to grow at a rate of 3.1% this year, compared to 3.9% in 2012.

Monthly Economic Data Highlights:

- The **leading economic index**, as measured by the Conference Board, declined in April, the first decline in four months. The coincident index, which is a measure of current economic activity, also declined.

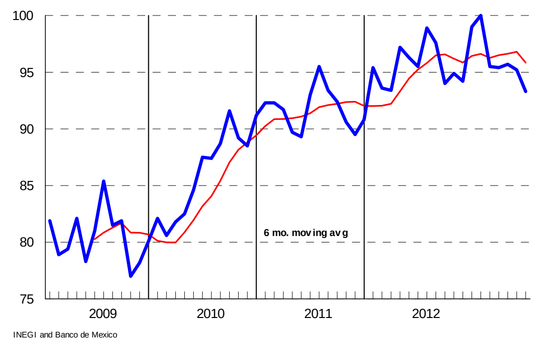
- **Consumer confidence fell** to 93.3 in June from 95.2 in May, still in pessimistic territory. This was a 2.3% drop from a year ago and the lowest reading in 19 months. Consumers showed more pessimism in June in each of the five measurements of this indicator: their economic situation compared to a year ago, their future economic expectations, the past and future economy of the country, and their current ability to purchase household goods compared to a year ago**.**

- **Remittances** from Mexicans working outside the country (mostly in the U.S.) rose 6.9% month over month in May. However, they were down 13.2% from May 2012. Year to date, remittances are down 10%, which is bad news for Mexico. Remittances are the second largest source of foreign exchange and help cover the living expenses of millions of people.

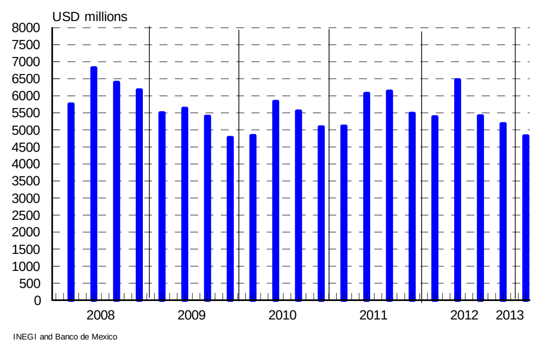
- **Inflation** remained steady from April to May at 4.6%. Core inflation, which excludes the more volatile elements such as food and energy, declined from 3% to 2.9%. In early March the Banco de Mexico dropped its overnight rate from 4.5% to 4.0%, and has maintained this rate through its July meeting. The Bank stated that the interest rate cut was a one-off move and does not signal the beginning of an easing cycle. The bank's target for inflation remains at 3.0%. Monetary authorities have said that the rise in inflation seen in recent months reflects transitory factors. They expect inflation to begin trending downward in June.

- **Peso:** The peso averaged 13.16 pesos per dollar in 2012, compared to 12.44 pesos per dollar in 2011, a devaluation of almost 6%. In the first quarter of 2013, the peso averaged 12.65 pesos per U.S. dollar. It strengthened to an average of 12.47 pesos per dollar in Q2. The

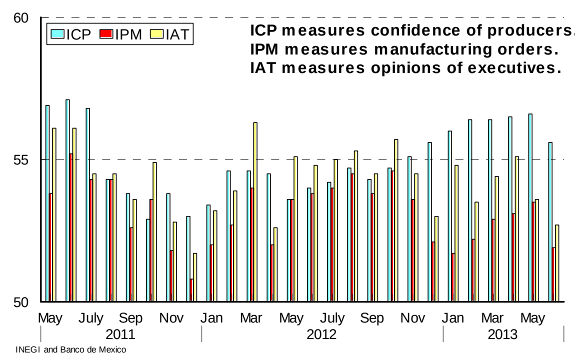
Mexican Consumer Confidence
January 2009 - June 2013



Mexico - Remittances by Quarter
Q1 2008 - Q1 2013
US$ millions



Manufacturing Sentiment
Readings above 50 = Optimism
May 2011 - June 2013



peso is expected to average 12.41 pesos per dollar in 2013. The Central Bank of Mexico said that it expects ample liquidity in international financial markets, but a less accommodative monetary stance in developed economies. This could heighten exchange rate volatility in the short term.

- **Surface trade** between Mexico and the U.S. in April was US$35.7 billion, up 5.6% month over month and 12.6% year over year. Exports to the U.S. were down month over month while imports from the U.S. expanded. Trucks carried 67.3% of the freight between the two countries in April, and border crossing delays continue to hamper the flow of goods. The U.S. Department of Commerce has estimated that every minute of delay at the five busiest U.S.-Mexico border crossings costs the U.S. economy about $116 million.
- **Unemployment** inched down to 5.07% in May from 5.14% in April.
- The **manufacturing sector remained optimistic** in May, but all measures were lower than they were a month ago. Manufacturers were most pessimistic about expected delivery of materials, while they were most optimistic about future economic situations of their companies.
- **Economic activity** in April rose from March for all three segments of the economy. The agricultural sector rose 6.6% year over year; industry rose 3.3% y/y, and services rose 5.2% y/y. The total economy rose 4.55% year over year in April, after declining 1.7% y/y in March.
- **Tourism** is Mexico's fifth largest source of revenue, following manufacturing, oil, remittances, and foreign direct investment. In 2012, tourism generated $12.7 billion in foreign exchange inflows, according to J.P. Morgan Chase. Mexico's tourism industry is the country's largest employer, providing jobs for 3.3 million people, according to the World Travel and Tourism Council. Although U.S. tourists still make up the largest portion of foreign visitors, the number has dropped recently due to ongoing drug violence. Mexico is now targeting tourists from Russia, Brazil, Peru and Columbia, by making it easier to secure travel visas.

Continuing Violence: Local elections in 13 states in Mexico have spurred violence, including assassination attempts on some of the local candidates. Pundits fear that this could endanger the Pact for Mexico, an agreement between the country's three main political parties that's pushing reforms through Congress. In the words of a political scientist at the Mexico Autonomous Institute of Technology, "Violence affects democracy and is damaging democracy in Mexico, if no one can run for their party safely."

MEXICAN ECONOMIC INDICATORS	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP (US$ billions)	884	1035	1157	1178	1341	1476	1579	1668	1772
y/y % chg.	-6.0	5.3	3.9	3.9	3.1	4.0	3.9	3.9	3.9
Private Consumption									
y/y % chg.	-7.2	4.9	4.4	3.3	3.4	4.0	4.6	4.3	4.4
Fixed Investment									
y/y % chg.	-11.8	0.3	8.1	5.9	4.7	6.4	6.7	6.6	6.8
Consumer Price Index - All Urban									
y/y % chg. eop	3.6	4.4	3.8	3.6	3.7	3.7	3.5	3.4	3.5
Industrial Production	-7.7	6.1	4.0	3.6	2.5	3.9	4.0	3.8	3.9
Interbank Target Rate (% eop)	4.5	4.5	4.5	4.5	3.8	4	4.48	5.2	5.64
Exchange Rate (Pesos per U.S.$)									
average	13.50	12.63	12.44	13.16	12.41	12.13	12.19	12.39	12.53
Unemployment %	5.5	5.4	5.2	5.0	4.8	4.6	4.4	4.3	4.2

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 (N.A.) domestic manufacturers and represents all their markets (U.S., Canada, Mexico, and export). Historically, medium duty demand is made of three components: medium trucks at about 70% of the market, school/urban buses at 18%, and recreational vehicles at 12%. In 2012, the segments held a 75%, 18%, and 7% split, respectively.

TRUCKS

The total medium duty market turned in very respectable results in May. The activity added to the momentum that is needed to achieve the forecast. Market fundamentals and economics support the likelihood that that expectation will be met. Market-wide, there were very few soft spots in May. Sequential weakness was limited to build, new orders, cancellations in the short term, and build in the longer term. Important to note is that the declines in these indicators were in the low single digit percentage point range. As usual, trucks drove the pattern, understandable given their relative stature. Medium duty buyers appear to be relieving pent-up demand at an almost systematic pace.

Medium Duty Truck Current Market Activity

	% Change		
May 2013	**M/M**	**Y/Y**	**12 MMA**
Build	-5%	3%	11,768
units/day change	(32)	16	
Sales	12%	15%	11,111
Backlog	3%	30%	
unit change	803	6,863	
BL/BU ratio	2.3	1.8	
Inventory	-3%	-10%	
IN/RS ratio	2.6	3.4	
Net Orders	-3%	16%	11,375

PRODUCTION: May truck chassis build backed off from April's six month high, slipping 5% month/month to a build of 13,106 units. The reduced build was solely due to a lower per day build rate, since April and May both had 22 build days. The month's per day build rate decreased from 628 to 596 units. Current OEM build plans call for quarterly per day build rates of 570 units for Q3'13 and 635 units for Q4'13. Units have been pulled into Q2 and pushed into Q4 since last month's report.

BACKLOG: Combining build and incoming net orders yielded a backlog of 30,063 units, up 3% in May. Pairing the larger backlog and lower build resulted in a BL/BU ratio for medium duty trucks of 2.4 months. This reading, which is slightly below the 2.5 to 3.5 month target range, serves as a real world reminder of the hand-to-mouth scenario the medium duty market has been steeped in for the past year and a half. The ratio suggests downward pressure on build rates is the most prudent course of action, but reality has trumped theory for nearly the past two years.

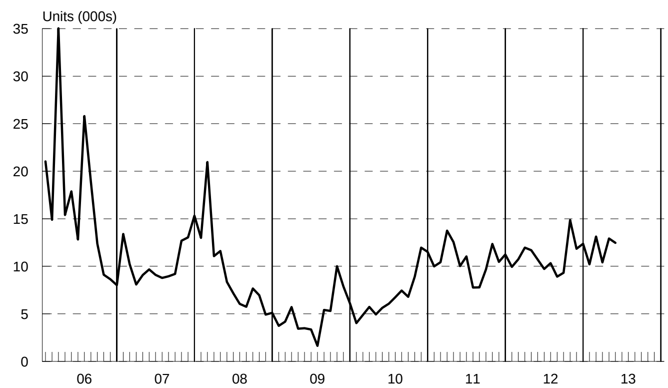
INVENTORY: Strong retail sales in May made a noticeable dent in the truck inventory. At the current level of inventory and sales, the inventory-to-sales ratio stands at 2.6 months, near the bottom of the target range of 2.5 to 3.5 months. This reading implies the need to increase production, but at issue is whether retail sales will remain at May's elevated level.

NET ORDERS: A total of 12,471 net orders for trucks was placed in May, a 4% sequential decline. The improvement follows a spectacular April, in which orders were up nearly 25% sequentially. June's preliminary medium duty truck net order intake of 11,100 units (±5%) confirms the segment has entered the summer slowdown season.

RETAIL SALES: May retail sales improved to their second best reading since June 2007, climbing 12% month over month. On a SAAR basis, the month's sales were right on pace to hit the current forecast. Seasonally, May and June are among the best months of the year for medium duty truck sales.

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

January '06 - May '13 (Not Seasonally Adjusted)



ACT Research Co., LLC: Copyright 2013

ACT Research

BUSES

Performance of market indicator data in the bus segment was scrambled in May. Sequentially and on a year-over-year basis, there was little agreement within concurrent indicators (build and sales) and forward looking indicators (orders and backlog). Year-to-date, the two groups were more consistent, but results were contrary to those for the shorter time period comparisons. As a result, moderately paced growth remains the theme for 2013.

News on the bus front has subsided with the onset of the summer break. A recent article in STN News encapsulated what some districts are still dealing with. Vicki Mattson, executive director of the Illinois Association for Pupil Transportation commented that she had heard rumors that the cuts to the transportation budget might not be as bad as were originally expected. The original funding proposal was for only 20% of the needed amount. That figure is now closer to 75%, putting it on par with the current fiscal year budget. Some Illinois districts are preparing for the worst, but hoping for the best.

BACKLOG: Combining nearly identical net orders and production resulted in no meaningful change in the backlog from April. The actual backlog settled at 8,554 units at the end of May. With May's robust rate of production, the backlog would last about 2.6 months if no new orders were received.

PRODUCTION: Medium duty bus production accelerated for the third consecutive month, jumping 14% in May. Like trucks, the gain was solely the result of a higher per day build rate, given the equivalent number of build days in April and May. Even though the backlog is near the lower end of the desired target range, OEMs are not likely to make permanent changes to build plans. That having been said, June is historically the strongest build month of the year, so rates may increase one more month before receding.

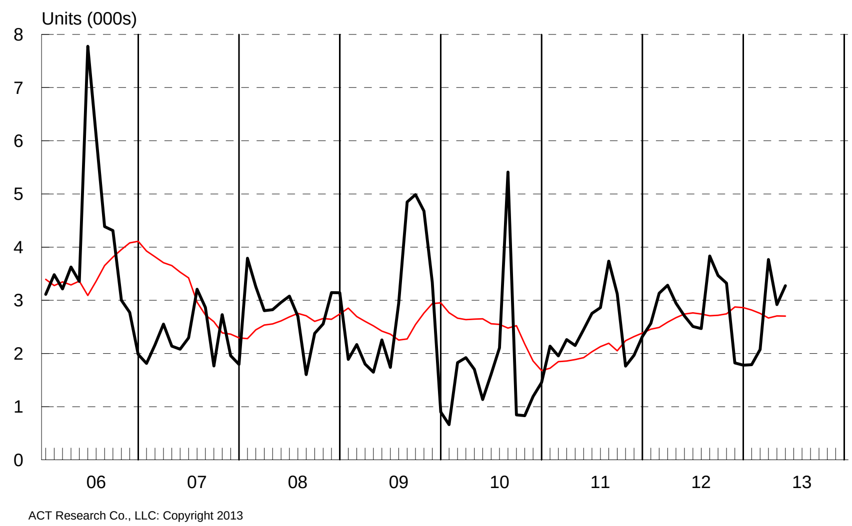
INVENTORY: The inventory of medium duty school buses was clipped by 7% in May. Buses are not normally produced for inventory, although there are usually some units on hand to meet immediate needs. Dividing May's inventory level by retail sales activity resulted in an IN/RS ratio of 1.7 months.

NET ORDERS: May's net order intake moved in the expected direction, but not to the anticipated magnitude, increasing 12% in what is typically the best order month of the year. So far this year, demand is below last year's level. With the fundamentals in place, there is a good chance 2013 will see further improvement.

RETAIL SALES: May's Classes 5-7 bus retail sales fell 16% compared to April. In essence, they hid in the shadow of April's result, which was the best since October 2008. Even with the steep decline, the YTD comparison moved into positive territory. The segment is still expected to improve moderately in 2013 as municipalities revert to normal trade cycles.

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

January '06 - May '13 (Not Seasonally Adjusted)



ACT Research

RECREATIONAL VEHICLES

May RV market performance was vastly improved from April, when the segment was awash in a sea of red ink. From a demand perspective, meaningful improvement is taking place, as depicted in the chart below. Order activity can be expected to increase through about September, before the window closes as the seasonal nature of the space signals waning interest. On the current trajectory, the market may be hard pressed to best last year's results. Currently, production is running about 7% above year-to-date levels. One of the factors contributing to this is the migration of buyers from Type A RVs into towable and smaller self-propelled units. Both provide many of the same benefits and amenities, but potentially at a substantially lower cost.

The comments above notwithstanding, the industry consensus is for one of continued growth. Consider the Recreational Vehicles Industry Association's forecast for 8.4% growth in RV shipments over 2012. Note that that forecast is for all types of RVs, not just the Type A vehicles tracked by ACT Research. The association aptly points out that RV manufacturers have done a good job of adapting to consumers' "more realistic economic associations" and have responded by offering new, innovative products that respect new budget limitations.

BACKLOG: Combining May build and orders added 8% to the backlog, with 1,881 unbuilt units at the end of the month. At the current rate of production, the backlog would last 1.6 months if no new orders were received.

PRODUCTION: May's build fell 9% m/m, owing to a slightly lower per day build rate. The decrease follows the start of the RV season. As previously mentioned, units need to be in place at dealerships ahead of the start of the season. The industry is still faced with tough credit standards and enduring job concerns, which may inhibit worried consumers from re-entering the RV market. Being obliged to a monthly payment for a truly discretionary good is not feasible for most consumers.

NET ORDERS: Net orders surged again in May, rising 17% m/m. While the market exhibits periodic softness, it is expected to make additional gains in 2013. Attesting to the nascent recovery in the RV market, demand for Type A RVs in 2013 is expected to rise 15% to 20% above 2012.

RETAIL SALES: Retail sales struggled in May, dropping 10% m/m. The drop is inconsistent with historical seasonal expectations. Normally, the beginning of the RVing season results in improved sales. Time will tell whether the disconnect is a timing issue or something else is afoot.

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

January '06 - May '13 (Not Seasonally Adjusted)

CURRENT MARKET ACTIVITY

June Order Preview: With skinny backlogs relative to current build rates, orders above the rate of build will be required to grow the backlogs that will ultimately push build rates higher. Our forecast anticipates that this is the likely scenario into the end of the year as truckers race to take advantage of the extended and enhanced Section 179 tax break: It allows for an accelerated depreciation schedule for capital goods purchased in 2013. Getting us to that expectation is our underlying economic scenario which assumes:

- Continued economic growth, especially in key truck freight sectors
- Tightening capacity from freight and from the recently enacted Hours of Service regulations that boost trucker profits and confidence
- Good underlying support for used truck prices
- Meaningfully better new truck fuel economy
- A still old, high maintenance fleet in need of replacement

To that end, and to smooth the path to get to ACT's expectation of 262,000 units built in 2013, orders ideally would have averaged 23,000 units per month in Q2. Through May, the industry was on target at 23,200 orders/month. The preliminary reading for June, 18,900 units (±5%), brought the Q2 average down to around 21,800 units/month. Despite orders falling below our target, the Class 8 forecast remains unchanged again in the July OUTLOOK.

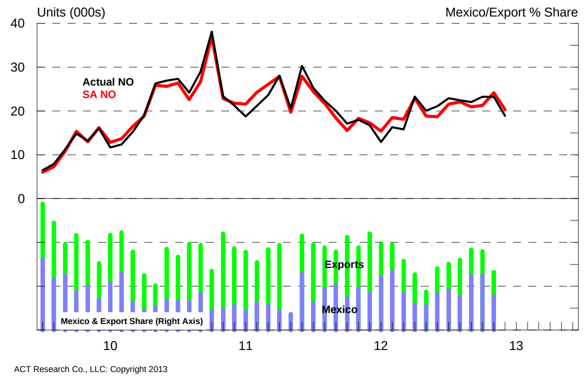
History is against strong order activity in Q3. As can be seen in the graph at right, each of the three months of the quarter falls anywhere from 11% to 18% below the average order month. Using the Q2 order trend as a guide and applying seasonal factors suggests that orders are likely to be in the range of 18,000 to 19,000 units per month through Q3. The annual drop in orders into Q3 makes sense on several levels:

- The biggest fleets have already booked all but incremental orders.
- Retail demand is particularly soft in January and February. Factoring for a 5-6 month backlog, orders are weak in the summer.
- Vacations make planning continuity difficult.

Given the underlying fundamentals, and the trend to more near-term orders, there is an expectation that order trend will rise modestly above seasonal expectations in Q3, particularly in September.

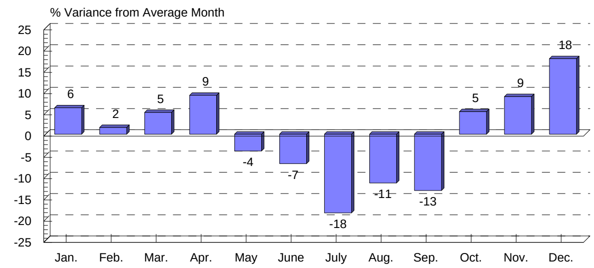
TOTAL CLASS 8: N.A. NET ORDERS

January '10 - Prelim June '13



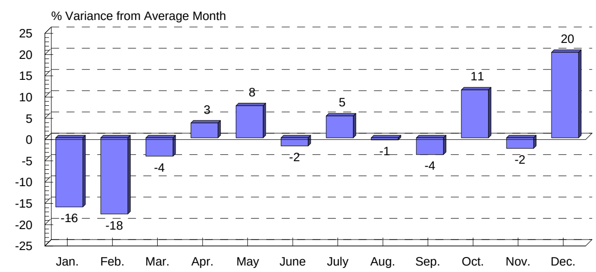
N.A. Class 8 Order Seasonal Factors

2013



N.A. Class 8 Retail Sales Seasonal Factors

2013



Over the past three quarters, more than 30% of industry production was ordered during the quarter. This trend, while maintaining production, provides very little in the way of medium-term confidence. We believe the jump in short-term order placements, on both a volume and percentage basis is related to several factors, including:

- confidence in the economy's path
- stagnant truck fleet profitability
- high new truck prices
- ongoing credit constraints

TRUCKERS: At a recently attended conference at which a number of trucking companies presented, the consensus opinion could be summed up as muted optimism: After an inconsistent first trimester,

Build Timing of Units in Backlog as of May 2013

CLASS 8	Actual BU YTD 05'13	Q2'13 Jun	Q3'13 Jul-Sep	Q4'13 Oct-Dec	Beyond	TOTAL
BACKLOG DISTRIBUTION		15,270	39,524	21,897	9,081	85,772
. Distribution by Quarter		17.8%	46.1%	25.5%	10.6%	
Class 8 Actual/Forecast Build	100,999	21,500	68,000	71,800		262,299
. Open build slots:		6,230	28,476	49,903		84,609
. % Open		29.0%	41.9%	69.5%		--
	YTD'13	Q2	Q3	Q4		
DAYS	102	20	61	59		
BUILD UPD (A/F)	990	1,075	1,115	1,217		

freight volumes in May were generally characterized as flat to rising slightly compared to year ago levels (and arriving ahead of schedule), spot market pricing was moving above year-ago rates, and all considered the approaching Hours of Service (HoS) regulations as a constraint on capacity that will ultimately be beneficial to pricing. News from leasing was also encouraging, with an indication that that short-term rental business has remained above expectations thus far in 2013.

MAY: Orders remained above 20,000 units for an eighth consecutive month in May, rising to their second highest volume in seventeen months. Over the past two trimesters, orders have remained in a tight band, falling between 20,100 units and 23,300 units. In May, new and net Class 8 orders were essentially flat at 24,218 units and 23,188 units, respectively. In yet another easy comparison, Class 8 net orders were up 29% compared to last May. Seasonal adjustment nudged net order intake up to 24,100 units, the best reading since January 2012.

As has been the case for several months, YTD orders destined for the U.S., Canada, and Mexico all continue to trend above year ago levels. Demand from Mexico is particularly strong. In contrast, Class 8 demand from outside North America fell y/y for a 7th consecutive month.

CANCELLATIONS: New orders continue to come from soon-to-be buyers who are genuine in their need for new trucks. To that end, cancellations fell meaningfully in May, just missing the all time low. As a percentage of the backlog, the cancellation rate was 1.2% - down 10bps from April. The lack of speculative orders bodes well for the industry as any increase in need for trucks will translate immediately into order activity.

BACKLOG: Nearly equal orders and build resulted in little change in the Class 8 backlog, which bumped up to 85,772 units in May. Taking the 100 unit increase in backlog with stronger build, which rose 26 upd from April to 1,058 upd, pushed the BL/BU ratio down slightly to 3.9 months. While just below the lower end of the target range, and sometimes a sign of downward build rate pressure on rate, OEM build plans currently call for increasing build rates through the remainder of the year.

BL ANALYSIS: A look at the BL analysis (above) shows that at the end of May, there were 6,200 open build slots remaining in June. Continuing the trend of close-in order placements, 4,100 May orders were booked into Q2, with another 11,500 orders scheduled for build in Q3. Near-term order placements have been a prominent theme in order activity since late 2011. That will have to continue if the Q3 forecast is to be met: 42% of the Q3 build slots remained open at the end of May.

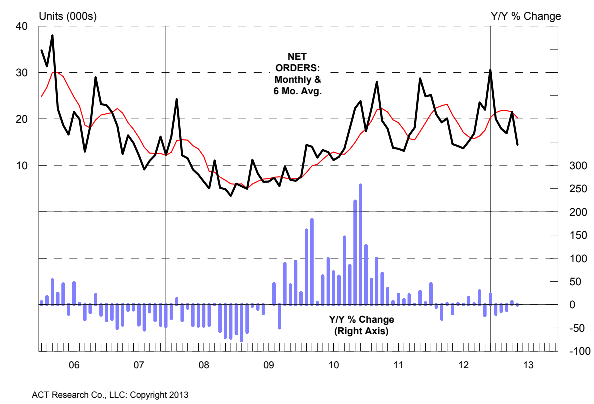
SALES: Class 8 retail sales continue to present something of a conundrum, rising to their highest level this year at 21,900 units, but posting their ninth consecutive month of y/y declines. On a seasonally adjusted basis, sales slowed to 20,400 units. Through YTD May, sales have occurred at a 246,000 unit SAAR. The Class 8 inventory remains at a healthy level, with 49,708 units on the ground at the end of May. Even though inventory increased, sales improved at a similar rate, leaving the IN/RS ratio unchanged at 2.4 months.

TOTAL TRAILERS (Units in 000's)
Annualized, Not SA
(▼ — ▲ vs. Last Month)

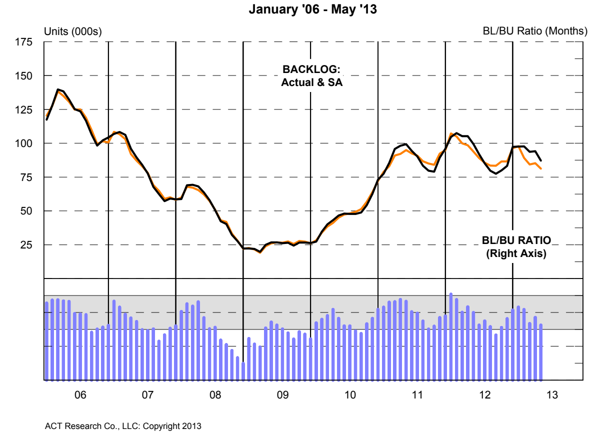
Ending May 2013	New Orders		Net Orders		Build	
Past 12 Mo.	241.0	—	226.6	—	238.3	—
Past 6 Mo.	255.8	▼	242.6	▼	236.7	—
Past 3 Mo.	221.8	▼	211.3	▼	243.4	▲
May 2013	187.9	▼	173.1	▼	257.9	—

▼ Over -3% — -3% to +3% ▲ Over +3%

TOTAL TRAILERS: NET ORDERS
Year over Year Percent Change
January '06 - May '13



TOTAL TRAILERS BACKLOG & BACKLOG/BUILD RATIO
January '06 - May '13



CURRENT MARKET ACTIVITY

MAY 2013: We are now entering the time of year when most ordering has been done, fleets begin to assess their equipment needs for next year, and OEMs move into the production season, working down the backlogs developed over the winter and spring order cycle. Discussions confirm quote activity has definitely slowed, but a throttling down in that activity is in line with seasonal expectations. The question is whether the pace of that slowdown is seasonal or more of a retrenchment. At this point, our thoughts lean more toward "seasonal."

Fleet attitudes continue to be cautious; despite recent positive ATA freight reports, the uneven economy has not provided a positive foundation for strong equipment investment. The impact of two factors, both regulatory, also needs to be monitored. The recently enacted HOS regulations and the anticipated negative productivity impact could squeeze overall freight capacity. Better rates and additional equipment could be the result. Additionally, the seven year threshold in California reefer regulations now impacts the peak 2006 reefer volume year, which will bring more equipment into the refurbish/replace discussion.

ORDERS: While May's 33% m/m decline in net orders might normally be a "headline statistic," it has to be considered from the perspective of April volume, which was exceptionally strong from large fleet order commitments. A more insightful comparison: May '13 net order volume was within 1% of the same month one year ago.

May new orders were 15,660 units, off 30% m/m. After cancellations, the industry booked 14,428 net orders. While the m/m comparisons are striking, May is actually more in line with seasonal expectations.

There have been 90,740 net orders booked ytd, off 9% y/y. Dry vans, off 6% y/y, have had the most impact; the reticence of large fleets to move into the market is evident here. Reefers, medium lowbeds, and the "other trailers" catch-all category are the only categories posting improvement ytd.

BACKLOG: Although May's m/m backlog decline is larger than normally expected, the impact of strong April orders is evident here as well. Off 7% m/m and down 12% versus this time last year, May closed with 87,110 trailers in BL.

BUILD: Up 3% m/m, the increase in production was in line with seasonal patterns. Build of 977 upd generated 21,488 total trailers. That was also up 3% y/y. Year-to-date production of 101,222 units is also a 3% improvement versus last year.

BL/BU: Lower orders, and the resulting contraction in BL, generated a 0.5 month decline in the BL/BU ratio in May. The industry entered June with 4.2 months of backlog, still within the industry's preferred operating range.

The upper and lower BL/BU range continues unchanged for the second straight month: liquid tanks at 6.2 months and other trailers at 1.7 months. Dry vans and reefers ended May at 4.7 and 4.6 months, respectively.

CANCELLATIONS: Although up m/m, cancellations of 7.9% of new orders and 1.4% of the backlog remained within acceptable limits. Much of the increase from April's 3.7% rate came from dry vans; they were responsible for over 60% of the industry's cancellations in May. The 10.7% rate for dry vans was concentrated in a few customers, not any widespread retrenchment.

SHIPMENTS: The 1.4% m/m gain was in line with seasonal expectations, as OEMs shipped 22,860 trailers in May. The y/y gain was 4%, similar to the annual growth projected in our full-year forecast. Eight of ten trailer categories registered m/m improvement.

DRY VANS: Last month's "large fleet" driven order volume did not continue into May, as new dry van orders of 7,263 units were down 48% m/m. Taking cancellations into effect, net orders of 6,485 units were even weaker, down 52% from May. Both new and net orders were down 6% from the same month last year.

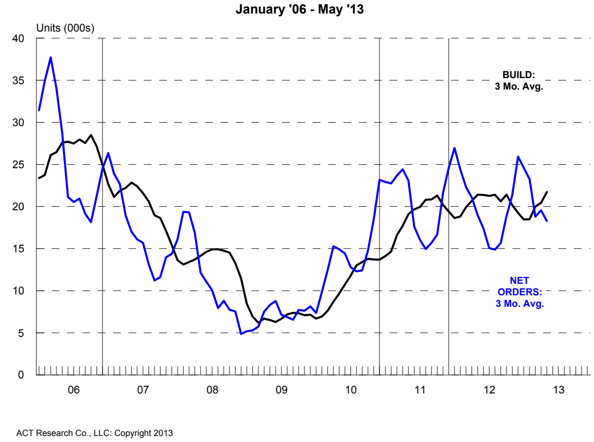
Additionally:

- BU was 11,811 units, down 1% m/m. The daily rate slid 28 upd as some OEMs slowed production to conserve BL; May production was 537 upd.
- Stable production combined with the weak order volume resulted in a 9% m/m decline in BL. The 52,756 units in BL generate a 4.7 month BL/BU ratio.
- Shipments of 11,453 dry vans were level with April volume. The resulting 141k SAAR is, slightly above our full-year expectation.
- Year to date, dry van shipments of 53,918 units are up 4%, and come in at a 139,500 SAAR.

REEFER VANS: New orders of 2,349 units were up 2% m/m, slightly below the gain anticipated by seasonals. Cancellations, at 1.7% of new orders, continued to be benign for the fourth straight month, an indication of fleets' stable order commitments.

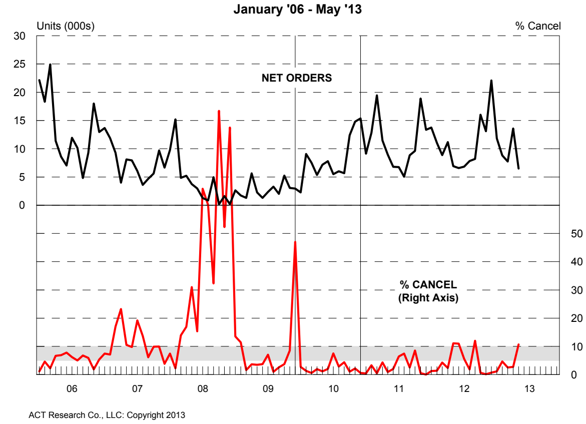
TRAILER INDUSTRY NET ORDERS & BUILD

January '06 - May '13



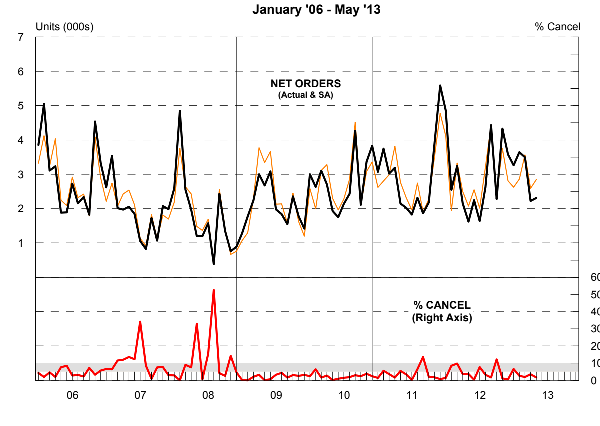
DRY VAN NET ORDERS & CANCELLATION RATE

January '06 - May '13



REEFER VAN NET ORDERS & CANCELLATION RATE

January '06 - May '13



- The 7.1% decline in BL was directionally correct but a bit more than seasonally expected. May closed with 15,471 reefers in BL. Normal seasonal patterns call for BL to continue to decline through summer, bottoming out in

October, before beginning to grow in response to the next order season.

- The daily rate grew; the 159 upd rate was up 11 upd m/m as some OEMs increased production with stronger orders. Combined with one additional production day, BU of 3,490 units was up 12% m/m and 17% over May '12.
- Shipments increased 6% m/m; 3,285 reefers were shipped. The strongest volume since March 2012, this resulted in an SAAR of over 38,000 trailers, above our annual forecast.

FLATBEDS: New orders of 1,597 units were off 17% m/m and 27% y/y, with net orders of 1,552 trailers off 14% m/m and 27% y/y. Weak energy sector demand more than offset improved demand from autos and new construction. One positive: continued low cancellations at 2.8% of new orders and 0.8% of the backlog.

Additionally:

- Production increased 8.3% m/m. May production of 2,138 flats was the best monthly volume since October. The gain resulted from both an additional day in the schedule as well as a 3 unit increase in the daily rate. Build was 97 upd.
- Inventory grew 7% m/m to 678 units. The April through June time frame is the high water mark for flatbed industry inventory.
- Factory shipments of 2,096 trailers were up 3% m/m but down 10% from the same month last year.
- Stronger production and low orders pushed BL down 9% m/m. The 5,971 units in BL resulted in a tight 2.9 month BL/BU ratio.

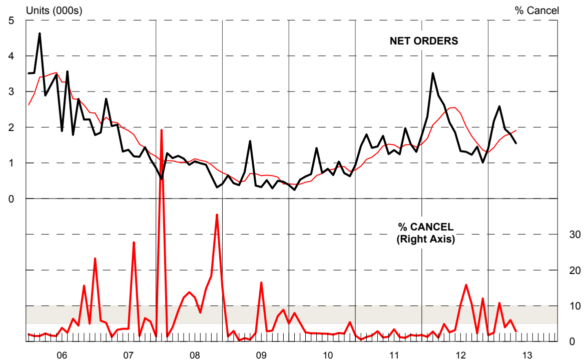
CONSTRUCTION TRAILERS

Dump Trailers:

May order volume fell 23% m/m, with 427 new orders received, a lackluster 4,168 units SAAR. Cancellations jumped to 11% of new orders, resulting in 380 net orders booked, a 31% m/m slide. As a result of lower orders and stronger production, backlog slid 8% m/m to 1,422 units.

- While May build of 527 units was up 3% m/m, volumes were down 19% y/y.
- The production rate of 24 upd was unchanged from April.

PLATFORM TRAILER NET ORDERS & CANCELLATION RATE
January '06 - May '13



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- BL declined 8% m/m, with the industry ending May with a 2.8 month BL/BU ratio.

Medium Lowbed Trailers:

- New orders of 756 units were up 7% m/m while net orders were 727 trailers.
- Build, at 726 units, was up 3% m/m.
- BL of 2,169 units was up 1% from April.
- Industry lead times continue to be tight, with the May BL/BU ratio at 3.1 months.

Heavy Lowbed Trailers:

- New orders were off 36%, with 293 commitments received.
- Net orders of 262 units were off 42% from April.
- The cancellation rate was 10.6% of new orders and 3.3% of the backlog. Both measures were up from insignificant April levels.
- Build of 305 trailers was down 14% m/m, as OEMs adjusted their build rates to better match the contracting BL.
- BL of 927 units was off 4% m/m.

Pneumatic Bulk Tanks:

Construction activity, and the corresponding demand for cement transportation, along with food transport, has provided some strength for this category. Those factors have not been able to offset the pullback in energy sector investment. A small positive on the energy front: while still down 35% y/y, natural gas rig counts, as reported by Baker-Hughes, have remained level for the last six weeks, while petroleum rigs are close to last year's level. NG exploration was the source of pneumatic "sander" trailer demand, and the precipitous decline in NG investment has impacted this segment.

- New orders were up 59% m/m, although the comp is to an extremely low base.
- Most notable was May's cancellation rate. The 11.3% rate was significantly below April's 52% level.
- Production of 147 trailers was up 51% m/m; although the comparison is to the very low April volume. Shipments were also 147 trailers.
- BL increased 11% m/m, with 345 units on the orderboard at month-end. The important perspective here is, despite the m/m gain, BL is down 85% from year-ago levels.
- BL/BU ratio at 3.2 months was up 0.1 months from April.

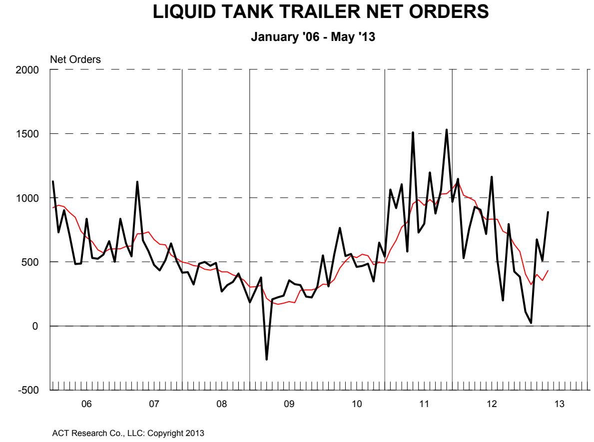
LIQUID TANKS: While still well below cycle peaks, orders posted solid gains in May. Reports indicate that deposits continue to be required with new order placement, so speculative orders are unlikely.

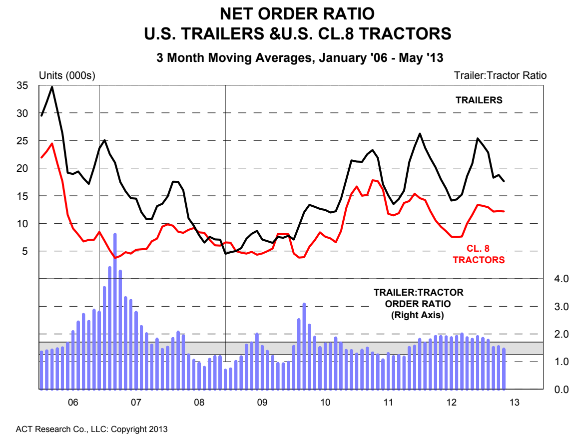
- With new and net orders up 76% and 74% m/m, respectively, liquid tank trailers had the best performance for the industry. May net orders were for 888 liquid tankers.
- Cancellations, at 15% of new orders received, were similar to April.
- Production of 753 units was also comparable to April volume. Shipments of 760 units were up 4% m/m.
- May closed with 4,432 units in backlog, up 3% m/m.

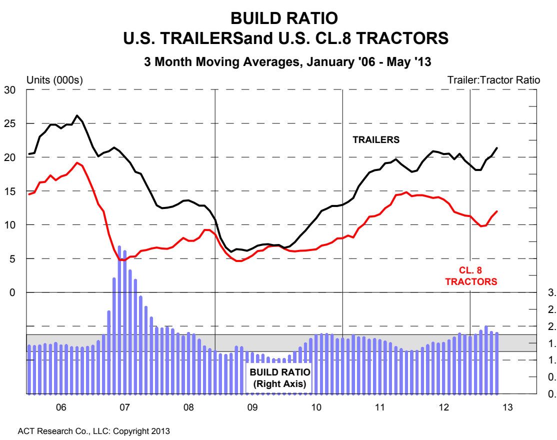
TRAILER/TRACTOR ORDER AND BUILD PATTERNS

Class 8 tractor orders remained level as trailer orders declined m/m in May. As a result, the three-month average for trailer orders dropped to the lowest level since mid-2011. The tractor/trailer order ratio slid slightly m/m, but remains solidly in the industry's preferred operating range.

The build picture is quite different, as three-month average trailer build increased to the best level since mid-2007. Truck build increased at a similar pace, resulting in an unchanged tractor/trailer build ratio in May. While off the March peak, strong trailer production has kept this measure above the industry's target range for four straight months.







ACT Research maintains a truckload (TL) carrier database using data available in the financial reports of publicly traded truckload carriers. Results from Q1'13 show carriers in the database were operating 69,472 tractors, up 0.6% from Q1'12, and had $4.93 billion in quarterly revenue, a 4.6% year-over-year increase from Q1'12.

FREIGHT NEWS: For those who enjoy roller coasters and fireworks, the recent trends and events in the economy and transportation arenas would be exciting. For the forecasters and those who enjoy steady or more stable swings in trends or statistics, the recent events could have been just a bit stressful.

- **Traffic levels** for both motor carriers and railroads suddenly slowed their weekly and monthly growth levels, returned to growth, and then retracted again.
- **Diesel prices** increased going into the spring, then started their usual seasonal decline, then spiked as refineries shutdown to change to produce the summer blends. Prices are now finally retracting, with the Midwest and Rocky Mountain states seeing the steepest declines.
- Both motor carrier and intermodal **rates** have vacillated as traffic demands have surged and declined in the past months. They are anticipating the seasonal increases that will hopefully lead to recovering momentum.
- **Labor negotiations** in both the LTL and port areas were thought to be resolved, but they are still working on various terms of their contracts, although with minimal disruption so far.
- **Import** surges early in the year transmitted into increases in both motor carrier and rail intermodal loadings, only to stall and decline slightly before the usual summer increases.
- As mentioned last month, increased imports are usually reflected later in increased truck traffic to retailers as products are moved to final destinations.
- **Exports** by truck to Mexico declined for two months and then jumped 20 percent in April.
- **Consumer sentiment and spending** retracted during April and May and then began to recover in June. This was due to a surge in the stock market and some recovery in housing prices, giving the consumer a temporary sense of euphoria and wealth.
- The real caveat of consumer spending will be reflected in how retailers react. If retailers remain cautious during this tepid economic recovery, they may hold off on stocking for the holiday season until very late in the summer or possibly into the fall.
- **Job creation** numbers vacillate as seasonal workers are hired, while unemployment numbers rise as some workers attempt to rejoin the work force.
- Similar to the flight of a fireworks rocket that ascends and suddenly bursts, **stock market prices** have reached record levels only to drop back in reaction to remarks from the Federal Reserve. Market prices are vacillating up and down in adjustment. Whether this will affect consumer sentiment going into the summer remains to be seen.
- And just as you never know how good a fireworks show really is until the finale, the **Hours of Service rules** changed on July 1. The effect is not known yet. We anticipate being able to comment more thoroughly next month.

The bottom line is pent up demand for so many things, ranging from simple items such as children's clothes or shoes, seasonal items for vacations, maybe the vacation itself, or the need to replace a worn out vehicle or move into a larger domicile, will drive changes. Increased consumption leads to more shipment movement as inventories are replenished – something the industry loves to have.

TRUCKLOAD CARRIERS (TL): Cass Information Systems is reporting that domestic shipments fell 1.5% year over year in June while the money spent on freight increased by 0.8 percent. Compared to May, shippers saw a miniscule 0.09 percent bump in activity with a 3.4 percent rise in rates.

June's shipment volume is the lowest Cass has recorded for the same month in the last three years. For the year, shipment volume is up 5.8 percent, mainly due to strong Q1 with March's high-point growth. Activity has been slowing since then.

Although railcar loadings and intermodal declined in June, the trucking trend appears to be moving upward. Cass recorded more money spent in June due to heavier loads and different commodity mixes and not necessarily due to an increase in rates.

Carriers reported rates had declined but believe they could begin to increase as the impacts of the new hours-of-service regulations are felt.

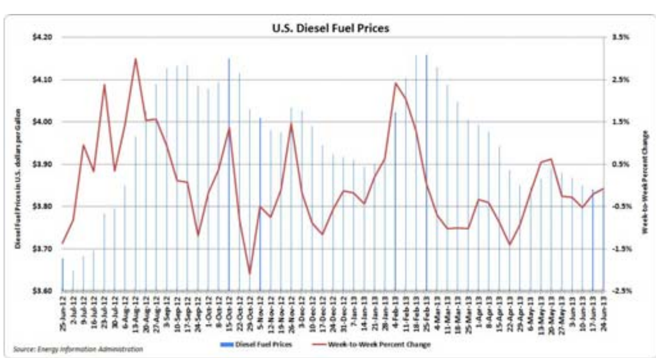
If trucking capacity becomes scarce, the rates will increase, but this will also benefit the rail intermodal industry as their rates will also increase.

Cass officials have commented that the overall numbers continue on the roller coaster trend seen in the last two-plus years: The recent economic upswing could help boost activity in the next few months. The Cass report further noted that "Economic drivers such as construction spending, factory orders (especially for durable goods), and consumer confidence all gained strength in May and June."

The decline in diesel prices the past four weeks will help the motor carriers. Diesel prices have dropped to their lowest levels since July 2012. Although a one year comparison doesn't seem to reflect much, given this new norm, it is more dramatic when you look at the graph below and see the diesel price run up experienced in just the last year.

Midwesterners can certainly attest to the steepest declines in price being reported in the Midwest and Rocky Mountain regions. Experiencing a $0.10 to $0.13 price jump in just one afternoon when the Midwest refineries shut down to convert their plants for the summer blends was a shock to our pocketbooks. The most recent week's declines are welcome to any person or motor carrier driver traveling through the Midwest.

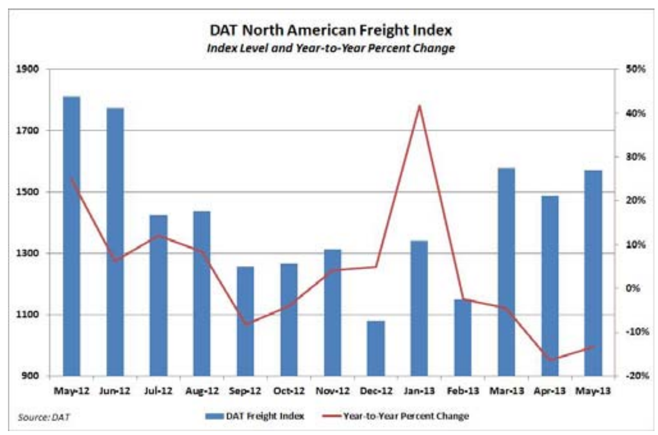
As capacity has been removed from the motor carrier industry, the possibility of double digit price increase is possible if the economy shifts into high gear. Meanwhile, with the slow economic growth recovery, it has been hard for the carriers to push through rates higher than the low to mid-single-digit percentage range.

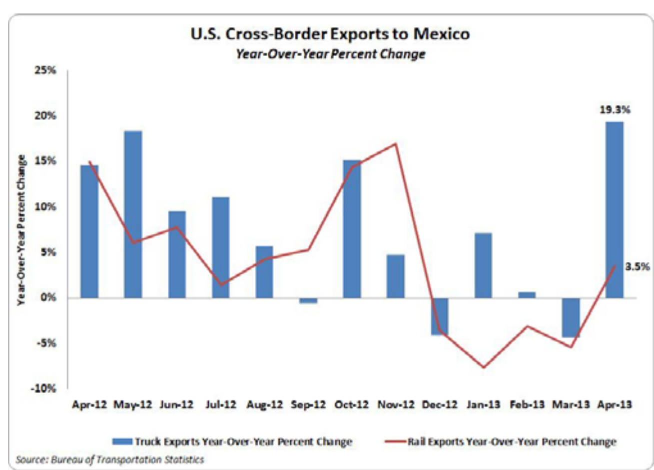


The DAT North American Freight Index reflects another 13.3 percent year over year decline in May compared to the all-time high in May 2012. This is the fourth straight month of declines. The index is a statistical indicator that is representative of spot market freight availability in the U.S. and Canada.

The current spot market freight volume rose 5.6% from April. This is consistent with the normal month to month trend increase for this time of the year. Freight volumes have increased from April to May in eight of the past ten years for an average increase of 6.3 percent. However, freight volume for the first five months of 2013 was 3.3 percent lower than the same period in 2012.

Reversing March's decline, truck exports to Mexico in April soared 19.3% year over year and 15.5% month over month. April's truck export value reached its highest level since the BTS began collecting data in January 2009. The value of exports by truck is now up 5.5 percent in the first four months of 2013 compared to the same period in 2012.





For those worried that rail could capture too much of the market share of traffic, the ATA is reporting that trucking in the U.S. will remain the top transportation mode through 2024. Freight volume for all modes is expected to increase more than 20 percent by 2024, and trucking will hold 70.8 percent of the market compared to 68.5 percent in 2012. Revenue share will also increase from 80.7 percent in 2012 to 81.0 percent. Bob Costello, ATA's chief economist, has written "The trucking industry continues to dominate the freight transportation industry in terms of both tonnage and revenue."

The conversion to cleaner trucks is examined in a report by R.L. Polk and Company for the Diesel Technology Forum. The Polk data reflects that 28 percent of all Classes 3-8 trucks registered in the U.S between 2007 through 2012, or 2.5 million of 8.6 million, are now equipped with new technology clean diesel engines. Diesel power is the driving force of goods movement by truck in our economy and continues to play a central role of the United States' new effort to reduce fuel consumption and lower greenhouse gas emissions. According to the report, more than 95 percent of all heavy-duty trucks are diesel-powered, as are a majority of medium-duty trucks.

In the conversion to natural gas (CNG and LNG) powered trucks, many companies such as Penske Truck Leasing, UPS and Ryder, as well as many private companies, are taking the "Early Innovator" lead.

To aid the transition Trillium, a premier provider of CNG, will add 101 CNG filling stations throughout the United States by 2016. Companies such as BLU and Clean Energy are building LNG stations.

LESS THAN TRUCKLOAD (LTL): Although it appeared a new national package contract covering 235,000 Teamsters working at UPS had been approved last week, there are several supplements that were rejected by union members. Additional time will be needed to iron out the differences, and UPS and the International Brotherhood of Teamsters have extended their existing contract indefinitely. This action should lift concern about potential disruption or a strike at UPS. The current national contract, negotiated in 2008, expires July 31. The new contract will be retroactive to August 1 and be effective until 2018.

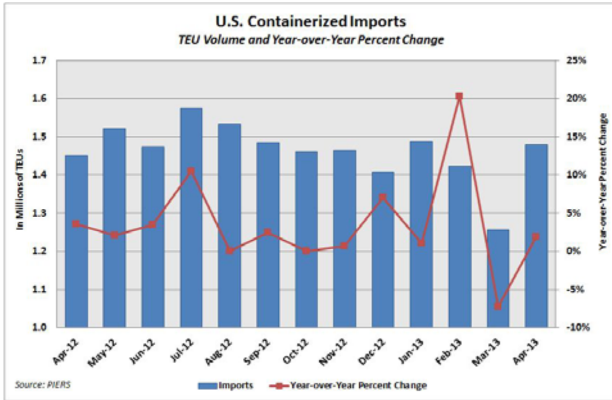
Meanwhile the Teamsters have approved a major portion of the master freight agreement with LTL carrier ABF Freight System.

RAIL INTERMODAL: Intermodal loadings vacillate from week to week in terms of year-over-year comparisons. The week ending June 29 reflected a -1.4 percent decline when compared to last year. However the year-to-date comparison is still holding a 3.7 percent increase over 2012, while the weekly loading for the week ending June 15 was the highest level since October 2012.

Generally speaking the door-to-door intermodal rates have been following the demand statistics, rising and falling with demand and freight competition.

Railroads are targeting trade lanes of 550 miles or longer. They believe these lanes are subject to conversion from trucks because of economic and regulatory headwinds that affect the trucking industry. CSX continues to promote the hub and spoke concept utilized by the opening of their North Baltimore, Ohio terminal (which cuts 24 hours of transit time by bypassing Chicago). Concurrently the NS has officially opened its Franklin County Intermodal Facility in Pennsylvania. The facility near Greencastle, PA is near Interstate 81 and connects central Pennsylvania, western Maryland, and northern Virginia to domestic and international markets.

In contrast the BNSF proposed Southern California International Gateway (SCIG) intermodal terminal just east of the Port of LA is facing three lawsuits filed by five California motor carriers, the city of Long Beach, and the Natural Resources Defense Council (NRDC). The lawsuits question the port's environmental impact analysis that says the rail yard would improve the region's air quality. The five



carriers also are challenging the port's use of eminent domain to kick them off the 131-acre site. Some of these carriers have been long time tenants of this property, and the dislocation process would be quite tenuous.

RETAIL: U.S. containerized imports rebounded in April, reversing the 7.3 percent decline in March. According to PIERS data, containerized imports jumped 17.6 percent month-over-month. An increase during this time of year is common, but this jump in import TEU's was the largest month-to-month rise in the past four Aprils.

Leading the gains among the top 25 imported goods were footwear at 17 percent year-over-year, medical equipment and supplies up 15 percent, and auto parts, menswear and kitchenware all up 11 percent.

LEGISLATION: The federal government is finally turning to users for advice on how to improve the national freight system and boost supply chain competitiveness. The Advisory Committee on Supply Chain competitiveness (ACSCC) and the National Freight Advisory Committee will likely shape how the Commerce Department and the Department of Transportation operate. The recommendations from these two groups could also influence how Congress approaches laws relating to transportation infrastructure, customs and trade policy.

The largest and quickest opportunity for their recommendations to be realized is in the DOT's national freight plan and policy and the next surface transportation bill. The current $105 billion spending act expires at the end of September 2014.

In order to make products in the U.S. that are competitive, the components for manufacturing need to be brought into the country competitively and reliably. It has been suggested that ways to achieve this include reducing certain duties on some manufacturing components, streamlining customs border clearance, granting foreign trade zone designations, and modernizing U.S. export credit support.

The committee is also recommending completion of the Next Generation Transportation System and holding off on further tightening of federal hours-of-service regulations for the trucking industry.

The committee did not take sides in the debate on raising truck weights and sizes, deferring to the findings of an ongoing DOT study. This issue is receiving major objections from the railroad industry as they say taxpayers would have to pay more to subsidize the damage caused by heavier loads, while the railroads pay for their own infrastructure. The Association of American Railroads (AAR) has said the trucking industry currently underpays by 26 cents per gallon. To compensate for additional strain on the network caused by even heavier loads, they say the industry should pay $1.17 more in diesel taxes per gallon.

Sean McNally, spokesman for the American Trucking Associations, contends "Their assertions are based on a misinterpretation of a study whose data dates back to 1995. We are willing to pay more but haven't stated how much. We support gas and diesel increases but might accept a diesel-only tax under certain circumstances."

PUBLICLY TRADED FOR HIRE TRUCKLOAD CARRIERS
CURRENT FINANCIAL CONDITIONS

QUARTERLY SUMMARY Q1 '13

	Q1 '13	Q4 '12	Q1 '12	Q/Q % Chg.	Y/Y % Chg.
CONSOLIDATED BALANCE SHEET (000s)					
Current Assets	$ 3,484.8	$ 3,365.0	$ 3,253.9	**3.6%**	**7.1%**
Net Property & Equipment	$ 6,949.0	$ 7,113.5	$ 6,726.0	**-2.3%**	**3.3%**
Other Assets	$ 1,423.3	$ 1,138.7	$ 1,096.5	**25.0%**	**29.8%**
Total Assets	$ 11,857.1	$ 11,617.2	$ 11,076.3	**2.1%**	**7.0%**
Current Portion of LT Debt/ Capital Lease Obligations	$ 409.4	$ 333.9	$ 393.9	**22.6%**	**3.9%**
Other Current Liabilities	$ 1,979.3	$ 1,731.1	$ 1,785.3	**14.3%**	**10.9%**
Total Current Liabilities	$ 2,388.7	$ 2,065.0	$ 2,179.2	**15.7%**	**9.6%**
Long Term Debt	$ 2,617.1	$ 2,907.5	$ 2,793.6	**-10.0%**	**-6.3%**
Capital Lease Obligations	$ 218.4	$ 214.2	$ 164.2	**2.0%**	**33.0%**
Other Liabilities	$ 2,587.9	$ 2,593.4	$ 2,319.4	**-0.2%**	**11.6%**
Total Liabilities	$ 7,812.1	$ 7,780.1	$ 7,456.4	**0.4%**	**4.8%**
Total Stockholders' Equity	$ 4,045.0	$ 3,837.1	$ 3,619.9	**5.4%**	**11.7%**
Total Liabilities & Stockholders' Equity	$ 11,857.1	$ 11,617.2	$ 11,076.3	**2.1%**	**7.0%**

PERFORMANCE RATIOS	Q1 '13	Q4 '12	Q1 '12	Q/Q % Chg.	Y/Y % Chg.
Current Ratio	145.9%	162.9%	149.3%	-1706 bps	1364 bps
Total Debt ($M)	$ 3,244.9	$ 3,455.5	$ 3,351.7	**-6.1%**	**-3.2%**
Total Debt to Equity	80.2%	90.1%	92.6%	-984 bps	-253 bps

Database includes Celadon, Covenant, FF Express, Heartland, JB Hunt, Knight, Landstar, Marten, PAM, Quality Distribution, Swift, Universal Truckload Service, USA Truck, and Werner

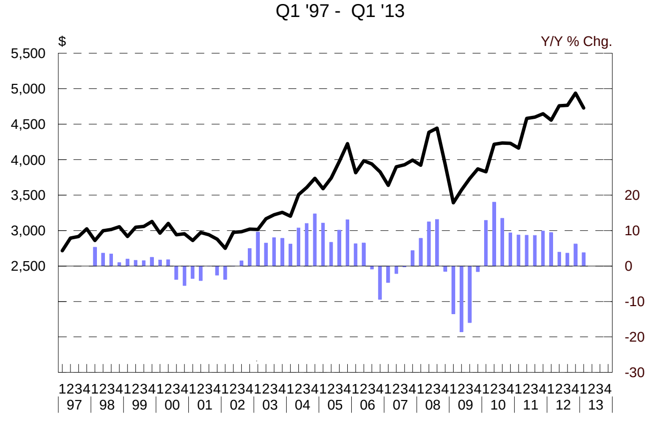
PUBLICLY TRADED FOR HIRE TRUCKLOAD CARRIERS
FLEET STATISTICS

QUARTERLY SUMMARY Q1 '13

	Total Assets $M	Total Debt $M	Total Equity $M	Debt to Equity %	Debt Ratio %
Celadon	601.0	277.4	220.1	126.0%	46.2%
Covenant	397.6	173.0	92.7	186.6%	43.5%
FF Express	116.9	45.0	25.2	178.9%	38.5%
Heartland	515.2	-	308.8	0.0%	0.0%
JB Hunt	2,586.1	593.3	875.8	67.7%	22.9%
Knight	767.5	43.0	502.5	8.6%	5.6%
Landstar	885.0	103.1	407.8	25.3%	11.7%
Marten	508.3	-	336.2	0.0%	0.0%
PAM	333.7	116.7	122.7	95.1%	35.0%
Quality Distribution	510.5	406.9	(11.1)	-3659.7%	79.7%
Swfit	2,639.9	1,302.0	256.7	507.2%	49.3%
UTSI	331.1	-	69.6	0.0%	0.0%
USA Truck	341.3	144.4	106.9	135.1%	42.3%
Werner	1,323.0	40.0	731.1	5.5%	3.0%
TOTAL	11,857.1	3,244.9	4,045.0	80.2%	27.4%

TL Carrier Database:
Revenue Per Tractor Per Week

Q1 '97 - Q1 '13



ACT Research

MARKET CONDITIONS

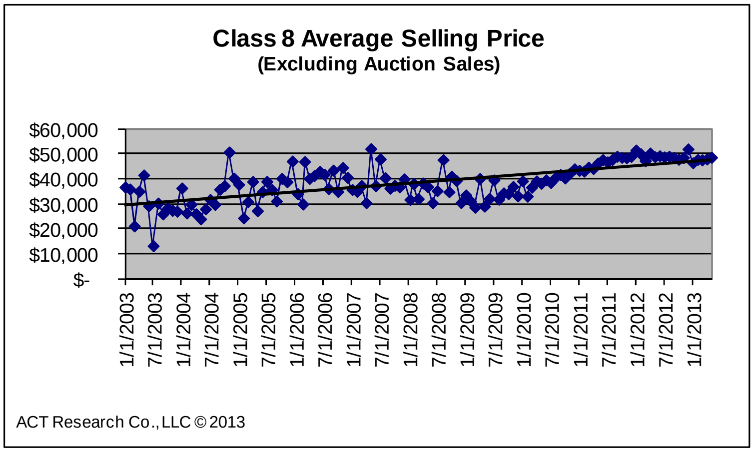
Reported volumes of used Classes 3-8 truck sales in May were flat month over month. Individual outlets continue to exhibit widely varying results, as do the different weight groups. Retail dealers reported volumes that were down 5%, while the auction markets were up roughly 15%. The wholesale outlet posted the most stable results, climbing 2%. Talk among the dealer network remained relatively quiet in June. Let's hope their silence is a reflection of increased quoting activity and talking to potential customers and not a comment on market trends. In all fairness, activity tends to slow in the summer months.

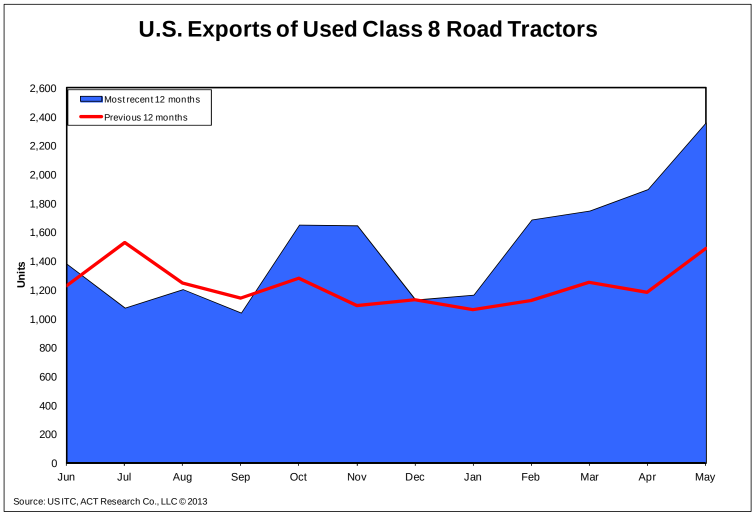
June is probably best described as a decent month based on dealer input we received. There is a good amount of customer interest, ranging across all truck type and price levels. The shortage of desirable, late model, low mileage trucks is still with us. Emerging now is a growing interest in heavy haul and dump trucks, as the construction business continues to flesh out its comeback. As potential buyers will soon discover, inventory of these specialty trucks is also limited, so they can expect to pay more for trucks that are probably older and have more miles on them than they may have envisioned. Another new development is that there seems to be a better balance between supply and demand on used day cabs. There is no word yet on whether the harmony is the result of an increased supply, decreased demand, or more likely, a mixture of both. Buyers are still at odds with the units that are available, typically 2007-2010, which they are trying to avoid due to emissions issues, or pre 2004, which are long in the tooth and not in ideal condition.

Change is also taking place in the financing arena. We are now hearing about a schism in lenders and the truckers they are willing to finance. It should come as no surprise that there is plenty of affordable capital available for potential buyers with solid credit ratings, say B+ and above. And like it or not, there never seems to be a shortage of lenders to the below average credit score holders. Although they come with the need for high down payments and even higher interest rates, these folks can usually find money when they need it. The conundrum is the lack of money and shortage of lenders for that in-between layer, the average buyer. Perhaps it is a reflection of the pool of borrowers. Either way, filling the gap would benefit the industry.

Used truck exports through May have 2013 on pace to the best year since 2008 for the segment, thanks to Mexico's increased appetite for used equipment. Export markets typically provide an outlet for older, higher mileage trucks that are not as marketable domestically. Thus they facilitate replacement and the corresponding demand for new(er) trucks. Government trade data for May, the latest data available, depicted in the bottom chart, show that 8,851 Class 8 road tractors were exported through May 2013. We expect exports of 18,000 used Class 8 road tractors for full year 2013, with the market shrinking to 14,000 units in 2014.

More detailed analysis of the used truck industry, including specific OEM truck models, can be found in ACT Research's *U.S. Classes 3-8 Used Truck Report*. The analysis is based on approximately 2,000 to 3,000 reported used truck sales per month and covers trends in unit volumes, pricing, mileage, and age of units being sold.





ECONOMY: The final revision to first quarter real GDP lowered growth to 1.8% from the previously reported 2.4%. The softer figure resulted primarily from a lower estimate in the service component of consumption (PCE), specifically, household services and the "other" categories. Importantly, goods spending of PCE remained as initially reported. Business investment on structures was also lowered slightly. The other elements were largely unchanged.

Regarding the U.S. economic environment at the start of Q3, the data over the past month have generally risen above expectations, to include the June employment report. Other labor market data like employment, labor turnover, and claims have been flat to improving. Additionally, we would also place housing, consumer and business spending, and measures of confidence into this category. Manufacturing activity and credit, on the other hand, remain lackluster. Nonetheless, it is worth noting that there have been few signs of outright weakness in manufacturing.

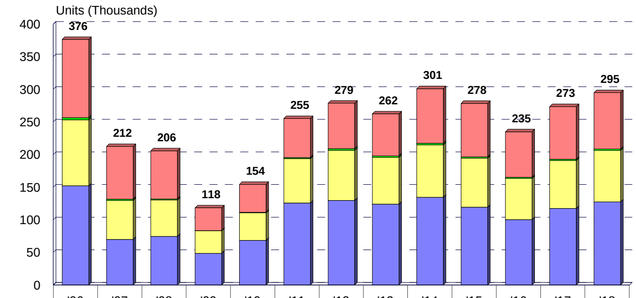
On top of the usual caveats, including the euro-zone, slowing growth in China, the ever-present risk to global oil markets, Congress, the Federal Reserve's mid-June announcement of plans regarding the end of the stimulative QE3 bond buying program are a reminder that the U.S. economy remains a patient. If the Fed is correct, the impact of faster economic growth and increased wealth should more than offset the removal of the Fed's accommodative policy of security purchases and symptomatic rise in interest rates. Despite caveats and conditional clauses regarding the timing and velocity, financial markets viewed the announcement unfavorably.

If events unfold per our script, real growth in 2013 and 2014 is projected to grow by 2.0% and 2.7%, respectively.

CLASS 8: Preliminary data indicated orders fell modestly below trend in June. Despite that, Class 8 forecasts were maintained this month, with build in 2013 and 2014 at 262,300 and 300,800 units, respectively. As has been the case, the key to reaching the 2013 forecast lies in industry activity in the year's last trimester.

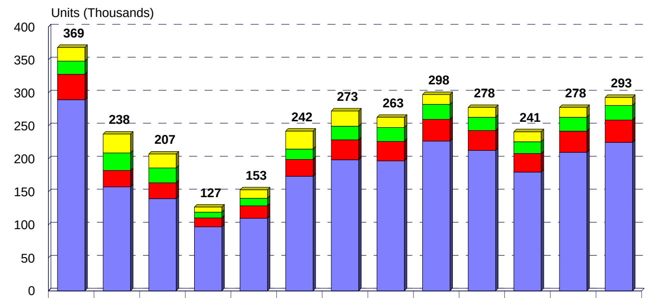
Slower orders in June and the expectation that seasonal factors will keep orders below the rate of production in July and August suggest that likely 2013 forecast range has shifted incrementally lower. We would put the range on the 2013 NA build forecast from between 255k to 265k.

N.A. Class 8 Production
2006-2018



	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
Truck: Daycab	120	81	74	35	43	60	70	64	84	82	70	81	86
Truck: Sleeper	3	2	1	0	1	2	2	2	2	2	2	2	2
Tractor: Daycab	101	60	56	34	42	68	77	72	80	75	63	73	79
Tractor: Sleeper	152	70	74	49	68	126	129	124	135	119	100	117	127

N.A. Class 8 Retail Sales
2006-2018



	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
Exports	21	28	21	8	13	27	23	16	15	15	15	15	12
Mexico	20	27	22	9	11	16	20	21	23	20	18	21	22
Canada	38	25	24	14	19	26	30	30	33	30	28	32	34
U.S.	290	158	140	97	110	174	199	197	227	213	180	210	225

Erratic economic growth and high new truck prices continue to weigh on truckers' buying decisions. As such, short-term order placements remain at elevated levels. Our analysis shows that about 40% of the build slots in Q3 remained unfilled at the end of May. While in line with recent quarters, the short-term risk is that incoming orders will be insufficient to fill holes in the Q3 build plan.

With many truckers waiting until the last minute to place orders, the cushion on which expectations are built remains thin. To that end, the economy is a key component of industry direction in 2H'13. We continue to believe the longer-term forecast is not an *if*, but a *when* proposition. The list of factors that should propel Class 8 demand into 2014 includes:

- Better economic growth in key freight sectors
- Fleet age (maintenance & downtime issues)
- **Meaningfully better new truck fuel economy**
- Rising trucker profitability
- Rising costs associated with bad CSA scores
- New Hours of Service (HOS) regulations

CLASSES 5-7: While the pace of build and retail sales lag behind the forecast, robust net order activity and historical seasonal patterns once again substantiate the decision to stand pat on the forecast. The consistency in the medium duty market makes the OEMs' task of balancing resources much easier than when the market is more volatile. Likewise, forecasting such a market is less challenging. The key is to remain vigilant, watching for implicit signs of change. Preliminary net orders for June were lower on an absolute bases, but when seasonally adjusted, are on target to support the forecast. At the current level, the forecast remains below replacement levels, actually shrinking the active population until 2016. Implicit in the fact that forecasts are calling for below replacement demand is the assumption of tepid economic growth.

TRAILERS: Sideways fleet profitability and a lack of confidence in the economy continue to impede new trailer demand. While the market is expanding, carrier confidence is limiting the rate of expansion. Recent comments suggest that quotations have slowed. Of course, given the dramatic seasonal swings seen in the industry, a pullback in quotation activity in June would fit in with cyclical expectations.

Recent economic data suggests that better, more consistent growth coupled with improved trucker profits start to solve the problem of excessive caution about fleets' equipment investment. Also, new Hours of Service rules could boost the use of trailer intensive drop and hook as a way for trucking companies to offset the HOS productivity hit.

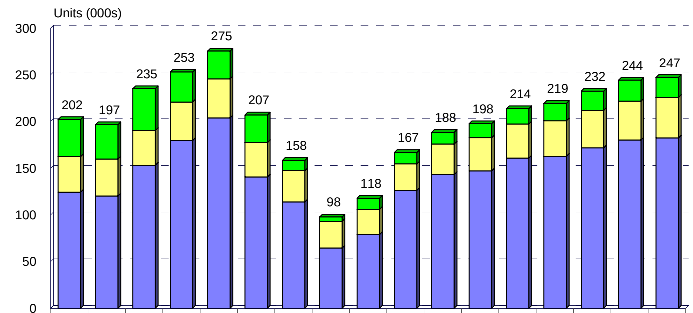
Despite the increasingly positive demand outlook, March typically represents the end of peak order season. We are now moving through the trough season, in which orders typically fall ~40% below Q1 levels. As such, there is little expectation that orders will provide any meaningful surprises before stronger orders resume in Q4.

There are a few hand-to-mouth situations across the industry (dumps, pneumatics), but the lion's share of categories have solid BL/BU ratios. With modest order assistance, backlogs are sufficient to support current production levels into the end of 2013. Dry van, reefer van, and liquid tank BL/BUs remained above 4.5 months in May.

The U.S. trailers forecast for 2013 was lowered incrementally to 244,800 units. The forecast decline was primarily related to production falling below

N.A. Classes 5-7 Production

2002-2018



	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
RV	40	37	45	32	30	30	11	5	12	12	13	15	16	19	21	23	21
Bus	38	40	37	41	42	37	33	29	27	28	33	36	36	38	40	42	43
Truck	124	120	153	180	204	141	114	65	79	126	143	147	161	163	172	180	182

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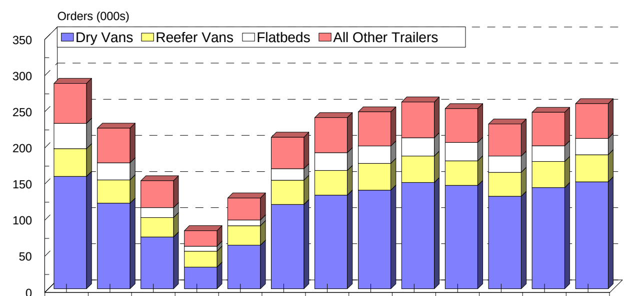
U.S. TRAILER FACTORY SHIPMENTS

2006-2018



	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
Total Trailers	**284**	**222**	**149**	**80**	**126**	**210**	**237**	**245**	**259**	**249**	**228**	**244**	**256**
All Other Trailers	55	48	37	21	30	43	49	47	50	47	44	47	48
Flatbeds	35	24	14	7	8	16	25	24	26	26	23	22	23
Reefer Vans	38	32	27	22	27	33	34	37	37	34	33	36	38
Dry Vans	155	118	72	30	60	117	130	137	147	143	128	140	148

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expectations in May, coupled with some sequential lowering of expectations to reflect slower build.

Fundamentals supporting healthy demand include:

- Equipment is very old, especially dry vans and flats. Deferred capex must be addressed to support fleet productivity and profitability.
- CSA pressures encourage the operation of younger fleets, because of litigation concerns and driver recruitment and retention issues.
- Trucker profits continue to be solid.
- Economic growth in key freight producing sectors, including domestic energy, housing, and the rise of domestic manufacturing.
- Used trailer prices have risen and late-model equipment commands high prices.
- New Hours of Service regulations and rising driver shortage issues increase productivity pressures, raising the likelihood of additional trailer-intensive drop & hook operations/pressure to boost trailer to tractor ratios.

MEDIUM DUTY

Besides replacement of existing vehicles, demand for 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. Other factors, such as regulatory changes and changes in the competitive landscape, can also have an effect on medium duty vehicle demand.

CONSUMER CONFIDENCE & SPENDING: Because most consumer purchases of goods and services involve the use of Classes 5-7 vehicles, consumer buying behavior is a key driver of medium duty vehicle demand. Consumer spending accounts for roughly 70% of the nation's GDP. The Bureau of Economic Analysis (BEA) released its third estimate of Q1 activity, citing an increase of 1.8%. The reading fell well short of financial market expectations, which assumed growth would be unchanged from the second estimate of 2.4%. Nearly all sectors' growth contributions were cut. The exceptions were housing construction and government spending. Sectors that contributed to the growth were consumer spending, private inventory investment, and residential and nonresidential fixed investment. Federal, state, and local government spending, exports, and imports, which are a subtraction in the calculation of GDP, lowered output. The BEA will report the initial estimate of Q2 GDP on July 31st.

Consumers' buying habits are heavily influenced by attitudes, which are in turn reflected in confidence measures. June's confidence number reinforced the dynamic nature of consumers' mind-sets. After dropping to the second lowest reading since November 2011 in March, the index has now improved for three straight months, turning in a reading of 81.4 in June, the best since January 2008. Lynn Franco, Director of Economic Indicators at The Conference Board, said, "Consumers are considerably more positive about current business and labor market conditions than they were at the beginning of the year. Expectations have also improved considerably over the past several months, suggesting that the pace of growth is unlikely to slow in the short-term, and may even moderately pick up." As a reminder, the Conference Board considers a reading of 90 necessary for a healthy economy. That level was last seen in December 2007.

HOUSING ACTIVITY: Once again, housing market activity was almost unanimously positive for the month, with new home construction permits functioning as the only laggard. Growth moderated somewhat in May, which is generally viewed as positive for the segment. Unbridled growth has been cited as a potential catalyst for rapid, unsustainable increases in home values. Such a scenario is one of the key elements in the housing bubble, which no one wants to see repeated. In what has become a familiar give and take, building permits rose moderately, while starts slowed. Timing and weather, more than anything else, are the main explanation for the relationship between these two metrics. New and existing home sales were moderately stronger in April, improving 2.1% and 4.2%, respectively. Existing home sales finally broke the five million mark (SAAR) in May, the first time since November 2009. New home sales are poised to top the half million plateau (SAAR) as well. Increasing mortgage rates may serve as a damper on growth, which may not necessarily be all bad.

Not only did sales of existing homes improve nationally, but they also did so in all regions. Nationwide, prices were up 11% compared to May 2012. The West region maintained its spot as the fastest rising at 15.3%, but the Midwest displaced the Northeast as the slowest grower, with values increasing by only 7.7%. The inventory of existing homes increased for the fifth time in 13 months, rising 3.3% m/m, but remained well below year-ago levels. The increase in stock put the supply at 5.1 months at the current rate of sales. As the sector gains momentum, incremental demand for companies that make vehicles driven by contractors and builders, building material suppliers, retail stores, utility companies, and lease/rental and moving companies can expect to make gains.

May 2013 Housing Statistics

	Permits	Starts	New Sales	Existing Sales
M/M % Change	-3.1%	6.8%	2.1%	4.2%
Y/Y % Change	20.8%	28.6%	29.0%	12.9%
SAAR (000s)	974	914	476	5,180

APPENDIX A – DEMAND DRIVERS

AUTOMOTIVE SALES: After the housing market, the automotive sector has the next largest impact on consumer spending and medium duty demand. Sales of automobiles and light trucks in the U.S. rose to 15.96 million (SAAR) units in June, the best performance since June 2006. The flurry of activity is fueling speculation that the industry may top the elusive 16 million mark before year end. On a percentage basis, the growth was led by light trucks, an observation that bodes well for the economy in general and subsequently commercial vehicles. Small business owners are one of the larger groups of light truck buyers. If they are increasing their appetite for vehicles, then their confidence and business outlooks are most likely improving. Improved consumer confidence and continuing low interest rates are getting the nod as the catalysts helping to relieve pent up demand in the space. June 2013 actual sales of 1.404 million units were up 9.2% compared to 2012. Industry analyst consensus is now calling for sales of 15.6 to 15.9 million units (SAAR) for 2013.

INTEREST RATES: The Federal Open Market Committee's statement following their mid-June meeting was virtually identical to the one issued after the April/May meeting. However, the events that have transpired since have not been nearly as mundane. The action started two days before the FOMC meeting when President Obama said in an interview that Bernanke had "stayed a lot longer" than he wanted at the Fed. Despite praising him for an outstanding job, the ambiguous remark was interpreted as unfavorable by some Fed watchers. Then during a press conference after the FOMC meeting, Chairman Bernanke put forth a viewpoint that may have been a little too optimistic for the financial markets, resulting in a two day sell-off that had global ramifications. At issue is the timing of when and how quickly the FOMC will begin curtailing their economic support of purchasing mortgage-backed securities. Based on the markets' reactions, clearly Chairman Bernanke's oral comments were interpreted to mean that would be happening sooner and probably faster than many expected. How those expectations were formed remains a mystery, making the whole episode even more inexplicable. While it's still too soon to understand how the whole scenario will play out, it is an interesting view into how seemingly innocuous comments can have significant unintended consequences.

DEMOGRAPHICS: Two of the three MD vehicle segments are impacted by two demographic segments. The population of school-age children, expected to grow at an average of 0.4% through 2030 according to new U.S. Census Bureau projections, provides a base for modest growth in school bus demand. A core level school bus demand results from the de facto mandatory vehicle age standards. It is evident that more students and the desire for cleaner buses are helping offset residual unfavorable demand trends being spurred by fiscal woes. Financial constraints seem to be lessening in certain parts of the country where real estate values, and hence property tax revenue, are on the mend.

At the other end of the spectrum, the population of baby boomers, who have historically provided a base for recreational vehicle (RV) demand, is expected to begin declining. According to the U.S. Census Bureau, this demographic group is forecast to shrink at an average rate of about 0.1% per year through 2030. To counteract the effect of this shift, the industry has already modified its target demographic to include younger families with children. The move continues to pay dividends, resulting in additional sales to help the industry on its road to recovery. In addition, as home values continue to improve, demand for RVs, which are largely purchased with money made available from home equity loans, will improve moderately.

GOVERNMENT SPENDING: As the need for basic infrastructure equipment, i.e. highway, refuse, and maintenance trucks, continues to grow, that need is starting to be converted into tangible activity, at least in some areas of the country. Government spending accounts for about 20% of total U.S. GDP. Growth expectations at the federal level call for conservative expansion, which will do little to improve truck demand.

Continued reports of pocket recoveries among state, local and municipal entities are increasing in frequency. The improvements are resulting in incremental medium duty commercial vehicle purchases. As expected, the number of questions about the impact of sequestration on MD demand has subsided. This supports our assessment that there would be very little direct impact on the commercial vehicle market. The exposure is limited because the cuts target government services, which make little use of commercial vehicles.

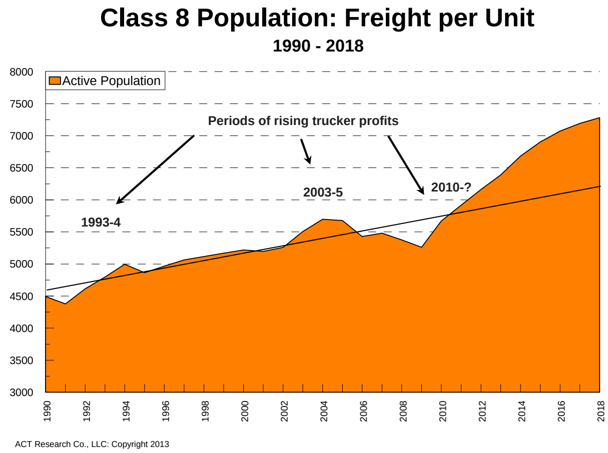
HEAVY DUTY

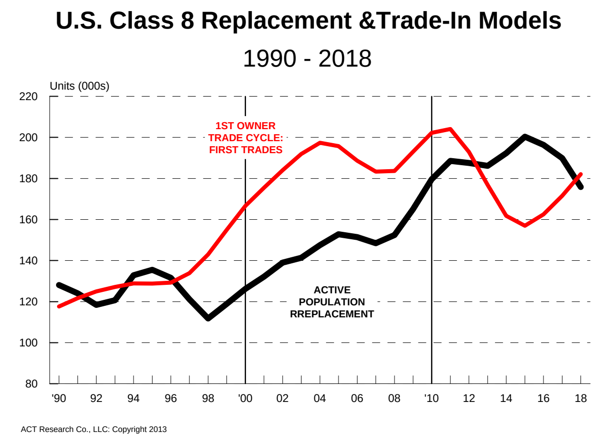
Class 8 trucks are the primary haulers of freight in North America, and the residue of much economic activity is freight to be hauled. Hence, freight generated by the economy creates demand for Class 8 trucks. Consumable goods (food, soaps, etc.) and service related activities make up the bulk of economic 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 $503 billion, or 3.8%, durable goods spending and consumer and business investment fell by $648 billion, or 19.1%, and collectively accounted for -4.4ppts of overall GDP.

Flexibility, timeliness, reduced damage claims, and in most cases, an absence of alternatives, make Class 8 trucks the choice for nearly all 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. Considerations, like trucker profitability, are at play in the short-term demand equation. However, over the long term, economic activity is the key determinant of demand: You buy trucks to move freight.

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

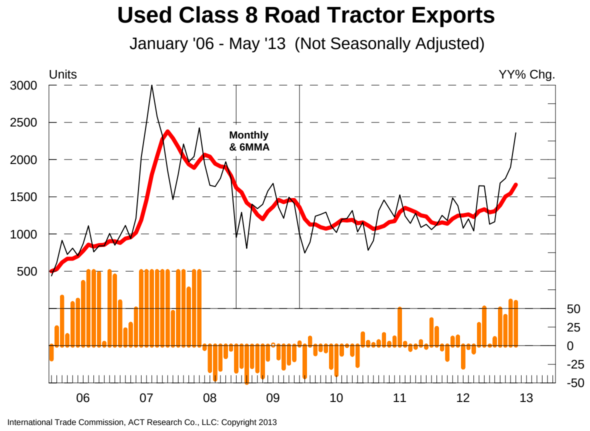


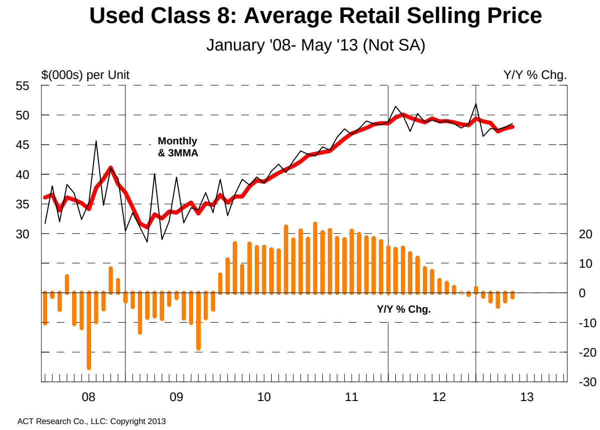


IN RUST WE TRUST: Equipment replacement represents the majority of demand in any given year. ACT's modeling indicates that 76%, of the 1.2 million Class 8 trucks sold in the U.S. from 2003 through 2008 were bought for the purpose of replacing worn-out equipment. The remaining 24% of U.S. sales represented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

USED VALUES: A big difference between the past downturn and every other cycle where the industry has ended with significant overcapacity is that used equipment prices held up relatively well – even in the face of the worst freight downturn in 60 years. During this cycle, as bad as it was, prices bottomed in May 2009 falling only ~30% from the trend peak in 2006.

APPENDIX A – POPULATION METRICS & LONG-TERM DEMAND DRIVERS





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 trade-ins at the start of the period of overcapacity. Based on ACT's "first-trade" modeling, trades were at cyclical lows in '07-'08.
- A strong global economy and weak dollar conspired to create strong international demand for used U.S. Class 8 units.

Despite the global financial crisis and the weak dollar, the second leg down in used truck prices at the end of 2008 kept used Class 8 exports strong. The strength in exports has moderated as used Class 8 prices have recovered.

Today, used equipment values are well above their mid-2009 lows. Average used retail prices topped $50,000 for the first time in January, 2012, and the 3-month average price was still high at $49,400 in December, 2012 – even after a weak freight environment through 2012. (May average was $48,000.) This period of sustained strength in used Class 8 values is expected to continue:

- The economy is growing, absorbing capacity.
- Business failures are near record lows.
- Relatively low sales volumes of late models.
- Large fleets are buyers, rather than sellers of equipment.

ACT's first-trade model indicates continued high levels of trade activity (see graph on previous page) – good news for new truck demand at the front end of the forecast. A good barometer of Class 8 trade-in

		Years of Service:						
		2012	2013	2014	2015	2016	2017	2018
Date Sold	USC8RS							
2004	208,820	9	10					
2005	257,847	8	9	10				
2006	289,656	7	8	9	10			
2007	157,565	6	7	8	9	10		
2008	139,876	5	6	7	8	9	10	
2009	97,014	4	5	6	7	8	9	10
2010	110,109	3	4	5	6	7	8	9
2011	173,666		3	4	5	6	7	8
2012e	198,000			3	4	5	6	7
2013e	198,000				3	4	5	6

expectations is the number of units sold 4 to 8 years ago, making the 2015-2016 forecast somewhat dicey. In 2013, trucks purchased from 2005-2009 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 weakness, and resulting weak used equipment prices, our modeling suggests that wave of trade-in activity should have started in 2010. The failure to maintain an orderly trade cycle is expected to support a continued up-cycle into 2014.

Truckers with older, high mileage equipment are disadvantaged in today's market: New Class 8 prices have gone through two emissions mandates (2007 and 2010) that raised Class 8 prices by ~$17,000. More recent price increases and surcharges are additive, and don't forget to include FET and state taxes (~20%). Not only do new trucks cost more, the mass of trucks sold from 2004 to 2006 are older, with more mileage than desirable. Older and more mileage means less residual value, making for a massive value gap for many truckers looking to trade. On the flip-side, weak new Class 8 sales from 2007 to 2010 have put a premium on late model used equipment prices. High prices are expected to endure through the foreseeable future.

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 efficient vehicles. In 2010 and 2011, the U.S. fleet age is peaking at just below 6.7 years. For reference, median age the past 25 years has been 5.8 years. The average age profile in Canada is comparable to the U.S.

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?

Using historical used truck age and mileage data, the answer suggested is around 4%. Hence, instead of a chronological average age of 6.7 years in 2011, the consumed average age was around 6.4 years. That still makes fleet age the oldest since 1985, the period immediately following deregulation.

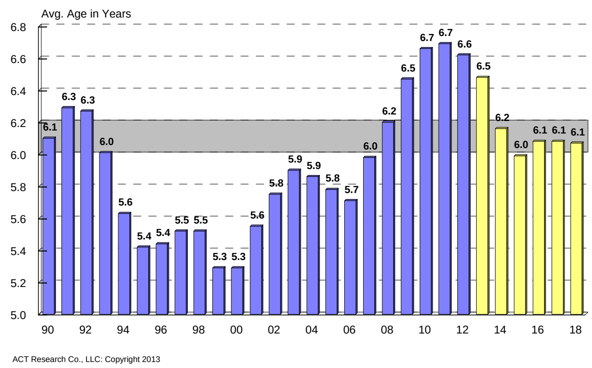
Accumulated mileage is a critical consideration, as there is a direct correlation between usage and operating costs. Repair bills typically rise sharply in the fifth year of operation, or around 500,000 miles as parts wear out, thereby raising costs and reducing reliability. Because of the negative productivity 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 fewer miles 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. Of course, *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.*

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 in the current cycle. Some considerations:

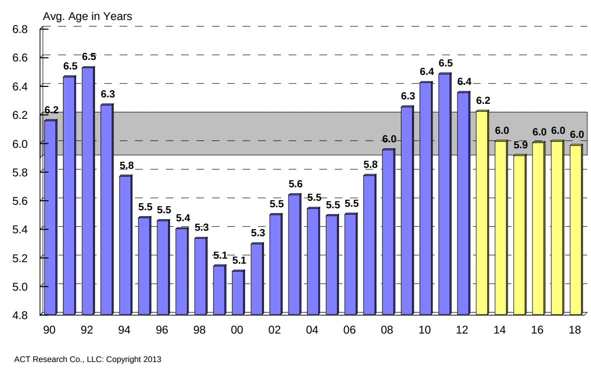
- Too few APUs were installed in the last cycle to materially impact engine wear this cycle.
- The engine may not be running, but the rest of the truck is experiencing as much wear and tear.
- Fleets with APUs should enjoy higher profitability, thereby facilitating new truck buys.
- For fleets trading at 5 years or less, the trade has never been about the engine life.
- 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: Moving hand in hand with rising freight volumes, trucker profitability is a key consideration in understanding demand timing. As can be seen in the TL carrier profit margin chart (A-6), there is a solid correlation between periods of

AVERAGE AGE:
U.S. Class 8 Active Population
1990 - 2018



AVERAGE AGE:
Canada Class 8 Active Population
1990 - 2018



profitability and Class 8 demand. The start of stronger orders in Q4'03 and Q4'10 were preceded by two quarters of rising profits. Conversely, periods of falling profitability, 2001-2002 and 2007-2009 were marked by fleets shedding, rather than adding, capacity. Perhaps this is overly simplistic, but it is not freight that drives new truck demand per se, but profitability: When truckers make money hauling freight, they buy equipment. Conversely, when there is no freight to haul, or when truckers aren't making money when there is freight to haul, they are less inclined to buy new equipment.

With the economy growing and capacity stagnant, trucker profitability remains positive. Because our model indicates that freight will continue to outstrip Class 8 capacity, truckers should enjoy several years of elevated profits. This situation is expected to propel Class 8 demand into 2014.

BUSINESS FAILURES: Business failures provide temporary capacity relief, but more importantly are a gauge of industry health. Unlike exports, which are parked offshore, business failure units are typically back in the market within three to six months.

Avondale Partners indicated that in Q4'12, business failures spiked to a two year high, but remained low by historical standards. The still low rate of failures supports our dual thesis that in the absence of oversupply, truckers are making money to covers costs, and the notion that there are few truckers today who do not understand their bottom-line costs. Given that, we expect extended period of quiescence akin to what occurred from 2004 to 2006: With freight returning and the supply-demand equilibrium favoring truckers, failures will remain low.

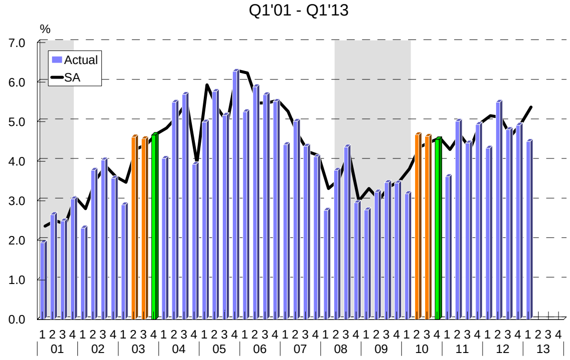
We believe that the quality of truckers is the best it has ever been. This will cause business failures to trend lower than in previous cycles. Consider: today's truckers survived the recessions of 2001 and 2008/09, made it through two periods of significant credit constraint, and rode oil from $30/bbl to $150/bbl. While there are better and worse truckers, irrational capacity providers are long gone.

NEW DEMAND: The new-growth piece of Class 8 demand is dependent on the economy generating new freight volumes. If there is less freight, à la 2008-09, fewer trucks are needed. For 2012-2017, the forecast anticipates that the U.S. economy will grow 16% and freight volumes will expand by 27%. Because of higher new equipment prices and meaningfully higher fuel prices, there a new sense of urgency vis-à-vis fleet productivity. As a result, the U.S. Class 8 active fleet is projected to grow just 4.7% over the forecast period. At the end of 2017, the U.S. active fleet (15-years & younger, uptime adjusted) is projected at 2.10 million units, compared to 2.00 million at the end of 2012.

Based on the current forecast, fleet age is expected to have reached its cyclical peak in 2011 at a record 6.7 years. Improving sales will reverse the rising age trend. However, even with the healthy sales rebound that started in 2011, it won't be until 2014 that fleet age returns to the high end of its long-term range at 6.2 years. From 1988 through 2008, fleet age averaged 5.8 years with a range of 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 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.

TL Carrier Database:
Net Profit Margin
Q1'01 - Q1'13



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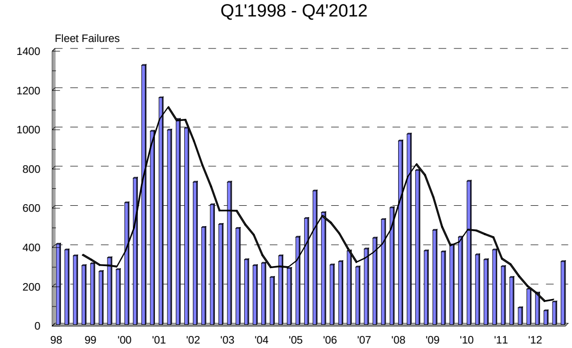
Avondale Trucker Business Failures
Q1'1998 - Q4'2012



Source: Donald Broughton, Avondale Partners; ACT Research Co., LLC

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 long-term arbiter of demand, it is only one consideration 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?", "Will replacing an old truck with a new truck allow me to make more money?", and "Will buying a new truck help driver sourcing?" While there are other questions, we suspect they all ultimately tie back to operating costs and 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 ~$20,000 in mandate related pricing 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 allows.

EPA MANDATES: Making the case that the relative strength of demand is related to freight rates and trucker profits are the industry's reactions to the last three EPA mandates. Adding complexity, the price of a new Class 8 unit rose with the introduction of EPA '04, '07, and '10. While Class 8 prices rose, the three mandate roll-outs were greeted with three very different market outcomes:

Evolutionary not Revolutionary

Detracting from Demand	Accretive to Demand	Trend Period
Retail Consolidation	Population Growth	Long-term
Packaging evolution	Internet Shopping	Long, Medium-term
Electronics Miniaturization	Ubiquitousness of electronics	Long-term
Intermodal		Long-term
Rising Oil Prices	Cheap Natural Gas	Recent
	Mfg. On-shoring	Now/Coming
Rising Truck Prices	Regulatory Onslaught	Now

- EPA'04 occurred at the end of the 2001 recession at the start of Q4'02, just before the economy began to recover, and ahead of wide knowledge of rising engine costs. Our data indicate that the prebuy was around 30,000 units.
- For EPA'07, the cost and fuel economy penalties of the engines were widely known well in advance of the mandate. Not only were truckers aware, but coming from the strongest period of trucker profitability since deregulation, truckers bought with impunity. ACT's modeling suggests a prebuy of about 130,000 units. It will be interesting to see how Europe responds to the EPA'07-like EuroVI mandate at the start of 2014.
- In 2010, despite a significant price increase (offset by better MPG), excess capacity and soft trucker profits ahead of the mandate made the prebuy ahead of EPA 2010 a non-event: orders rose only 10k to 15k above the prevailing trend in late 2009.

CAFE 2014: Beginning in 2014, Class 8 trucks will, for the first time, have to meet fuel economy/carbon emissions standards. Through improved aerodynamics, reduced parasitic drag, and some improvement in engine efficiency, the MPG/carbon emissions reductions have been rolled out over the past several years, resulting in fuel efficiency gains in excess of the mandates' 10% requirement. Most of the industry will be selling trucks in early 2013 that are already CAFE'14 compliant. Coupling modest cost with significant fuel economy gains makes CAFE'14 a non-event in terms of demand.

Since the introduction of super-aero equipment and the advent of $4/gallon diesel fuel back in 2008, there have been considerable fuel economy improvements to new trucks. Coupling super-aero cabs, lighter weight components, improved engine fuel economy performance, LRR tires, etc., today's trucks get significantly better fuel economy than those built just a few years ago. When you add on the changes being made to reach CAFE'14, fuel economy becomes a key factor in trucker profitability and by extension, the new truck buying decision.

Further afield, the next 10% carbon reduction (CAFE'18) will be more challenging as the low-hanging fruit was harvested ahead of CAFE'14. With 20% less carbon, we suspect natural gas will be a key component of the next 10% reduction in carbon emissions. Given the activity underway in engine development and infrastructure build-out, five years from now seems about the right timing for an exponential increase in natural gas powered Class 8 equipment.

DRIVERS: Despite ~9% 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. As such, driver acquisition and retention remain long-term issues.

With 200k drivers and 1.7m construction workers out of jobs since 2007, the pool of potential drivers is large. To date, driver wages have not risen in any meaningful way, so "driver shortage" probably overstates the situation. While wages have only risen modestly thus far, there is a growing body of anecdotal commentary suggesting increasing pressure to raise wages.

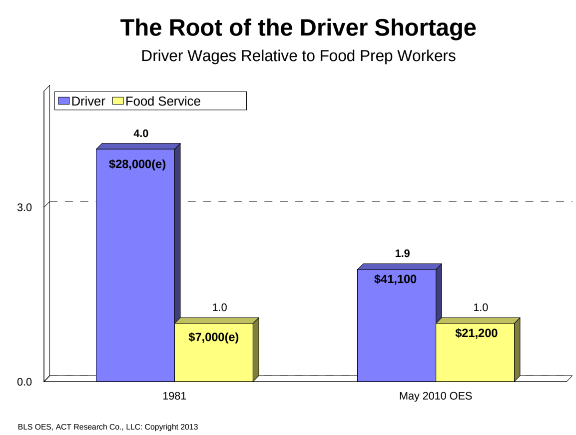
While "driver shortage" is the correct terminology, "driver pay shortage" is a more apt description. What was a good paying, medium status job when the industry was deregulated has become a low paying, low status job. Simultaneously, liability issues, drug/alcohol testing, etc., have raised the bar for qualification: A pulse is no longer sufficient qualification to be a truck driver.

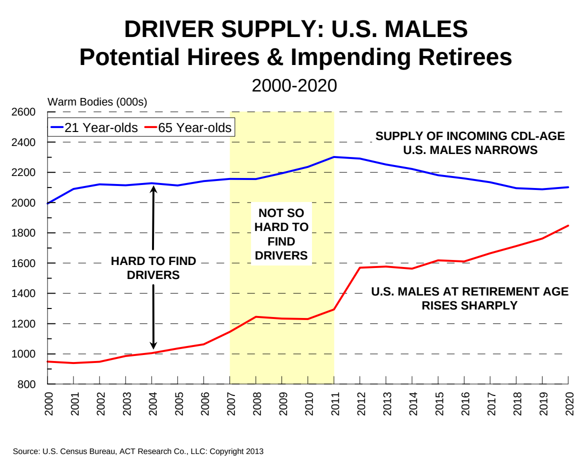
Demographics and liability concerns make the driver shortage a chronic problem. The sharp snap-back in freight in mid 2010 brought the issue back to the fore. Even with chronically high unemployment, the driver situation has remained tight. Reasons that rise to the top of the list include:

- Extended unemployment benefits: Why work when you are getting paid to not work?
- Driver pay remains below 2007 levels.
- Hair follicle drug testing.

We suspect that with high unemployment, including a weak construction sector, it will be easier to find drivers this cycle than it was back in 2004-2005. It is believed that construction and trucking often compete for the same employees.

Longer term, truckers are projected to exit the workforce in a growing wave. The first baby-boomers began 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 around 600,000 bodies by 2014. The choices? Import workers (an historically touchy subject for politicians on both sides of the aisle), entice older drivers to stay longer, or pay drivers more money.





U.S.TRAILERS

FREIGHT: There is a straightforward relationship between trailer industry health and economic activity:

- Economic growth creates new freight to haul. That requires more capacity, which is satisfied through more trailers, improved productivity of the existing fleet, or a combination of the two.
- Economic downturns reduce freight volumes. Overcapacity requires fewer trailers. Trailers are not replaced when they wear out and could also be idled until needed.

The dry van freight composite graph, at the right, shows our measure of economically driven freight demand for dry vans. The severity of the last downturn becomes obvious, as the chart shows the drop-off in freight was prolonged and exceptionally deep.

Traditional economic downturns follow a script: Inflation ticks up, interest rates rise, and consumer spending falls, causing business inventories to rise. That triggers a pullback in manufacturing to align inventories with sales. With consumers not consuming and producers not producing, inflation cools, the Federal Reserve cuts interest rates, and consumers reengage.

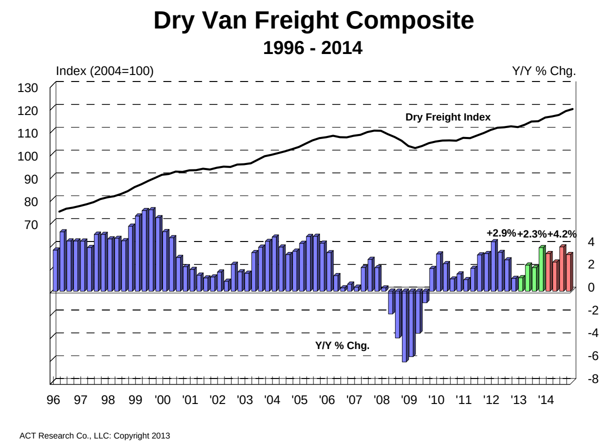
Despite historically low interest rates, the pace of the economy has been lackluster in this recovery. The economy did not cycle once the Fed cut interest rates. Because of the debt and credit related component of the "Great Recession," ACT's Class 8 freight composite declined 8.0% y/y in 2009. Our dry 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 results of fewer new trailer shipments from early 2008 through early 2010 include:

- Shrinking population. The trailer fleet declined 9% from 2007 through 2011, from 3.06 million to 2.79 million.
- Aging fleet. Average age grew from 7.2 years in 2006 to 8.3 years in 2011.

Solid 2011 shipments resulted in a plateauing in the upward march of trailer age. The additional gains of 2012, the best shipment levels since 2006, added to trailers in operation and generated the first average age decline in 6 years. Peaking at 8.3 years, fleet age remains near record highs and will gradually slide toward the 7-year level through the rest of the decade.

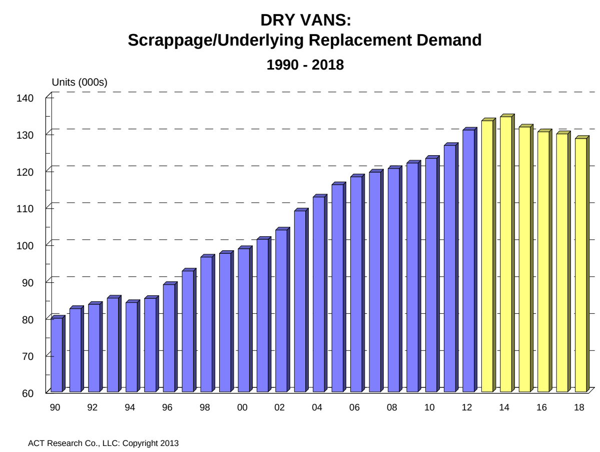
In addition to the freight decline during the recession, structural changes in dry van utilization have exacerbated demand weakness. It is not just dry vans that are at record fleet age levels, but reefer vans and heavy lowbeds as well. Other trailer types like flatbeds, pneumatic tanks, and dump trailers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



Contraction of trailers in operation occurs when new trailer deliveries fall below replacement levels in response to lower capacity needs. In 2009, for example, 82,000 new trailers were shipped. ACT's population model indicates that ~185,000 trailers actually needed to be replaced that year, indicating the trailer fleet contracted by ~103,000 units in 2009. Our modeling also shows that the total population declined almost 260,000 units from 2007 through 2010. ACT's analysis points to a minor population increase in 2012, ending the cyclical contraction of trailers in operation.

DRY VAN POPULATION plateaued in 2006/2007 at 1.83 million units. Analysis indicates dry van population bottomed in 2011 at 1.61 million units, down 220,000 units, or 12%, from the peak.

Dry van scrappage, and correspondingly, replacement rates, are set to rise through the forecast period as the large supplies of trailers that entered service from the mid to late 1990s reach the end of their useful lives. Currently, dry van replacement is almost 131,000 units per year, peaking in 2014 at 135,000 units.



Dry vans historically represent nearly 60% of total trailer demand, and generally have tracked within a range of 55% to 65% of total. After the historical low 38% in 2009, they grew to 49% of shipments in 2010, returning to 54% in 2011 and 2012. They are projected to reach 58% in 2018. In addition to the recessionary impact, the growing popularity of trailer tracking and the resulting positive fleet productivity impact was a critical contributor to the severe decline in dry van demand. Helping to offset those impacts are shippers' reluctance to load older trailers as well as CSA inspections. Recently enacted HOS regulations could offset some of those productivity gains, resulting in increased equipment requirements.

REEFER VAN POPULATION: The graph of reefer van population and age shows that there is a greater degree of predictability in reefer van demand than for other trailer types. That relative stability comes from a solid, underlying demand for temperature-controlled freight movement, primarily supported by transportation of food and dairy products. These needs help to buffer cyclical swings. The average age of the reefer van fleet has remained in a tight 5.2 to 6.1 year range since 1980. That is less than half the volatility experienced in either the dry van or flatbed markets. The reefer van age predictability comes from four factors which impact the temperature stability of the box:

- The insulating foam in the sidewalls breaks down over time, reducing thermal efficiency.
- The insulation absorbs moisture over time, reducing freight capacity and thermal efficiency.
- The trailer box itself can become compromised.
- The reefer unit 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 an inefficient box with degraded/waterlogged insulation and leaky sidewalls.

Despite improved construction techniques, foam insulation longevity, and reefer unit quality, reefer van fleet age is expected to remain close to historic levels. Contributing to this are 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 more than seven years old in California, and that seven-year age threshold is mandated on a rolling/go-forward basis. Although some retrofit products address CARB rules, the cost/benefit analysis makes justifying upgrading difficult.

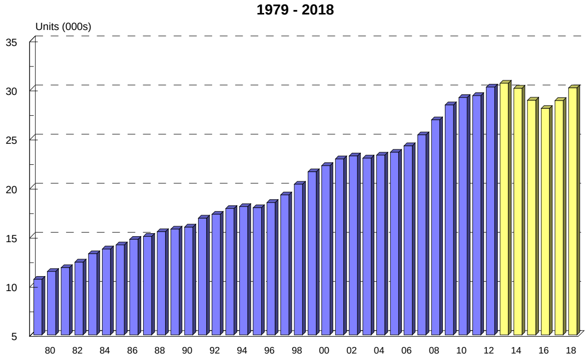
FLATBED POPULATION: The flatbed story is in large part the story of steel output, automobile production, and new home construction in the United States. Flatbed shipments hitting a 56-year low in 2009 speaks volumes about the economy's weakest sectors. Coincidentally, new home construction fell to a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

Flatbeds are primarily haulers of steel and other heavy materials. The average age trend tracks U.S. steel industry fortunes 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.

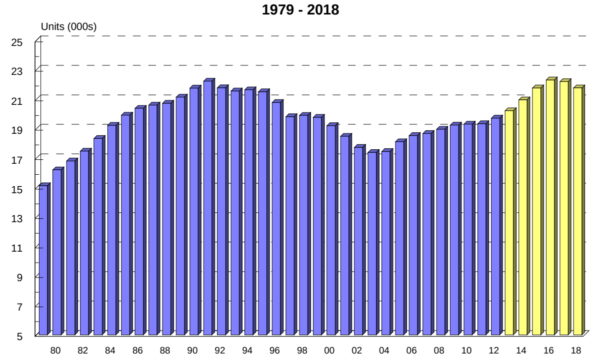
The global economic recovery, green considerations, and deglobalization are a good combination for flatbed trailers as manufacturers return production closer to end markets. Consider:

- Dollar weakness will boost U.S. competitiveness.
- Higher oil costs will make the ~7,000 mile Asian supply chain a burden for high weight-low value goods.
- Growing pressure to reduce carbon footprints: "Home-sourcing" or "re-shoring" provides positive environmental as well positive political impacts.
- A rising RMB and increasing labor rates will reduce the financial benefit of manufacturing in China.

REEFER VANS:
Underlying Replacement Demand
1979 - 2018



FLATBED TRAILERS:
Scrappage/Underlying Replacement Demand
1979 - 2018



These factors support a compelling scenario for above-trend manufacturing output. Add growing replacement pressure 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.

OTHER TRAILER DEMAND DRIVERS: Dry vans, reefer vans, and flatbed trailers accounted for 81% of new trailer demand over the last ten years. The remaining 19% of the market were mission-specific trailers and are affected by different sets of demand drivers: Dumps, lowbeds and pneumatic tank demand is driven by commercial construction, road building, mining, and oil exploration. Liquid tanks haul loads of fruit juice, but they also haul chemicals and petroleum products. Hydraulic fracturing for oil and natural gas has been a major driver of bulk and liquid tank demand. Baker-Hughes reports Fall 2012 natural gas rig counts were 56% below the Fall 2010 peak, resulting in a corresponding negative impact on bulk trailer demand. Grain trailers have almost everything to do with agricultural sector profitability with very little impact from other economic sources. Tax changes, such as enhanced depreciation and the Section 179 changes included in recent legislation, can be a marginal net positive to capital investment. However, the amount of freight will ultimately be the determining factor supporting equipment investment.

STRUCTURAL & SYSTEMIC ISSUES: Since 2000, dry vans have accounted for 55% 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 affecting dry van demand is structural. Over the past two decades:

- Improved dry van quality. Construction shifted from FRP and sheet and post to aluminum plate and composites. The result: a more damage resistant and easier to repair trailer, with increased cubic capacity, improving fleet productivity.
- Length law changes in 1984, 1987 and 1991. The promise of increased productivity caused trailers to be replaced prematurely. With the exception of pup trailers, no length law changes are currently under discussion. However, potential increased weight limits are periodically discussed.
- Dry van to tractor ratio changes. Higher ratios evolved in the 1990s with JIT and drop-and-hook strategies keeping drivers and tractors deployed. Higher ratios mean lower utilization, extending trailer life. HOS regulations may impact this measure over the short-to-medium term.

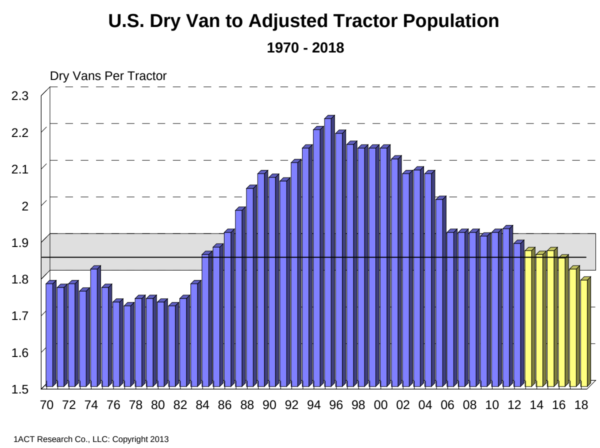
Negative implications of the high to low ratio transition: A 1:1 trailer to tractor ratio would mean that a trailer ran as many miles as a tractor. Each trailer runs half the miles at 2 trailers per tractor. A 3:1 ratio boosts the effective life expectancy of a trailer by 50%.

- Increased trailer tracking usage improves fleet efficiency, effectively increasing available capacity.
- A move from TOFC to domestic containers: IANA reports TOFC loads fell from 2.6 million in 2000 to 1.5 million in 2012, while domestic container loads went from 2.3 million to 5.5 million. Assuming each TOFC van trailer carried 35 loads per year, every 1,000,000 load shift from TOFC means 29,000 van trailers are "functionally replaced." The additional 800,000 domestic container loads, at the same 35 load per year factor, point to another 23,000 potential trailer equivalent impact. We estimate a resulting annual dry van impact of ~3,700 units.

As shown, the industry remained at 1.9 dry vans per "dry van tractor" in 2009-2011, 11% below the 2000 level. At a target ratio of 1.85 trailers per tractor, there were still 65,000, or 4%, too many dry van trailers at the end of 2009. As the economy improved, the capacity overhang was absorbed.

SYSTEMIC: Excessively weak economic activity and the financial crisis collateral damage caused:

- Excessively weak used trailer prices fed by weak demand and shrinking dry van ratios. Used trailer prices rose through 2011 and 2012.
- Tighter lending standards limit truckers' ability to borrow money. We view this as more significant to the smaller and medium fleets.



ACT Research

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

		2013					2014				
	2012	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
CLASSES 5-7 RETAIL SALES											
. Truck	132,451	32,181	37,801	37,477	39,041	146,500	37,556	41,167	37,741	37,837	154,300
Y/Y % Change	16.1	-5.8	13.7	22.7	13.1	10.6	16.7	8.9	0.7	-3.1	5.3
. Bus	32,063	6,290	9,427	9,346	9,736	34,800	8,811	9,658	8,854	8,877	36,200
Y/Y % Change	14.6	-13.0	12.3	3.9	30.8	8.5	40.1	2.4	-5.3	-8.8	4.0
. RV	12,378	3,220	3,961	3,927	4,091	15,200	3,967	4,349	3,987	3,997	16,300
Y/Y % Change	6.3	30.7	-8.4	9.2	105.4	22.8	23.2	9.8	1.5	-2.3	7.2
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TOTAL CLASSES 5-7	176,892	41,691	51,190	50,751	52,869	196,500	50,334	55,173	50,582	50,711	206,800
Y/Y % Change	15.1	-4.9	11.4	17.7	20.3	11.1	20.7	7.8	-0.3	-4.1	5.2
CLASSES 5-7 PRODUCTION											
. Truck	143,135	33,822	37,896	36,225	39,158	147,101	41,546	43,140	38,092	38,088	160,867
Y/Y % Change	13.3	-11.3	3.5	18.2	3.8	2.8	22.8	13.8	5.2	-2.7	9.4
. Bus	32,762	7,576	9,355	8,942	9,666	35,539	9,422	9,784	8,639	8,638	36,483
Y/Y % Change	16.0	-0.6	4.7	5.1	25.5	8.5	24.4	4.6	-3.4	-10.6	2.7
. RV	12,552	3,494	3,836	3,667	3,964	14,962	4,218	4,380	3,868	3,867	16,333
Y/Y % Change	3.1	41.4	-18.3	6.2	105.0	19.2	20.7	14.2	5.5	-2.4	9.2
	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------
TOTAL CLASSES 5-7	188,449	44,892	51,087	48,835	52,788	197,602	55,187	57,304	50,598	50,594	213,683
Y/Y % Change	13.0	-6.9	1.7	14.6	11.4	4.9	22.9	12.2	3.6	-4.2	8.1

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

		2013					2014				
	2012	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
CLASSES 5-7 RETAIL SALES											
. Retail Sales	154,747	36,907	44,340	43,959	45,794	171,000	43,567	47,756	43,782	43,894	179,000
Y/Y % Change	15.7	-3.4	10.2	16.9	18.4	10.5	18.0	7.7	-0.4	-4.1	4.7
CLASSES 5-7 PRODUCTION											
. Production	165,129	39,211	44,318	42,365	45,794	171,688	47,852	49,687	43,873	43,869	185,281
Y/Y % Change	13.3	-6.0	0.9	13.1	8.9	4.0	22.0	12.1	3.6	-4.2	7.9

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

	2012	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014
CLASSES 5-7 RETAIL SALES											
. **Retail Sales**	12,018	2,320	3,664	3,632	3,784	13,400	3,602	3,949	3,620	3,629	14,800
Y/Y % Change	11.0	-21.0	13.8	11.7	44.9	11.5	55.3	7.8	-0.3	-4.1	10.4
CLASSES 5-7 PRODUCTION											
. **Production**	11,597	2,890	3,817	3,649	3,944	14,300	4,070	4,226	3,732	3,731	15,759
Y/Y % Change	5.3	-14.4	5.6	59.1	70.5	23.3	40.8	10.7	2.3	-5.4	10.2

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

	2012	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014
CLASSES 5-7 RETAIL SALES											
. **Retail Sales**	8,742	2,294	2,383	2,362	2,461	9,500	2,410	2,641	2,421	2,428	9,900
Y/Y % Change	23.0	-2.4	15.5	22.3	2.7	8.7	5.0	10.8	2.5	-1.4	4.2
CLASSES 5-7 PRODUCTION											
. **Production**	9,223	2,215	2,221	2,123	2,295	8,854	2,435	2,528	2,232	2,232	9,427
Y/Y % Change	16.0	-7.6	2.3	-5.0	-5.2	-4.0	9.9	13.8	5.1	-2.7	6.5

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

	2012	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014
CLASSES 5-7 RETAIL SALES											
. **Retail Sales**	1,385	170	804	797	830	2,600	755	827	758	760	3,100
Y/Y % Change	-34.7	-50.0	73.5	135.7	240.1	87.7	343.8	2.9	-4.8	-8.4	19.2
CLASSES 5-7 PRODUCTION											
. **Production**	2,500	576	731	698	755	2,760	831	863	762	762	3,217
Y/Y % Change	19.0	-24.7	44.7	10.1	26.7	10.4	44.2	18.1	9.1	0.9	16.6

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

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASSES 5-7 RETAIL SALES								
. **Truck**	114,122	132,451	146,500	154,300	160,600	169,300	177,600	181,200
Y/Y % Change	40.1	16.1	10.6	5.3	4.1	5.4	4.9	2.0
. **Bus**	27,986	32,063	34,800	36,200	37,900	39,700	41,400	43,000
Y/Y % Change	5.3	14.6	8.5	4.0	4.7	4.7	4.3	3.9
. **RV**	11,643	12,378	15,200	16,300	18,500	20,500	22,500	21,500
Y/Y % Change	-2.9	6.3	22.8	7.2	13.5	10.8	9.8	-4.4
	-------	-------	-------	-------	-------	-------	-------	-------
TOTAL CLASSES 5-7	153,751	176,892	196,500	206,800	217,000	229,500	241,500	245,700
Y/Y % Change	28.1	15.1	11.1	5.2	4.9	5.8	5.2	1.7
CLASSES 5-7 PRODUCTION								
. **Truck**	126,375	143,135	147,101	160,867	162,606	171,790	180,125	182,310
Y/Y % Change	60.1	13.3	2.8	9.4	1.1	5.6	4.9	1.2
. **Bus**	28,242	32,762	35,539	36,483	38,079	40,088	41,596	43,254
Y/Y % Change	4.9	16.0	8.5	2.7	4.4	5.3	3.8	4.0
. **RV**	12,175	12,552	14,962	16,333	18,567	20,567	22,567	21,467
Y/Y % Change	1.2	3.1	19.2	9.2	13.7	10.8	9.7	-4.9
	-------	-------	-------	-------	-------	-------	-------	-------
TOTAL CLASSES 5-7	166,792	188,449	197,602	213,683	219,252	232,444	244,288	247,031
Y/Y % Change	41.5	13.0	4.9	8.1	2.6	6.0	5.1	1.1

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASSES 5-7 RETAIL SALES								
. **Retail Sales**	133,694	154,747	171,000	179,000	186,000	196,000	205,000	206,000
Y/Y % Change	-33.3	15.7	10.5	4.7	3.9	5.4	4.6	0.5
CLASSES 5-7 PRODUCTION								
. **Production**	145,728	165,129	171,688	185,281	187,317	198,192	206,900	206,342
Y/Y % Change	-35.2	13.3	4.0	7.9	1.1	5.8	4.4	-0.3

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

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASSES 5-7 RETAIL SALES								
. **Retail Sales**	10,830	12,018	13,400	14,800	15,700	16,900	18,100	19,400
Y/Y % Change	37.0	11.0	11.5	10.4	6.1	7.6	7.1	7.2
CLASSES 5-7 PRODUCTION								
. **Production**	11,011	11,597	14,300	15,759	15,890	17,225	18,425	19,752
Y/Y % Change	46.2	5.3	23.3	10.2	0.8	8.4	7.0	7.2

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASSES 5-7 RETAIL SALES								
. **Retail Sales**	7,106	8,742	9,500	9,900	11,700	12,500	14,000	15,200
Y/Y % Change	7.6	23.0	8.7	4.2	18.2	6.8	12.0	8.6
CLASSES 5-7 PRODUCTION								
. **Production**	7,953	9,223	8,854	9,427	12,538	12,852	14,688	15,763
Y/Y % Change	14.6	16.0	-4.0	6.5	33.0	2.5	14.3	7.3

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASSES 5-7 RETAIL SALES								
. **Retail Sales**	2,121	1,385	2,600	3,100	3,600	4,100	4,400	5,100
Y/Y % Change	-0.4	-34.7	87.7	19.2	16.1	13.9	7.3	15.9
CLASSES 5-7 PRODUCTION								
. **Production**	2,100	2,500	2,760	3,217	3,508	4,175	4,275	5,175
Y/Y % Change	1.0	19.0	10.4	16.6	9.1	19.0	2.4	21.1

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.
Y/Y % 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 CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 9

		2013					2014				
	2012	**Q1**	**Q2**	**Q3**	**Q4**	**2013**	**Q1**	**Q2**	**Q3**	**Q4**	**2014**
CLASS 8 RETAIL SALES											
. **Tractor (Sleeper)**	129,874	24,511	31,000	32,569	36,135	124,216	31,245	33,254	33,477	34,816	132,791
Y/Y % Change	8.5	-23.7	-13.4	4.4	17.6	-4.4	27.5	7.3	2.8	-3.7	6.9
. **Tractor (Daycab)**	75,765	15,091	17,672	18,567	20,599	71,929	18,691	19,892	20,026	20,827	79,436
Y/Y % Change	17.3	-18.5	-13.8	1.3	11.9	-5.1	23.9	12.6	7.9	1.1	10.4
. **Truck (Sleeper)**	2,261	536	548	576	639	2,299	570	607	611	636	2,425
Y/Y % Change	76.1	4.9	-15.4	12.0	8.6	1.7	6.4	10.8	6.2	-0.5	5.5
. **Truck (Daycab)**	64,671	13,198	15,968	16,777	18,613	64,556	19,494	20,747	20,886	21,722	82,849
Y/Y % Change	14.6	-10.4	-6.2	4.7	10.3	-0.2	47.7	29.9	24.5	16.7	28.3
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TOTAL CLASS 8	272,571	53,336	65,189	68,488	75,987	263,000	70,000	74,500	75,000	78,000	297,500
Y/Y % Change	12.6	-19.1	-11.9	3.7	14.1	-3.5	31.2	14.3	9.5	2.6	13.1
CLASS 8 PRODUCTION											
. **Tractor (Sleeper)**	129,492	25,299	32,050	32,369	34,128	123,847	33,285	34,538	33,554	33,240	134,617
Y/Y % Change	3.1	-29.4	-12.0	4.6	29.7	-4.4	31.6	7.8	3.7	-2.6	8.7
. **Tractor (Daycab)**	76,912	14,944	18,471	18,655	19,669	71,739	19,841	20,588	20,001	19,815	80,245
Y/Y % Change	13.1	-30.4	-11.5	4.6	17.4	-6.7	32.8	11.5	7.2	0.7	11.9
. **Truck (Sleeper)**	2,394	396	616	622	656	2,289	606	629	611	606	2,452
Y/Y % Change	42.2	-40.1	-14.9	9.5	48.3	-4.4	53.1	2.2	-1.7	-7.6	7.1
. **Truck (Daycab)**	69,922	14,375	16,281	16,443	17,336	64,435	20,658	21,435	20,824	20,630	83,547
Y/Y % Change	16.7	-27.2	-19.7	5.7	20.9	-7.8	43.7	31.7	26.6	19.0	29.7
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TOTAL CLASS 8	278,720	55,014	67,417	68,089	71,789	262,309	74,391	77,190	74,991	74,291	300,862
Y/Y % Change	9.2	-29.2	-13.9	4.9	24.1	-5.9	35.2	14.5	10.1	3.5	14.7
MEMO: NORTH AMERICAN CLASS 8 PRODUCTION BY ENGINE DISPLACEMENT*											
. **Class 8 MDD**	27,677	4,968	7,578	7,149	7,480	27,175	7,707	8,159	7,844	7,763	31,473
Y/Y % Change	6.4	-8.0	12.4	0.9	3.3	-1.8	55.1	7.7	9.7	3.8	15.8
. **Class 8 HDD**	251,043	50,046	59,840	60,940	64,308	235,134	66,684	69,031	67,147	66,527	269,389
Y/Y % Change	9.5	13.8	7.8	0.5	-12.2	-6.3	33.2	15.4	10.2	3.5	14.6
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TOTAL CLASS 8	278,720	55,014	67,417	68,089	71,789	262,309	74,391	77,190	74,991	74,291	300,862
Y/Y % Change	9.2	-29.2	-13.9	4.9	24.1	-5.9	35.2	14.5	10.1	3.5	14.7

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

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

		2013					2014				
	2012	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
CLASS 8 RETAIL SALES											
TOTAL CLASS 8	198,715	39,446	48,893	51,368	56,992	196,700	53,412	56,845	57,227	59,516	227,000
Y/Y % Change	14.4	-17.3	-8.3	5.8	16.0	-1.0	35.4	16.3	11.4	4.4	15.4
CLASS 8 PRODUCTION											
TOTAL CLASS 8	201,313	39,188	50,869	51,376	54,168	195,601	57,127	59,277	57,588	57,050	231,041
Y/Y % Change	9.7	-30.1	-8.1	11.5	23.7	-2.8	45.8	16.5	12.1	5.3	18.1

CANADIAN CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 11

		2013					2014				
	2012	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
CLASS 8 RETAIL SALES											
TOTAL CLASS 8	30,151	6,110	7,366	7,739	8,586	29,800	7,765	8,264	8,319	8,652	33,000
Y/Y % Change	18.2	-13.9	-13.4	5.3	19.2	-1.2	27.1	12.2	7.5	0.8	10.7
CLASS 8 PRODUCTION											
TOTAL CLASS 8	30,565	6,659	7,397	7,471	7,876	29,403	8,272	8,583	8,339	8,261	33,454
Y/Y % Change	12.0	-30.0	-13.4	8.7	39.8	-3.8	24.2	16.0	11.6	4.9	13.8

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

		2013					2014				
	2012	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
CLASS 8 RETAIL SALES											
TOTAL CLASS 8	20,498	4,681	5,074	5,331	5,914	21,000	5,294	5,634	5,672	5,899	22,500
Y/Y % Change	29.8	26.7	5.7	-8.2	-4.5	2.4	13.1	11.0	6.4	-0.3	7.1
CLASS 8 PRODUCTION											
TOTAL CLASS 8	20,379	4,664	5,429	5,483	5,781	21,357	5,656	5,869	5,702	5,648	22,875
Y/Y % Change	26.4	36.1	-2.7	-21.5	31.6	4.8	21.3	8.1	4.0	-2.3	7.1

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

		2013					2014				
	2012	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
CLASS 8 RETAIL SALES											
TOTAL CLASS 8	23,207	3,099	3,856	4,051	4,494	15,500	3,529	3,756	3,782	3,933	15,000
Y/Y % Change	-14.2	-58.3	-47.5	-7.4	10.5	-33.2	13.9	-2.6	-6.6	-12.5	-3.2
CLASS 8 PRODUCTION											
TOTAL CLASS 8	26,463	4,503	3,722	3,759	3,964	15,948	3,336	3,461	3,363	3,331	13,492
Y/Y % Change	-6.8	-48.2	-57.6	-24.3	-1.5	-39.7	-25.9	-7.0	-10.5	-16.0	-15.4

Note: Historical retail sales and production tie to ACT Research Company's State of the Industry Reports published monthly.
Y/Y % 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 CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 13

	2011	2012	2013	2014	2015	2016	2017	2018
CLASS 8 RETAIL SALES								
. Tractor (Sleeper)	119,718	129,874	124,216	132,791	119,218	102,990	119,280	126,500
Y/Y % Change	80.4	8.5	-4.4	6.9	-10.2	-13.6	15.8	6.1
. Tractor (Daycab)	64,576	75,765	71,929	79,436	74,869	64,774	74,591	78,387
Y/Y % Change	51.4	17.3	-5.1	10.4	-5.7	-13.5	15.2	5.1
. Truck (Sleeper)	1,284	2,261	2,299	2,425	1,929	1,737	1,994	2,100
Y/Y % Change	49.1	76.1	1.7	5.5	-20.5	-9.9	14.8	5.3
. Truck (Daycab)	56,441	64,671	64,556	82,849	81,999	71,511	82,149	86,028
Y/Y % Change	30.6	14.6	-0.2	28.3	-1.0	-12.8	14.9	4.7
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TOTAL CLASS 8	242,019	272,571	263,000	297,500	278,015	241,012	278,014	293,015
Y/Y % Change	58.0	12.6	-3.5	13.1	-6.5	-13.3	15.4	5.4
CLASS 8 PRODUCTION								
. Tractor (Sleeper)	125,635	129,492	123,847	134,617	119,394	100,205	117,379	127,397
Y/Y % Change	83.5	3.1	-4.4	8.7	-11.3	-16.1	17.1	8.5
. Tractor (Daycab)	68,015	76,912	71,739	80,245	75,022	63,190	73,371	78,896
Y/Y % Change	61.0	13.1	-6.7	11.9	-6.5	-15.8	16.1	7.5
. Truck (Sleeper)	1,683	2,394	2,289	2,452	1,912	1,687	1,957	2,112
Y/Y % Change	99.6	42.2	-4.4	7.1	-22.0	-11.7	16.0	7.9
. Truck (Daycab)	59,928	69,922	64,435	83,547	82,012	69,709	80,760	86,494
Y/Y % Change	40.6	16.7	-7.8	29.7	-1.8	-15.0	15.9	7.1
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TOTAL CLASS 8	255,261	278,720	262,309	300,862	278,339	234,792	273,467	294,900
Y/Y % Change	65.6	9.2	-5.9	14.7	-7.5	-15.6	16.5	7.8
MEMO: NORTH AMERICAN CLASS 8 PRODUCTION BY ENGINE DISPLACEMENT*								
. Class 8 MDD	26,011	27,677	27,987	31,473	29,142	24,583	28,632	30,876
Y/Y % Change	43.1	6.4	1.1	12.5	-7.4	-15.6	16.5	7.8
. Class 8 HDD	229,250	251,043	234,322	269,389	249,197	210,209	244,835	264,024
Y/Y % Change	68.2	9.5	-6.7	15.0	-7.5	-15.6	16.5	7.8
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TOTAL CLASS 8	255,261	278,720	262,309	300,862	278,339	234,792	273,467	294,900
Y/Y % Change	65.6	9.2	-5.9	14.7	-7.5	-15.6	16.5	7.8

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

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASS 8 RETAIL SALES								
TOTAL CLASS 8	173,666	198,715	196,700	227,000	213,015	180,012	210,014	225,015
Y/Y % Change	57.9	14.4	-1.0	15.4	-6.2	-15.5	16.7	7.1
CLASS 8 PRODUCTION								
TOTAL CLASS 8	183,452	201,313	195,601	231,041	214,406	175,450	207,000	227,250
Y/Y % Change	69.2	9.7	-2.8	18.1	-7.2	-18.2	18.0	9.8

CANADIAN CLASS 8 TRUCK SALES AND PRODUCTION OUTLOOK: TABLE 15

	2011	2012	2013	2014	2015	2016	2017	2018
CLASS 8 RETAIL SALES								
TOTAL CLASS 8	25,512	30,151	29,800	33,000	30,000	28,000	32,000	34,000
Y/Y % Change	35.0	18.2	-1.2	10.7	-9.1	-6.7	14.3	6.3
CLASS 8 PRODUCTION								
TOTAL CLASS 8	27,285	30,565	29,403	33,454	29,475	27,350	31,317	34,417
Y/Y % Change	47.1	12.0	-3.8	13.8	-11.9	-7.2	14.5	9.9

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASS 8 RETAIL SALES								
TOTAL CLASS 8	15,788	20,498	21,000	22,500	20,000	18,000	21,000	22,000
Y/Y % Change	37.3	29.8	2.4	7.1	-11.1	-10.0	16.7	4.8
CLASS 8 PRODUCTION								
TOTAL CLASS 8	16,127	20,379	21,357	22,875	19,708	16,867	20,650	21,633
Y/Y % Change	26.8	26.4	4.8	7.1	-13.8	-14.4	22.4	4.8

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASS 8 RETAIL SALES								
TOTAL CLASS 8	27,053	23,207	15,500	15,000	15,000	15,000	15,000	12,000
Y/Y % Change	112.6	-14.2	-33.2	-3.2	0.0	0.0	0.0	-20.0
CLASS 8 PRODUCTION								
TOTAL CLASS 8	28,397	26,463	15,948	13,492	14,750	15,125	14,500	11,600
Y/Y % Change	96.1	-6.8	-39.7	-15.4	9.3	2.5	-4.1	-20.0

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

ACT Research

U.S. TRAILER FACTORY SHIPMENTS OUTLOOK: TABLE 17

	2012	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014
U.S. TRAILER FACTORY SHIPMENTS											
Dry Vans	129,543	30,998	34,797	36,143	34,562	136,500	32,966	37,611	39,066	37,357	147,000
Y/Y % Change	11.1	3.5	1.3	9.9	6.9	5.4	6.3	8.1	8.1	8.1	7.7
Reefer Vans	34,094	8,589	10,082	9,477	8,852	37,000	8,719	9,858	9,267	8,656	36,500
Y/Y % Change	1.9	1.3	10.5	13.6	8.7	8.5	1.5	-2.2	-2.2	-2.2	-1.4
Total Vans	163,637	39,587	44,879	45,620	43,414	173,500	41,684	47,469	48,333	46,013	183,500
Y/Y % Change	9.0	3.0	3.2	10.6	7.2	6.0	5.3	5.8	5.9	6.0	5.8
Platforms	24,525	5,548	6,400	6,259	5,793	24,000	6,032	6,752	6,604	6,112	25,500
Y/Y % Change	53.0	4.0	-4.2	-0.7	-6.6	-2.1	8.7	5.5	5.5	5.5	6.3
Heavy Lowbeds	3,658	877	965	991	968	3,800	963	1,102	1,131	1,105	4,300
Y/Y % Change	13.3	3.2	-1.0	7.1	6.6	3.9	9.8	14.2	14.2	14.2	13.2
Medium Lowbeds	8,083	1,938	1,905	1,964	1,894	7,700	1,856	2,130	2,196	2,118	8,300
Y/Y % Change	13.3	3.1	-11.6	-3.9	-5.6	-4.7	-4.2	11.8	11.8	11.8	7.8
Dumps	6,601	1,406	1,812	1,760	1,623	6,600	2,287	2,516	2,444	2,254	9,500
Y/Y % Change	10.1	-11.2	-4.3	2.0	16.0	0.0	62.6	38.9	38.9	38.9	43.9
Liquid Tanks	8,212	1,973	2,188	2,197	2,191	8,550	1,955	2,012	2,020	2,014	8,000
Y/Y % Change	32.1	1.1	11.9	6.3	-2.1	4.1	-0.9	-8.1	-8.1	-8.1	-6.4
Bulk Tanks	3,329	307	426	397	370	1,500	468	512	477	444	1,900
Y/Y % Change	18.0	-69.8	-56.2	-48.4	-35.1	-54.9	52.4	20.0	20.0	20.0	26.7
Total Tanks	11,541	2,280	2,615	2,594	2,561	10,050	2,423	2,523	2,496	2,458	9,900
Y/Y % Change	27.7	-23.2	-10.7	-8.6	-8.7	-12.9	6.3	-3.5	-3.8	-4.0	-1.5
All Other Trailers	18,796	4,434	4,942	4,984	4,739	19,100	4,030	4,539	4,578	4,353	17,500
Y/Y % Change	4.0	-2.2	0.4	6.3	2.0	1.6	-9.1	-8.2	-8.2	-8.2	-8.4
Total Trailers	236,841	56,070	63,517	64,173	60,990	244,750	59,274	67,032	67,783	64,411	258,500
Y/Y % Change	13.0	0.9	0.8	7.4	4.3	3.3	5.7	5.5	5.6	5.6	5.6
All Chassis	3,179	283	858	1,000	659	2,800	693	957	1,116	735	3,500
Y/Y % Change	-64.9	-51.0	-5.7	-4.8	2.8	-11.9	145.0	11.5	11.5	11.5	25.0
Dollies	3,975	590	1,201	1,215	1,194	4,200	1,115	1,359	1,375	1,351	5,200
Y/Y % Change	-9.1	-33.6	1.6	7.1	55.3	5.7	89.0	13.2	13.2	13.2	23.8
Total Axled	243,995	56,943	65,575	66,388	62,843	251,750	61,082	69,347	70,274	66,497	267,200
Y/Y % Change	9.4	-0.2	0.7	7.2	5.0	3.2	7.3	5.8	5.9	5.8	6.1

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.

U.S. TRAILER FACTORY SHIPMENTS OUTLOOK: TABLE 18

	2011	2012	2013	2014	2015	2016	2017	2018
U.S. TRAILER FACTORY SHIPMENTS								
Dry Vans	116,618	129,543	136,500	147,000	143,000	128,000	140,000	148,000
Y/Y % Change	93.6	11.1	5.4	7.7	-2.7	-10.5	9.4	5.7
Reefer Vans	33,467	34,094	37,000	36,500	34,000	33,000	36,000	37,500
Y/Y % Change	23.9	1.9	8.5	-1.4	-6.8	-2.9	9.1	4.2
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Total Vans	150,085	163,637	173,500	183,500	177,000	161,000	176,000	185,500
Y/Y % Change	72.0	9.0	6.0	5.8	-3.5	-9.0	9.3	5.4
Platforms	16,031	24,525	24,000	25,500	25,500	22,500	21,700	22,600
Y/Y % Change	101.8	53.0	-2.1	6.3	0.0	-11.8	-3.6	4.1
Heavy Lowbeds	3,228	3,658	3,800	4,300	3,800	3,500	4,000	4,300
Y/Y % Change	74.6	13.3	3.9	13.2	-11.6	-7.9	14.3	7.5
Medium Lowbeds	7,136	8,083	7,700	8,300	7,800	7,000	8,000	8,500
Y/Y % Change	74.5	13.3	-4.7	7.8	-6.0	-10.3	14.3	6.3
Dumps	5,993	6,601	6,600	9,500	11,200	11,500	11,000	12,000
Y/Y % Change	45.3	10.1	0.0	43.9	17.9	2.7	-4.3	9.1
Liquid Tanks	6,216	8,212	8,550	8,000	7,300	6,200	6,300	6,600
Y/Y % Change	34.4	32.1	4.1	-6.4	-8.8	-15.1	1.6	4.8
Bulk Tanks	2,820	3,329	1,500	1,900	2,100	2,200	2,200	2,100
Y/Y % Change	171.9	18.0	-54.9	26.7	10.5	4.8	0.0	-4.5
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Total Tanks	9,036	11,541	10,050	9,900	9,400	8,400	8,500	8,700
Y/Y % Change	59.6	27.7	-12.9	-1.5	-5.1	-10.6	1.2	2.4
All Other Trailers	18,073	18,796	19,100	17,500	14,500	14,000	15,000	14,500
Y/Y % Change	22.7	4.0	1.6	-8.4	-17.1	-3.4	7.1	-3.3
	-------	-------	-------	-------	-------	-------	-------	-------
Total Trailers	209,582	236,841	244,750	258,500	249,200	227,900	244,200	256,100
Y/Y % Change	66.8	13.0	3.3	5.6	-3.6	-8.5	7.2	4.9
All Chassis	9,046	3,179	2,800	3,500	4,000	4,000	4,000	4,000
Y/Y % Change	28.9	-64.9	-11.9	25.0	14.3	0.0	0.0	0.0
Dollies	4,372	3,975	4,200	5,200	4,600	4,200	4,800	5,000
Y/Y % Change	183.3	-9.1	5.7	23.8	-11.5	-8.7	14.3	4.2
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Total Axled	223,000	243,995	251,750	267,200	257,800	236,100	253,000	265,100
Y/Y % Change	66.2	9.4	3.2	6.1	-3.5	-8.4	7.2	4.8

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.

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

	2012	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014
CLASS 4 PRODUCTION											
. US	3,623	1,009	1,270	1,273	1,379	4,931	1,704	2,171	2,015	2,110	8,000
Y/Y % Change	-34.5	42.2	25.5	33.1	45.9	36.1	68.9	70.9	58.3	53.0	62.2
. CANADA	1,553	358	435	436	472	1,700	383	488	453	475	1,800
Y/Y % Change	3.5	8.2	-17.1	18.0	43.4	9.5	7.1	12.4	4.1	0.6	5.9
. MEXICO	12	15	92	92	100	300	85	109	101	106	400
Y/Y % Change	-80.3	1400.0	9130.0	824.9	#DIV/0!	2400.0	468.0	17.6	8.9	5.3	33.3
. EXPORT	646	91	197	198	214	700	170	217	202	211	800
Y/Y % Change	34.0	-71.4	89.6	160.0	44.7	8.4	87.2	10.1	2.0	-1.5	14.3
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TOTAL CLASS 4	5,834	1,473	1,994	1,998	2,165	7,631	2,343	2,985	2,771	2,901	11,000
Y/Y % Change	-23.0	8.3	21.5	41.6	52.3	30.8	59.1	49.7	38.6	34.0	44.1

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

	2011	2012	2013	2014	2015	2016	2017	2018
CLASS 4 PRODUCTION								
. US	5,532	3,623	4,931	8,000	13,500	11,917	14,750	17,333
Y/Y % Change	-64.8	-34.5	36.1	62.2	68.8	-11.7	23.8	17.5
. CANADA	1,501	1,553	1,700	1,800	1,900	2,000	2,100	2,200
Y/Y % Change	-3.0	3.5	9.5	5.9	5.6	5.3	5.0	4.8
. MEXICO	61	12	300	400	500	600	700	800
Y/Y % Change	-46.0	-80.3	2400.0	33.3	25.0	20.0	16.7	14.3
. EXPORT	482	646	700	800	900	1,000	1,100	1,200
Y/Y % Change	21.7	34.0	8.4	14.3	12.5	11.1	10.0	9.1
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TOTAL CLASS 4	7,576	5,834	7,631	11,000	16,800	15,517	18,650	21,533
Y/Y % Change	-57.4	-23.0	30.8	44.1	52.7	-7.6	20.2	15.5

ACT N.A. COMMERCIAL VEHICLE OUTLOOK