MARKET TRENDS
DECEMBER 2014

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Market Trends & Analysis

Market Congestion

The ILWU and the PMA continue to be at odds on a new contract at the west coast ports. As a result, the efficiency rate at the terminals continues to drop resulting in severe congestion issues at both port and rail terminals. West bound international containers have been embargoed by both the BNSF and UPRR's as a result of this congestion. The congestion has also caused ships to be anchored outside of the Long Beach and Seattle harbors and domestic rail movements to be slow for ingate/outgate at rail terminals. Port draymen have also instituted "port congestion fees" as a way to recoup for the extra time it takes to move a box in/out of the port terminals. Additionally, the ocean carriers have instituted "congestion fees" on their ocean freight customers as well. All of this taking place as the country is in the middle of the peak holiday season.

Don't look for the congestion situation to ease until either the ILWU and PMA come to an agreement, or, the end of peak season and the start of Chinese New Year combine to reduce the flow of containers into/out of the ports. The two sides are not slated to meet again until the first week of December so there is no expectation of an easing of congestion in the immediate future.

Truckload Freight Index Performance

The Morgan Stanley Truckload Freight Index paced in line with typical seasonality. Below are comments shippers shared with Morgan Stanley regarding what they are seeing with capacity and pricing.

- Carriers are starting to turn down RFP's and RFQ's stating they do not have capacity to take on additional business at this time. Port issues are continuing to suck up capacity as big shippers divert container freight to OTR."
- Asset partnerships are stable but spot market is still very volatile."
- Substantially fewer carriers seeking our business this year.
- Not seeing any easing in the tightness of supply. Carriers want to quote "spot" rates to auction trucks to highest bidder."

Exhibit 1

Morgan Stanley Dry Van ONLY Truckload Freight Index. Our dry van index significantly outperformed seasonality on surging demand and shrinking supply.

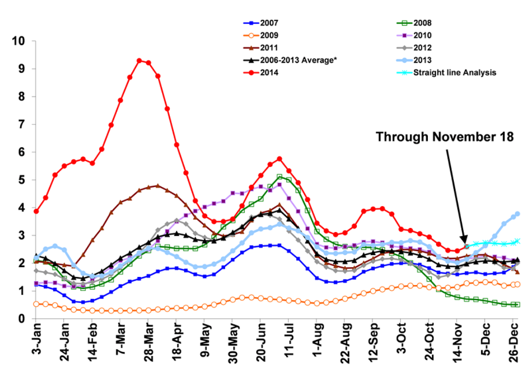

EXHIBIT 1 The index measures the incremental demand for Dry-Van Truckload services compared to the incremental supply. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior years' level, it means there is less freight demand relative to capacity. *2006-2013 average trend line excludes financial crisis years of 2008 and 2009; Source: Morgan Stanley Research, Data as of 8/26/2014

BNSF LOGISTICS

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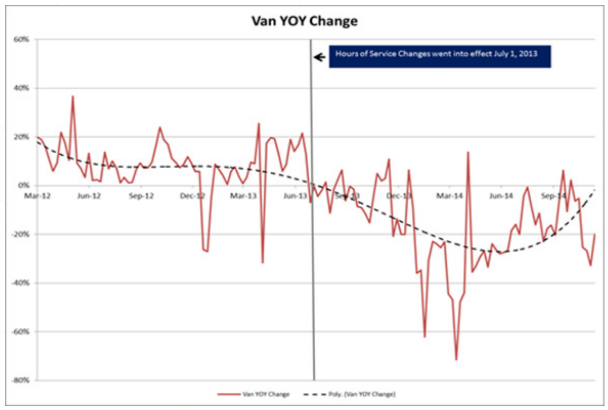
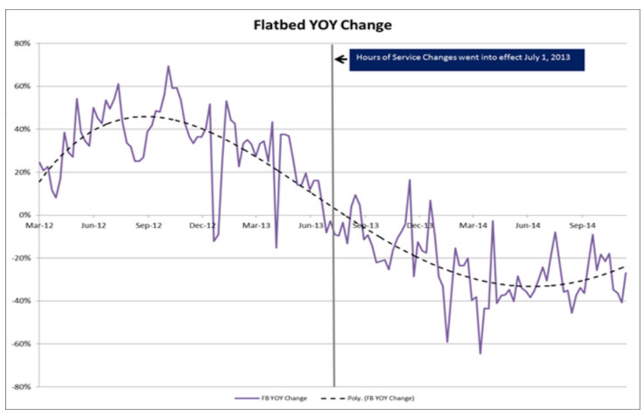
Flatbed YOY Change



Van capacity has remained tight due to seasonality along with regulatory drag and the driver shortage. Our capacity volumes are also down, CWCY at 128,974 vs CWPY at 149,466 or -13.7%. Our average capacity per week to date is 132,970.

Van YOY Change



Flatbed capacity levels continue to remain down over prior year with CWCY at 44,347 vs CWPY at 53,677 or -17.4%. Flatbed capacity has remained tight and above typical seasonality as growth has shifted from machinery and metals to commercial construction. All truck type activity has been impacted by more bankruptcies in 1H 2014 with approx. 20,000 trucks leaving the market. Our average capacity to date per week is 40,751.

Summary and Outlook for 2015

Looking back to the 2nd half of 2014 capacity has continued to tighten as demand has grown. This trend will continue into and through 2015 as the GDP continues to rise and the economy gains more strength. In order for carriers to stay healthy in the market place they will have to find creative ways to get good talent behind the wheel. Carriers will have to pay drivers more and that will mean higher rates to the shippers and ultimately the consumer. Shippers will also have to be creative in distinguishing themselves as “Driver Friendly” by getting trucks in and out of the dock faster as well as providing the drivers a clean and accommodating resting place while they wait. As the trucker has more load options to consider, rates will be just one of the deciding factors that determine who gets a truck.