



July and August M&A Transactions	2
Current Trading Statistics	3
Selected BMO Transaction / Market Index	4

BMO Capital Markets connects you to the latest M&A and Corporate Finance topics affecting the Supply Chain.

September 2010

WILL THE RECOVERY IN FREIGHT VOLUMES CONTINUE?

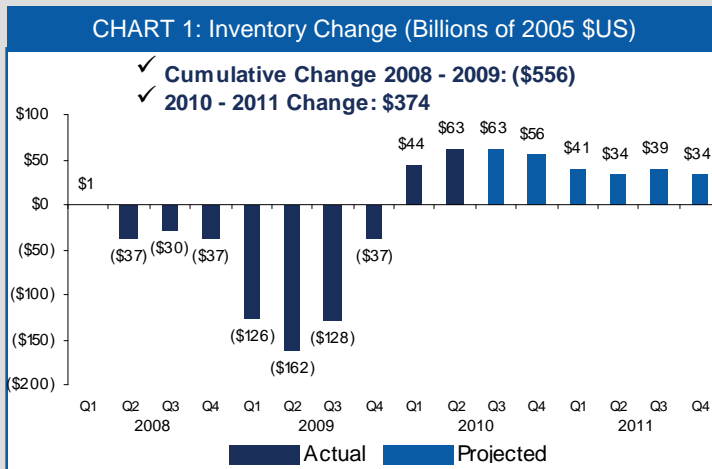
We are dedicating this edition of *The Link* to discussing the outlook for a continued recovery in freight volumes.

As the financial crisis in 2008 morphed into a deep global recession in 2009, inventory levels contracted dramatically as consumer spending stagnated and order visibility evaporated. Through the first quarter of 2009, double-digit unemployment rates and economic uncertainty remained the dominant theme in the economy. With consumer confidence at record lows, extremely high volatility in the stock market and falling house prices, retailers and manufacturers responded to a sharp pullback in consumer spending by drastically cutting inventories. Chart 1 highlights the sharp fall in inventory levels as businesses chose not to replenish amid the gloomy outlook and talks of a long, deep recession.

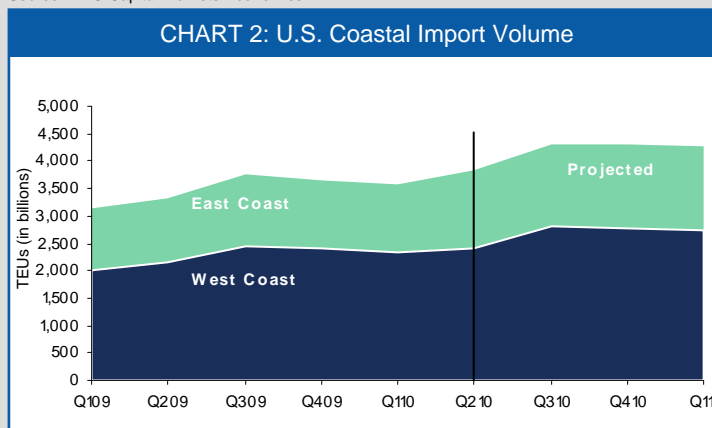
By the second half of 2009, the economy rebounded somewhat. Consumer confidence and spending increased, inventory depletion began easing, the volume of imports into the U.S. rebounded and air freight volumes trended back towards positive growth (typically a leading indicator). Retailers and manufacturers selectively replenished inventory as consumers carefully opened their pocketbooks and industrial production rebounded as order visibility slowly improved.

As retailers plan for the 2010 holiday season and manufacturers evaluate their order books, views on consumer confidence and spending this year, in addition to some secular trends in manufacturing, will be the driving forces for freight volumes. If businesses are confident that the consumer will show up as expected in late 2010, they can ship goods via container and other modes of transportation now and be reasonably sure that the inventory will sell. We would expect to see increased container traffic in the third quarter were this to be the case. On the contrary, if businesses see a weak 2010 holiday season they can delay shipment of holiday inventory and ship goods via air with the benefit of greater visibility into the consumer spending outlook.

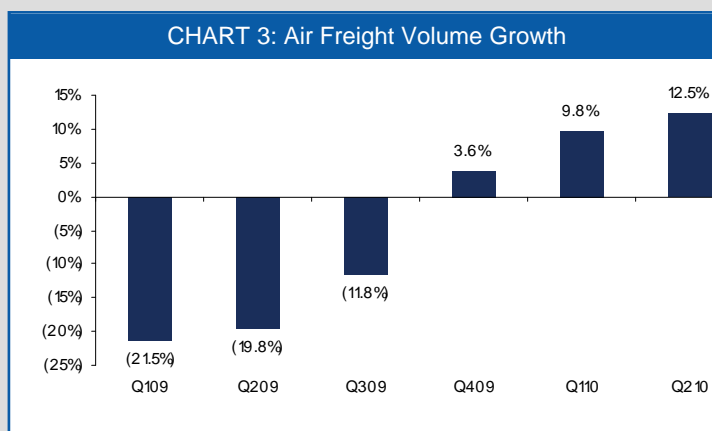
Amid +10% unemployment, below-trend GDP growth and an estimated 23% of homeowners burdened with negative equity in their homes, the outlook for consumer spending in the last half of 2010 is mediocre by historical standards, but a nice improvement over last year's anemic sub-1% growth over 2008. A strong consensus is yet to emerge, but most estimates call for 2-3% growth over 2009. If these estimates prove true freight volumes should enjoy a relatively strong finish to 2010, with modest growth in 2011. Despite today's operating levels and productivity the supply chain is still tight.



Source: BMO Capital Markets Economics



Source: Global Insight Port Tracker and BMO Capital Markets estimates



Source: U.S. Department of Transportation

TRANSPORTATION CLIENT COVERAGE

Paul Hawkinson, Sector Head – Industrials Managing Director	312.461.5939	paul.hawkinson@bmo.com
Ed McGuire, Transportation Group Managing Director	312.293.8362	edward.mcguire@bmo.com
Corey Ryan, Transportation Group Vice President	312.461.3906	corey.ryan@bmo.com

SELECT JULY & AUGUST 2010 M&A TRANSACTIONS OF SERVICE PROVIDERS

M&A transactions in July and August 2010 were executed primarily by strategic buyers

Date Announced	Target	Target Location	Acquiror	Enterprise Value (\$MM)
07/15/2010	Satellite Logistics Group	United States	Morgenthaler Capital	-
07/15/2010	Leuschen Bros. Limited	Canada	Student Transportation Inc.	-
07/19/2010	ATC Technology Corp	United States	GENCO Distribution System	\$408.7
07/28/2010	Cronos Ltd.	United States	Kelso & Co. / Transportation Capital Group	-
07/29/2010	DG Marine Transportation LLC (Remaining 51%)	United States	Genesis Energy LP	\$25.5
08/03/2010	MyFreightWorld Technologies Inc (Retail Division)	United States	Allmodes Transport LLC	-
08/09/2010	Weyerhaeuser Company (Short Line Railroad Assets)	United States	Patriot Rail Corp.	-
08/31/2010	Schneider Logistics (U.S. and China Freight Forwarding & Customs House Brokerage Business)	United States	Norbert Dentressangle SA	-
08/31/2010	Lancaster & Chester Railway	United States	Gulf & Oil Railways, Inc.	-

Sources: Company Press Releases, SEC Filings, MergerMarket, Thomson Financial, Wall Street Research, Capital IQ, SDC

July 15, 2010 – Morgenthaler Capital, a California-based private equity and venture capital firm, has acquired **Satellite Logistics Group**, a Texas-based provider of supply chain consulting and logistics services for the beverage industry. Financial terms of the transaction were not disclosed.

July 15, 2010 – Student Transportation, Inc., a Canada-based provider of school bus transportation services, acquired **Leuschen Bros. Limited.**, a fellow Canada-based provider of school bus transportation services. Financial terms of the transaction were not disclosed.

July 19, 2010 – GENCO Distribution System, a Pennsylvania-based provider of third party logistics, announced a proposed acquisition of **ATC Technology Corporation**, an Illinois-based provider of outsourced supply chain logistics services for the consumer electronics market and remanufacturing services to the light, medium and heavy-duty vehicle aftermarket. The transaction is valued at \$408.7 million based on the per share offer price of \$25.00.

July 28, 2010 – Kelso & Company, a New York-based private equity firm and **Transportation Capital Group**, a Colorado-based investment firm, have acquired **Cronos Ltd.**, a Luxembourg-based provider of intermodal marine container leasing services. Financial terms of the transaction were not disclosed.

July 29, 2010 – Genesis Energy LP, a Texas-based provider of midstream oil and gas services has acquired the remaining 51% of **DG Marine Transportation LLC**, a Texas-based provider of marine transportation services for the oil and gas industry. The transaction is valued at \$25.5 million.

August 3, 2010 – Allmodes Transport LLC, a New Jersey-based provider of freight transportation management services has acquired **MyFreightWorld's Retail Division**, a Kansas-based provider of third party logistics services. Financial terms of the transaction were not disclosed.

August 3, 2010 – Norbert Dentressangle SA, a United Kingdom-based provider of transportation and logistics services has acquired the **Freight Forwarding and Customs House Brokerage Business** in the United States and China. The acquired business provides freight forwarding, air and ocean-forwarding and customs house brokerage services. Financial terms of the transaction were not disclosed.

August 9, 2010 – Patriot Rail Corp., a Florida-based operator of shortline railroads, has acquired the **Short Line Railroad Assets** of **Weyerhaeuser Company**, a manufacturer of forest products. Financial terms of the transaction were not disclosed.

August 31, 2010 – Allmodes Transport LLC, a New Jersey-based provider of freight transportation management services has acquired **MyFreightWorld's Retail Division**, a Kansas-based provider of third party logistics services. Financial terms of the transaction were not disclosed.

August 31, 2010 – Gulf & Ohio Railways, Inc., a Tennessee-based operator of shortline railroads has acquired **Lancaster & Chester Railway**, a South Carolina-based operator of shortline railroads from South Carolina-based **Springs Industries**. Financial terms of the transaction were not disclosed.

CURRENT TRADING STATISTICS FOR SERVICE PROVIDERS

Comparable Public Company Trading Analysis																
Company	08/31/10			Valuation Multiples									LT Est. Growth Rate ⁽²⁾			
	Share Price	Market Equity	Enterprise Value ⁽¹⁾	EV / Sales ⁽²⁾			EV / EBITDA ⁽²⁾			EV / EBIT ⁽²⁾				Price / Earnings ⁽²⁾		
				LTM	2010E	2011E	LTM	2010E	2011E	LTM	2010E	2011E		LTM	2010E	2011E
TL Operators																
JB Hunt Transport Services Inc.	\$32.75	\$4,038	\$4,648	1.3x	1.2x	1.1x	9.0x	8.4x	7.1x	14.3x	13.1x	10.7x	23.0x	20.1x	16.1x	14.6%
Heartland Express, Inc.	\$14.54	\$1,319	\$1,166	2.5x	2.3x	2.1x	9.4x	8.0x	6.9x	19.5x	13.6x	10.9x	34.4x	22.5x	18.5x	10.8%
Knight Transportation Inc.	\$18.84	\$1,575	\$1,470	2.1x	2.0x	1.8x	9.2x	8.3x	7.0x	16.9x	14.4x	11.3x	29.7x	24.4x	19.3x	15.0%
Werner Enterprises Inc.	\$19.94	\$1,448	\$1,369	0.8x	0.7x	0.7x	5.1x	4.8x	4.3x	11.9x	10.2x	8.4x	20.1x	18.6x	15.7x	11.9%
Marten Transport Ltd.	\$19.63	\$431	\$443	0.9x	0.9x	0.8x	5.4x	5.1x	4.3x	14.6x	12.2x	8.9x	23.2x	21.9x	17.9x	15.0%
Celadon Group Inc.	\$11.71	\$262	\$259	0.5x	0.5x	0.4x	6.0x	4.5x	3.5x	12.8x	9.3x	6.6x	29.3x	18.0x	11.9x	20.6%
USA Truck Inc.	\$13.24	\$139	\$245	0.6x	0.5x	0.5x	5.4x	4.5x	3.6x	NM	NM	14.8x	NM	NM	20.8x	9.7%
Covenant Transportation Group, Inc.	\$6.68	\$97	\$313	0.5x	0.5x	0.4x	4.7x	3.8x	3.4x	22.5x	10.3x	8.4x	NM	17.4x	9.5x	NA
Mean				1.1x	1.1x	1.0x	6.8x	5.9x	5.0x	16.1x	11.9x	10.0x	26.6x	20.4x	16.2x	13.9%
Median				0.8x	0.8x	0.7x	5.7x	4.9x	4.3x	14.6x	12.2x	9.8x	26.3x	20.1x	17.0x	14.6%
LTL Operators																
Cor-way Inc.	\$26.21	\$1,427	\$1,748	0.4x	0.3x	0.3x	5.8x	5.6x	4.2x	13.2x	12.8x	7.9x	NM	30.2x	13.7x	13.8%
Old Dominion Freight Line Inc.	\$23.24	\$1,300	\$1,583	1.2x	1.1x	1.0x	8.5x	7.4x	6.3x	16.4x	11.9x	9.7x	25.5x	18.9x	14.5x	13.5%
Arkansas Best Corporation	\$20.59	\$521	\$395	0.3x	0.2x	0.2x	NM	NM	4.0x	NM	NM	15.4x	NM	NM	23.4x	9.5%
YRC Worldwide Inc.	\$0.25	\$296	\$986	0.2x	0.2x	0.2x	NM	NM	7.5x	NM	NM	NM	NM	NM	NM	15.0%
Saia, Inc.	\$11.65	\$185	\$261	0.3x	0.3x	0.3x	5.5x	4.9x	3.5x	NM	16.8x	8.3x	NM	NM	11.2x	15.5%
Mean				0.5x	0.4x	0.4x	6.6x	6.0x	5.1x	14.8x	13.8x	10.3x	25.5x	24.5x	15.7x	13.5%
Median				0.3x	0.3x	0.3x	5.8x	5.6x	4.2x	14.8x	12.8x	9.0x	25.5x	24.5x	14.1x	13.8%
Logistics																
CH Robinson Worldwide Inc.	\$64.99	\$10,780	\$10,564	1.2x	1.1x	1.0x	16.4x	16.3x	14.1x	17.3x	17.2x	14.7x	29.1x	28.4x	24.6x	14.8%
Expeditors International of Washington Inc.	\$39.60	\$8,402	\$7,450	1.5x	1.3x	1.1x	14.1x	13.5x	11.6x	15.2x	14.1x	12.2x	28.9x	26.8x	23.7x	17.5%
Landstar System Inc.	\$35.98	\$1,793	\$1,864	0.8x	0.7x	0.7x	11.8x	10.7x	9.1x	14.0x	12.4x	10.4x	23.0x	19.7x	16.7x	15.5%
UTL Worldwide Inc.	\$14.00	\$1,423	\$1,480	0.4x	0.3x	0.3x	8.7x	8.1x	6.6x	13.2x	11.9x	9.1x	25.3x	20.0x	14.3x	21.2%
Hub Group Inc.	\$26.55	\$1,000	\$872	0.5x	0.5x	0.4x	11.9x	11.7x	9.1x	13.3x	12.5x	9.6x	25.9x	23.0x	17.8x	15.0%
Forward Air Corp.	\$23.76	\$689	\$694	1.5x	1.5x	1.3x	10.7x	9.4x	7.9x	15.4x	13.1x	10.5x	29.3x	22.3x	17.2x	13.8%
Echo Global Logistics, Inc.	\$12.49	\$272	\$233	0.7x	0.5x	0.4x	17.0x	10.4x	6.7x	23.0x	15.4x	8.9x	NM	28.8x	15.4x	36.7%
Universal Truckload Services Inc.	\$13.44	\$214	\$200	0.4x	0.3x	0.3x	9.1x	7.8x	6.0x	17.5x	13.7x	8.5x	29.4x	23.3x	15.4x	20.0%
Pacer International Inc.	\$5.12	\$179	\$194	0.1x	0.1x	0.1x	4.7x	8.0x	5.7x	5.5x	10.3x	6.9x	10.2x	17.0x	10.2x	13.3%
Dynamex Inc.	\$12.26	\$119	\$101	0.3x	0.3x	0.3x	4.6x	4.8x	4.2x	5.7x	6.0x	5.1x	11.7x	11.1x	9.7x	16.0%
Mean				0.7x	0.7x	0.6x	10.9x	10.1x	8.1x	14.0x	12.7x	9.6x	23.6x	22.0x	16.5x	18.4%
Median				0.6x	0.5x	0.4x	11.2x	9.9x	7.3x	14.6x	12.8x	9.3x	25.9x	22.7x	16.1x	15.8%
Railroads																
Union Pacific Corporation	\$72.94	\$36,292	\$44,340	2.8x	2.7x	2.5x	7.7x	7.0x	6.4x	10.4x	9.3x	8.3x	16.1x	14.1x	12.3x	10.8%
Canadian National Railway Company	\$65.07	\$30,296	\$35,955	4.6x	4.3x	4.0x	9.8x	9.3x	8.5x	12.5x	12.0x	10.7x	20.0x	15.9x	14.3x	NA
Norfolk Southern Corp.	\$53.68	\$19,787	\$25,549	2.9x	2.7x	2.5x	7.6x	7.4x	6.7x	10.1x	9.5x	8.4x	15.7x	13.9x	11.9x	10.3%
CSX Corp.	\$49.89	\$18,941	\$26,202	2.7x	2.5x	2.3x	7.4x	7.0x	6.3x	9.9x	9.1x	8.2x	14.6x	12.9x	11.3x	10.7%
Canadian Pacific Railway Limited	\$62.81	\$10,595	\$14,422	3.2x	2.9x	2.7x	8.9x	8.8x	7.9x	12.4x	12.8x	11.0x	19.5x	16.4x	13.8x	NA
Kansas City Southern	\$33.57	\$3,443	\$5,349	3.2x	2.9x	2.7x	8.6x	8.1x	7.2x	12.2x	11.3x	9.9x	21.2x	17.1x	12.8x	14.3%
Genesee & Wyoming Inc.	\$38.81	\$1,606	\$1,892	3.3x	3.1x	2.6x	10.6x	10.0x	8.2x	14.7x	14.0x	11.8x	25.5x	21.6x	18.3x	16.3%
Mean				3.2x	3.0x	2.8x	8.7x	8.2x	7.3x	11.8x	11.1x	9.8x	18.9x	16.0x	13.5x	12.5%
Median				3.2x	2.9x	2.6x	8.6x	8.1x	7.2x	12.2x	11.3x	9.9x	19.5x	15.9x	12.8x	10.8%
Canadian Transportation Companies																
Mullen Group Ltd.	\$13.87	\$1,092	\$1,472	1.6x	1.4x	1.2x	8.1x	7.2x	5.9x	14.3x	9.0x	6.9x	20.6x	17.0x	11.7x	NA
TransForce Inc.	\$9.67	\$921	\$1,610	0.8x	0.8x	0.7x	6.5x	6.1x	5.4x	13.1x	11.3x	9.0x	17.7x	13.7x	9.5x	NA
Contrans Group Inc.	\$8.11	\$290	\$294	0.7x	0.7x	0.7x	5.9x	5.8x	5.1x	8.7x	8.6x	7.8x	16.2x	13.6x	11.4x	NA
Student Transportation, Inc.	\$5.71	\$315	\$478	1.9x	1.7x	1.5x	10.4x	8.9x	7.4x	NM	NM	21.2x	24.3x	NM	29.2x	NA
Vitrin Corp Inc.	\$9.03	\$147	\$230	0.3x	0.3x	0.3x	9.2x	7.2x	4.8x	NM	15.4x	8.4x	NM	24.8x	9.4x	15.0%
Trimac Transportation Services Limited Partnership	\$4.75	\$124	\$199	0.7x	0.7x	0.7x	6.3x	6.0x	5.4x	15.7x	13.3x	9.9x	23.5x	12.7x	11.5x	NA
Cargojet Income Fund	\$7.11	\$57	\$101	0.6x	0.6x	0.6x	5.0x	5.5x	4.4x	8.7x	9.1x	6.8x	11.7x	13.9x	7.7x	NA
Mean				1.0x	0.9x	0.8x	7.4x	6.7x	5.5x	12.1x	11.1x	10.0x	19.0x	15.9x	12.9x	15.0%
Median				0.7x	0.7x	0.7x	6.5x	6.1x	5.4x	13.1x	10.2x	8.4x	19.1x	13.8x	11.4x	15.0%
Packagers																
United Parcel Service, Inc.	\$63.80	\$63,206	\$69,525	1.5x	1.4x	1.3x	9.9x	9.4x	8.2x	13.3x	12.4x	10.6x	22.8x	18.8x	15.8x	13.5%
FedEx Corporation	\$78.05	\$24,554	\$24,532	0.7x	0.6x	0.6x	6.0x	5.1x	4.4x	11.6x	9.0x	7.5x	20.5x	15.2x	12.9x	12.8%
Mean				1.1x	1.0x	0.9x	8.0x	7.2x	6.3x	12.4x	10.7x	9.0x	21.7x	17.0x	14.3x	13.1%
Median				1.1x	1.0x	0.9x	8.0x	7.2x	6.3x	12.4x	10.7x	9.0x	21.7x	17.0x	14.3x	13.1%

Local Currency \$MM, except per share amounts and multiples.

(1) Enterprise Value = Market Equity Value + Long Term Debt + Short Term Debt + Preferred Stock + Minority Interest Liability - Cash.

(2) Estimates calendarized and obtained from IBES.

Source: SEC and SEDAR Filings, Capital IQ, IBES.

The opinions, estimates and projections contained herein are those of BMO Capital Markets Corp. as of the date hereof and are subject to change without notice. BMO Capital Markets Corp. endeavors to ensure that the contents herein have been compiled or derived from sources that we believe are reliable and contain information and opinions which are accurate and complete. However, BMO Capital Markets Corp. makes no representation or warranty, express or implied in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss (whether direct or consequential) arising from any use of or reliance on this report or its contents. Information may be available to BMO Capital Markets Corp. which is not reflected herein. This report is not to be construed as an offer or solicitation to buy or sell any security. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, Harris N.A. and BMO Ireland Plc, and the institutional broker dealer businesses of BMO Capital Markets Corp., BMO Nesbitt Burns Trading Corp. and BMO Capital Markets GKST Inc. in the U.S., BMO Nesbitt Burns Inc. (Member CIPF) in Canada, Europe and Asia, BMO Nesbitt Burns Securities Limited (U.S. registered and member of FINRA), and BMO Nesbitt Burns Ltée/Ltd. (Member CIPF) in Canada, and BMO Capital Markets Limited in Europe and Australia. © Registered trademark of Bank of Montreal in the United States, Canada and elsewhere. TM Trademark Bank of Montreal. BMO Capital Markets Corp. usually makes a market in the securities and actively trades these securities for its customers and as principal for its own account. BMO Capital Markets may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for same. BMO Capital Markets Corp. (BMOCMC) is a subsidiary of Harris Financial Corp., which is a subsidiary of the Bank of Montreal. BMOCMC is affiliated with Harris Bankcorp Inc. TO CANADIAN RESIDENTS: BMO Capital Markets Corp. furnish this report to Canadian residents and accept responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Capital Markets Corp and/or Bank of Montreal. TO U.K. RESIDENTS: The contents hereof are intended solely for the use of, and may only be issued or passed onto, persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. BMO Capital Markets, 111 West Monroe, Floor 10, Chicago, IL 60603

SELECT BMO CAPITAL MARKETS TRANSACTION

Company Description

- Student Transportation, Inc. (STI) is the third-largest and fastest growing provider of school transportation services in North America. STI currently operates more than 6,300 vehicles of various types.

Transaction Description

- On June 21, 2010, STA closed its offering of 6.75% convertible subordinated unsecured debentures due June 30, 2015 at a price of \$1,000 per debenture for total gross proceeds of \$50 million. The offering was underwritten by a syndicate of underwriters with BMO Capital Markets acting as Lead Manager.

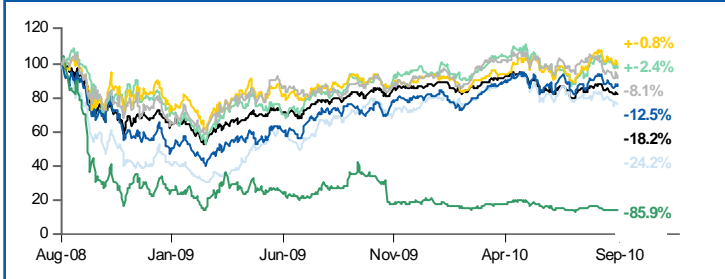


STUDENT TRANSPORTATION INC.[®]

\$50 million
Convertible Debentures

Lead Manager
June 2010

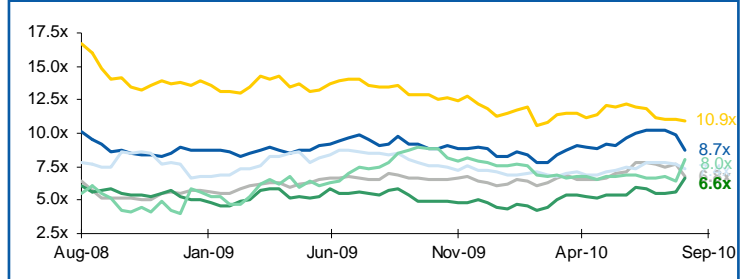
RELATIVE STOCK MARKET PERFORMANCE
Two-Year Index Performance



Source: FactSet

Index: — TL Operators — Logistics — Canadian Transportation — LTL Operators — Railroads — UPS and FedEx — S&P 500

COMPARATIVE VALUATION PERFORMANCE
Two-Year EV / EBITDA



Sources: Company Filings, Capital IQ