

### Transportation sectors reel in the face of soaring fuel prices, economic turmoil

Faced with the unrelenting pressure of soaring prices for jet fuel and diesel, the transportation industry is dealing with drastically higher costs for one of its biggest inputs. Similar to gasoline, prices for jet fuel and diesel have continued to surge upwards and are presenting transportation companies with increasing challenges. Individual transportation sectors, however, have varying levels of cost absorption and pass-through structures, resulting in differing levels of cost offset and impact to profitability.



While all companies within the transportation industry will continue to be subject to price increases, some companies inevitably will handle these market stresses more transparently than others. Trustworthy companies which are forthcoming to their stakeholders will consistently have full disclosure of their accounting and governance practices. Reliable information is a keystone to fair valuation. In contrast, aggressive companies which have misled stakeholders with obfuscation are putting investors at substantial risk. This lack of clarity is a disservice to stakeholders, who are likely to subsequently face negative surprises.

Audit Integrity presents the top-ranked and bottom-ranked groups of companies in the transportation industry as of Q2 2008, based on Accounting and Governance Risk (AGR<sup>®</sup>) ratings and AGR Equity Factor (EQF) rankings. Companies in the top-ranked Conservative AGR category with the highest Equity Factor ranking of “5” have had consistently transparent financial reporting, strong corporate governance, and as a group are expected to outperform the market over the next 3 months on a total return basis. Conversely, companies in the bottom-ranked Very Aggressive AGR category with the lowest Equity Factor ranking of “1” have had consistently opaque financial reporting, weak corporate governance, and as a group are expected to underperform the market over the next 3 months on a total return basis.

- **Airlines and Air Couriers** – Jet fuel is now the biggest expense for airlines, which are affected also by rising refining fees. Fare raises and miscellaneous fees are limited, given market competition and the current economic slowdown, and thus do not result in a full offset. One airline in the bottom-ranked Very Aggressive AGR category is **Delta Air Lines, Inc. (NYSE:DAL)**. Emerged from bankruptcy protection in 2007, its stock recently closed at \$5.26, down \$14.17, or 72.9%, from 1 year ago. Air Couriers also have been hit with the high cost of fuel. The sector standard for increased fuel costs is application of fuel surcharges for customers.
- **Shipping** – Rising oil prices also affect the shipping lines, and have made transportation costs significantly more expensive, especially for products with a high freight cost-to-value ratio. Shipping lines have customary automatic adjustments to pass rising costs on to the shippers via surcharges. Brazilian shipper **Ultrapetrol (Bahamas) Limited (Nasdaq: ULTR)**, which is in both the dry bulk and deep-sea drilling businesses, is a shipping line in the top-ranked Conservative AGR category. The company last month announced Q1 2008 revenue growth of 48% over the prior period and EPS of \$0.52, as compared with EPS of \$0.07 in Q1 2007. At the opposite end of the risk spectrum is **Genco Shipping & Trading Ltd. (NYSE:GNK)** in the bottom-ranked Very Aggressive AGR category. Prior to its stock dropping 25% to \$59.92 and falling beneath its 200-day moving average last week, the company’s CFO sold 34,831 shares of common stock at \$75.47 per share. The governance component of the AGR looks at metrics that identify misalignment of management and shareholder interests. Insider selling proves to be a consistently important AGR metric.

INDUSTRY REPORT: **TRANSPORTATION** (cont.)

- **Trucking and Railroads** – The Trucking sector is facing sharply higher diesel costs, but is also passing costs on to its customers with automatically adjusting surcharges. Like Trucking, Railroads are dependent on diesel, but move more tons per gallon of fuel than Trucking does and have benefited from the resulting increase in demand. Railroads' core business of carrying raw materials also has enabled them to survive rising fuel costs. **Burlington Northern Santa Fe Corporation (NYSE:BNI)**, in the top-ranked Conservative AGR category, is the second-largest railroad operator in the US with the advantage of ownership of a substantial amount of railroad tracks. Its stock recently closed at \$103.18, up \$17.03, or 19.7%, from 1 year ago.

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### About the Audit Integrity Accounting & Governance Risk (AGR®) Model

*Audit Integrity is the leading provider of accounting and governance risk analysis on public companies. Through the forensic study of the factors behind fraud, Audit Integrity proprietary modeling effectively detects and measures fraud and transparency-related risks in approximately 8,000 publicly traded corporations.*

*The proprietary Accounting & Governance Risk (AGR) rating is a measure of corporate integrity based on forensic accounting and corporate governance metrics, and is an indicator of aggressive corporate behavior which can put stakeholders at risk. The AGR Score is based on a quantitative model which weights specific accounting and governance metrics derived from corporate reporting. The score ranges from 0 to 100, with lower scores indicating higher risk.*

*The AGR Equity Factor (EQF), is based solely on the AGR score, plus additional variables related to AGR persistence and volatility, to provide a better measure of equity risk than the AGR on a stand-alone basis. The EQF ranks companies from 1-5, with lower scores indicating higher risk. Extensive research has shown a clear relationship between Audit Integrity's primary risk measure, the AGR rating, and equity returns. Consistently, the lowest-rated companies underperform the market and highest-rated companies outperform. The results are consistent with prior research showing that corporate integrity, as measured by the AGR rating, is a significant factor in equity returns, with low correlation to other factors.*

*To validate the AGR Equity Factor, the model was back tested over the time period of 1998-2007. Key findings include large and persistent returns spread between the highest and lowest-rated companies, with a 17.5% spread between the best and worst decile over the prior 10 years. From a quantitative modeling standpoint, the Equity Factor provides risk-adjusted, well behaved returns, as validated through key statistical measures.*



**Company list follows on next page**

HIGHEST RANKED COMPANIES By AGR




TRANSPORTATION

INDUSTRY REPORT

**Alaska Air Group, Inc.**  
 Ticker: ALK  
 Market Cap (\$mm): 784.79  
 Current Stock Price: \$17.36  
 52-Week Range: 17.30 - 29.09

AGR Rating: **Conservative**  
 AGR Score: **80**  
 Financial Condition: Average  
 Recent Events: *None*




**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

**Werner Enterprises, Inc.**  
 Ticker: WERN  
 Market Cap (\$mm): 1,312.07  
 Current Stock Price: \$18.80  
 52-Week Range: 15.26 - 22.00

AGR Rating: **Conservative**  
 AGR Score: **82**  
 Financial Condition: Strong  
 Recent Events: *None*




**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

**Golar LNG Limited (USA)**  
 Ticker: GLNG  
 Market Cap (\$mm): 1,419.11  
 Current Stock Price: \$15.96  
 52-Week Range: 15.80 - 27.70

AGR Rating: **Conservative**  
 AGR Score: **83**  
 Financial Condition: Average  
 Recent Events: *None*




**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

**Conrad Industries, Inc.**  
 Ticker: CNRD.PK  
 Market Cap (\$mm): 85.384  
 Current Stock Price: \$11.50  
 52-Week Range: 10.75 - 18.00

AGR Rating: **Conservative**  
 AGR Score: **84**  
 Financial Condition: Average  
 Recent Events: *None*




**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

**Burlington Northern Santa Fe Corp.**  
 Ticker: BNI  
 Market Cap (\$mm): 37,673.29  
 Current Stock Price: \$101.07  
 52-Week Range: 73.86 - 114.58

AGR Rating: **Conservative**  
 AGR Score: **84**  
 Financial Condition: Strong  
 Recent Events: *None*




**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

**Trailer Bridge, Inc.**  
 Ticker: TRBR  
 Market Cap (\$mm): 90.728  
 Current Stock Price: \$5.58  
 52-Week Range: 5.05 - 15.14

AGR Rating: **Conservative**  
 AGR Score: **85**  
 Financial Condition: Weak  
 Recent Events: *Restructuring*




**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

**Vitran Corporation, Inc.**  
 Ticker: VTN  
 Market Cap (\$mm): 195.759  
 Current Stock Price: \$14.71  
 52-Week Range: 11.21 - 22.70

AGR Rating: **Conservative**  
 AGR Score: **85**  
 Financial Condition: Average  
 Recent Events: *None*




**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

**Ultrapetrol (Bahamas) Limited**  
 Ticker: ULTR  
 Market Cap (\$mm): 461.179  
 Current Stock Price: \$13.73  
 52-Week Range: 7.13 - 27.04

AGR Rating: **Conservative**  
 AGR Score: **85**  
 Financial Condition: Average  
 Recent Events: *None*

**Audit Integrity Risk Models**

Equity Performance:   
 Class Action Litigation:   
 Financial Restatement: 

\*All Market Capitalization and Stock Price data as of June 23, 2008

HIGHEST RANKED COMPANIES By AGR

TRANSPORTATION

INDUSTRY REPORT

**Arkansas Best Corporation**

Ticker: ABFS  
 Market Cap (\$mm): 1,011.42  
 Current Stock Price: \$37.75  
 52-Week Range: 17.94 - 42.45

AGR Rating: **Conservative**  
 AGR Score: **86**  
 Financial Condition: Average  
 Recent Events: *None*

**Audit Integrity Risk Models**

Equity Performance: 1 2 3 4 5  
 Class Action Litigation: 1 2 3 4 5  
 Financial Restatement: 1 2 3 4 5

**ExpressJet Holdings, Inc.**

Ticker: XJT  
 Market Cap (\$mm): 155.051  
 Current Stock Price: \$1.01  
 52-Week Range: 0.96 - 6.45

AGR Rating: **Conservative**  
 AGR Score: **89**  
 Financial Condition: Weak  
 Recent Events: *Officer Changes, Divestitures, Mergers-Acquisitions*

**Audit Integrity Risk Models**

Equity Performance: 1 2 3 4 5  
 Class Action Litigation: 1 2 3 4 5  
 Financial Restatement: 1 2 3 4 5

**Providence & Worcester Railroad Company**

Ticker: PWX  
 Market Cap (\$mm): 100.684  
 Current Stock Price: \$20.35  
 52-Week Range: 14.35 - 21.40

AGR Rating: **Conservative**  
 AGR Score: **89**  
 Financial Condition: Weak  
 Recent Events: *Exchange Change*

**Audit Integrity Risk Models**

Equity Performance: 1 2 3 4 5  
 Class Action Litigation: 1 2 3 4 5  
 Financial Restatement: 1 2 3 4 5

**LOWEST RANKED COMPANIES By AGR**




**Delta Air Lines, Inc.**

Ticker: DAL  
Market Cap (\$mm): 2,095.84  
Current Stock Price: \$5.00  
52-Week Range: 4.80 - 21.80

AGR Rating: **Very Aggressive**  
AGR Score: **14**  
Financial Condition: Weak

Recent Events: *Litigation-Regulatory Issues, Mergers-Acquisitions, Restructuring*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 




**Kansas City Southern**

Ticker: KSU  
Market Cap (\$mm): 3,714.74  
Current Stock Price: \$46.45  
52-Week Range: 27.66 - 50.66

AGR Rating: **Very Aggressive**  
AGR Score: **14**  
Financial Condition: Strong

Recent Events: *Officer Changes*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 




**DryShips, Inc.**

Ticker: DRYs  
Market Cap (\$mm): 4,456.21  
Current Stock Price: \$77.06  
52-Week Range: 38.43 - 131.34

AGR Rating: **Very Aggressive**  
AGR Score: **17**  
Financial Condition: Average

Recent Events: *Divestitures, Mergers-Acquisitions*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 




**Genco Shipping & Trading Limited**

Ticker: GNK  
Market Cap (\$mm): 2,297.19  
Current Stock Price: \$60.41  
52-Week Range: 33.39 - 84.51

AGR Rating: **Very Aggressive**  
AGR Score: **23**  
Financial Condition: Average

Recent Events: *Mergers-Acquisitions*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 




**Republic Airways Holdings, Inc.**

Ticker: RJET  
Market Cap (\$mm): 4,456.21  
Current Stock Price: \$9.05  
52-Week Range: 9.05 - 22.75

AGR Rating: **Very Aggressive**  
AGR Score: **25**  
Financial Condition: Strong

Recent Events: *None*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 




**Mesa Air Group, Inc.**

Ticker: MESA  
Market Cap (\$mm): 16.128  
Current Stock Price: \$0.48  
52-Week Range: 0.42 - 7.25

AGR Rating: **Very Aggressive**  
AGR Score: **28**  
Financial Condition: Weak

Recent Events: *Amended Filings, Late Filings, Litigation-Regulatory Issues, Officer Changes, Restructuring*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 




**Global Aircraft Solutions, Inc.**

Ticker: GACF  
Market Cap (\$mm): 13.26  
Current Stock Price: \$0.32  
52-Week Range: 0.25 - 0.87

AGR Rating: **Very Aggressive**  
AGR Score: **31**  
Financial Condition: Average

Recent Events: *None*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 




**Nordic American Tanker Shipping Ltd.**

Ticker: NAT  
Market Cap (\$mm): 1,209.50  
Current Stock Price: \$38.64  
52-Week Range: 25.51 - 44.16

AGR Rating: **Very Aggressive**  
AGR Score: **31**  
Financial Condition: Strong

Recent Events: *None*

**Audit Integrity Risk Models**

Equity Performance:   
Class Action Litigation:   
Financial Restatement: 

**LOWEST RANKED COMPANIES By AGR**

**Seaspan Corporation**

Ticker: SSW  
 Market Cap (\$mm): 1,575.33  
 Current Stock Price: \$24.87  
 52-Week Range: 23.50 - 37.75

AGR Rating: **Very Aggressive**  
 AGR Score: **33**  
 Financial Condition: Average  
 Recent Events: *Mergers-Acquisitions*

**Audit Integrity Risk Models**

Equity Performance: 

1	2	3	4	5
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 Class Action Litigation: 

1	2	3	4	5
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 Financial Restatement: 

1	2	3	4	5
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**Tsakos Energy Navigation Ltd.**

Ticker: TNP  
 Market Cap (\$mm): 1,417.64  
 Current Stock Price: \$38.59  
 52-Week Range: 27.51 - 39.48

AGR Rating: **Very Aggressive**  
 AGR Score: **33**  
 Financial Condition: Average  
 Recent Events: *None*

**Audit Integrity Risk Models**

Equity Performance: 

1	2	3	4	5
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 Class Action Litigation: 

1	2	3	4	5
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 Financial Restatement: 

1	2	3	4	5
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**Aircastle Limited**

Ticker: AYR  
 Market Cap (\$mm): 1,239.68  
 Current Stock Price: \$8.34  
 52-Week Range: 8.13 - 41.10

AGR Rating: **Very Aggressive**  
 AGR Score: **33**  
 Financial Condition: Average  
 Recent Events: *None*

**Audit Integrity Risk Models**

Equity Performance: 

1	2	3	4	5
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 Class Action Litigation: 

1	2	3	4	5
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 Financial Restatement: 

1	2	3	4	5
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