



Brian Brasch  
President  
Branick Industries

August 8, 2007

Dear Brian,

Larsen Trucking has made a bold commitment to counteract the effects of the economy in general and more specifically, volatile fuel pricing. Beginning in November 2006, our year-end forecast projected a loss. We immediately decided to implement a plan to improve the operational structure of the company. We began by acknowledging a few simple truths; first, most of our operational costs were dictated by our environment, and second, with the pre-purchase of equipment prior to the release of the new EPA engines, capacity would exceed freight demand. Those were two items we had no control over, yet they represented the majority of our operational realities. So, we changed the way we operated the company.

The first step was to implement a company speed limit of 65 MPH which had several effects. Our insurance underwriter gave favorable consideration upon policy renewal and the overall cost of our liability insurance premiums decreased in the 2007-2008 policy year. But the most important effect was on a more direct scale. Implementing the new speed limit coupled with the new practice of inflating our tires with nitrogen had the most notable impact on our bottom line! We traveled 50,000 more miles in December than November yet spent \$12,000 less in fuel dollars! You should note that the price of fuel for the two months studied varied less than .05 cents per gallon on average. This also reduced the carbon footprint of the company as a whole.

In November 2006, our average MPG fleet-wide was 5.57 with an average main engine idle time of 43%. We realized that each tenth of a MPG increase in the fleet average, calculated at \$2.45 per gallon would be an additional savings of \$42,000 per year in fuel expenses. At the same time, each 10 percentage points of main engine idling cost the company \$2,400 per unit per year in fuel expenses. As of July 31, 2007, the company average MPG is 7.05 with a main engine idle percentage of 11.54%! This is the biggest impact in operational profitability in a single program. While these numbers represent a substantial increase in operating efficiencies, the added bonus is the amount of carbon emissions the company has reduced as a whole program benefit. The fleet-wide installation of Auxiliary Power Units has reduced the idle fuel dollars and carbon emissions on a major scale for this size company.

As you know, in November we purchased and installed a **Branick Nitrogen Tire Inflation System**. The two main goals of this purchase were to improve fuel economy in relation to the fleet average MPG and to minimize tire heat from frictional resistance, resulting in a decrease in tire expenses. We realized that tire failures were caused by two primary factors; frictional heat generated from the

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tire's natural rolling resistance and operating pressure loss due to bleeding of gas through the rim and the tire. The introduction of 98%+ nitrogen addressed both factors. In the first 4 months of 2006, our on-road tire repair expenses calculated by tire failure were \$5,126.72 per month; in the same period for the first 6 months of 2007, the on-road tire repair expenses were \$929.95 per month- an 82% reduction!

Also, in November 2005, the average fleet MPG was 5.57. As of July 2007, the average fleet MPG was 7.05 - an increase of 1.48 miles per gallon traveled – a 26.6% reduction in fuel costs! By inflating with nitrogen, the tire pressures remained more consistent regardless of the operating environment or altitude we tested. The constant value in pressure and lower operating speeds, resulted in the increase in MPG. We also noticed no negative impact on efficiency with regards to gross sales at lower operating speeds. We did receive several comments from the drivers indicating a less stressful work environment at the lower speeds which we recognized as an improvement in the circadian rest periods as it reflects on driver alertness and recuperative rest periods. With the combined results of the first two operational changes and the resulting impact on fuel consumption and engine idle time, we have substantially reduced the companies overall carbon footprint. We consider these two programs a substantial operating success, in terms of the environment and on the bottom line.

Through our efforts to operate more efficiently, we have been recognized by several industry companies. Our top recorded mile per gallon reading is currently 9.1 MPG. This has led us to a company goal of 10 MPG with a fleet average of 8 MPG. We believe this an attainable goal as we have broken the 7 MPG barrier already. We have agreements with Branick Industries, Eaton Corporation, and the Bridgestone Tire Company to begin testing some of their products and ideas on a fleet-wide basis. To increase the efficiency of the overall operation, we are also installing trailer skirting on all company trailers. We expect this to increase the average MPG by 4-6% as reported by Goodyear Tire and Rubber Companies wind tunnel tests on the skirting. With a 2006 annual fuel expense of \$2.1 million dollars, a 5% efficiency gain is a very worthwhile goal. As our industry copes with the rising cost of goods and services, Larsen Trucking will continue to seek out cutting edge technologies in the name of greater operating efficiency. The cornerstone to the success of this company will be the continuing education of our drivers, better freight management and the continuation of our long standing customer service commitment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Larsen', is written over a light blue horizontal line.

Peter Larsen  
President  
Larsen Trucking Inc.