Rail Energy Transportation Advisory Committee

Rail Fleet Update

April 15, 2016

Agenda

Macro & Freight Environment

Railcar Demand Drivers

North American Carloadings

Freight Car Deliveries & Build Forecast

Commodities Outlook

Tank Car Regulatory Update

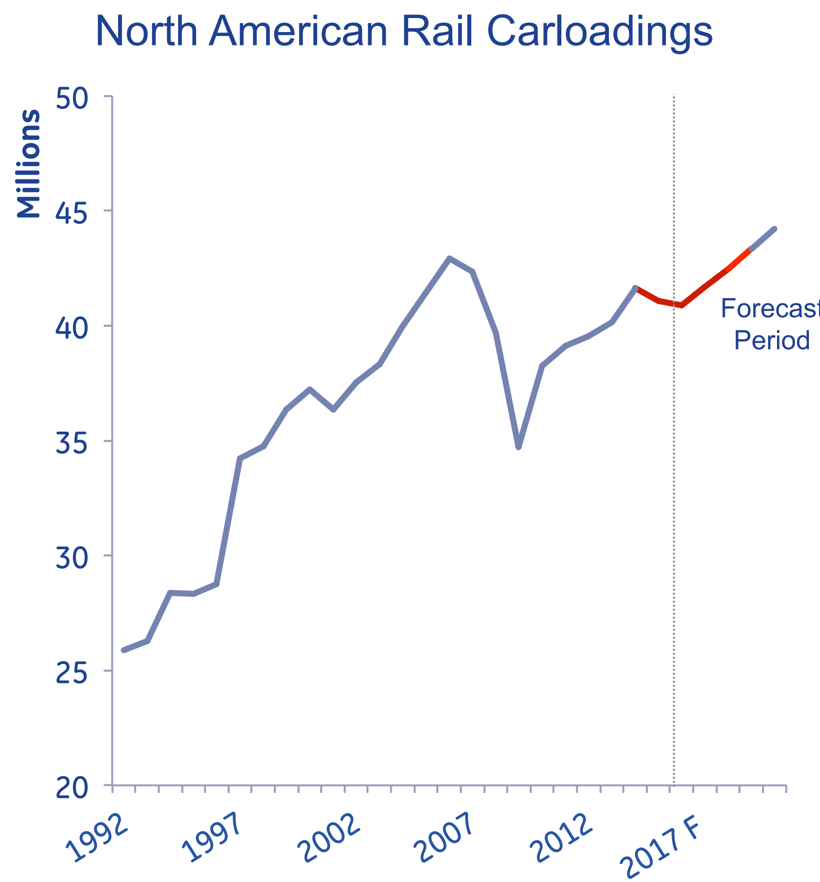
Macro & Freight Environment

- Real GDP grew by 2.4% in 2015 and is expected to grow 1.7% in 2016
- Industrial production grew 1.3% in 2015, is forecasted to fall -0.1% in 2016
- Housing ended the year on a downturn and housing starts fell 2.5%.
- January saw an increase in industrial production, but overall the sector remains weak with a weak 2016 forecast.
- Consumer spending is expected to be positive in 2016, however, falling price of oil and falling stock market will keep spending low.
- Global and domestic financial markets have suffered a sharp downturn over the latter half of 2015 and recession fears will continue to be a risk to overall market confidence.
- After two years of decent growth, carload freight was off sharply in 2015; the decline continues to be driven by decreased coal volume. Crude oil shipments in decline as well.
- Freight car builders delivered over 82K cars in 2015, however, deliveries are forecasted to fall 28.8% Y/Y in 2016 to 58K.

Source: FTR Rail Equipment Outlook Q1'16 www.ftrintel.com , Oxford Economics

Railcar Demand Drivers

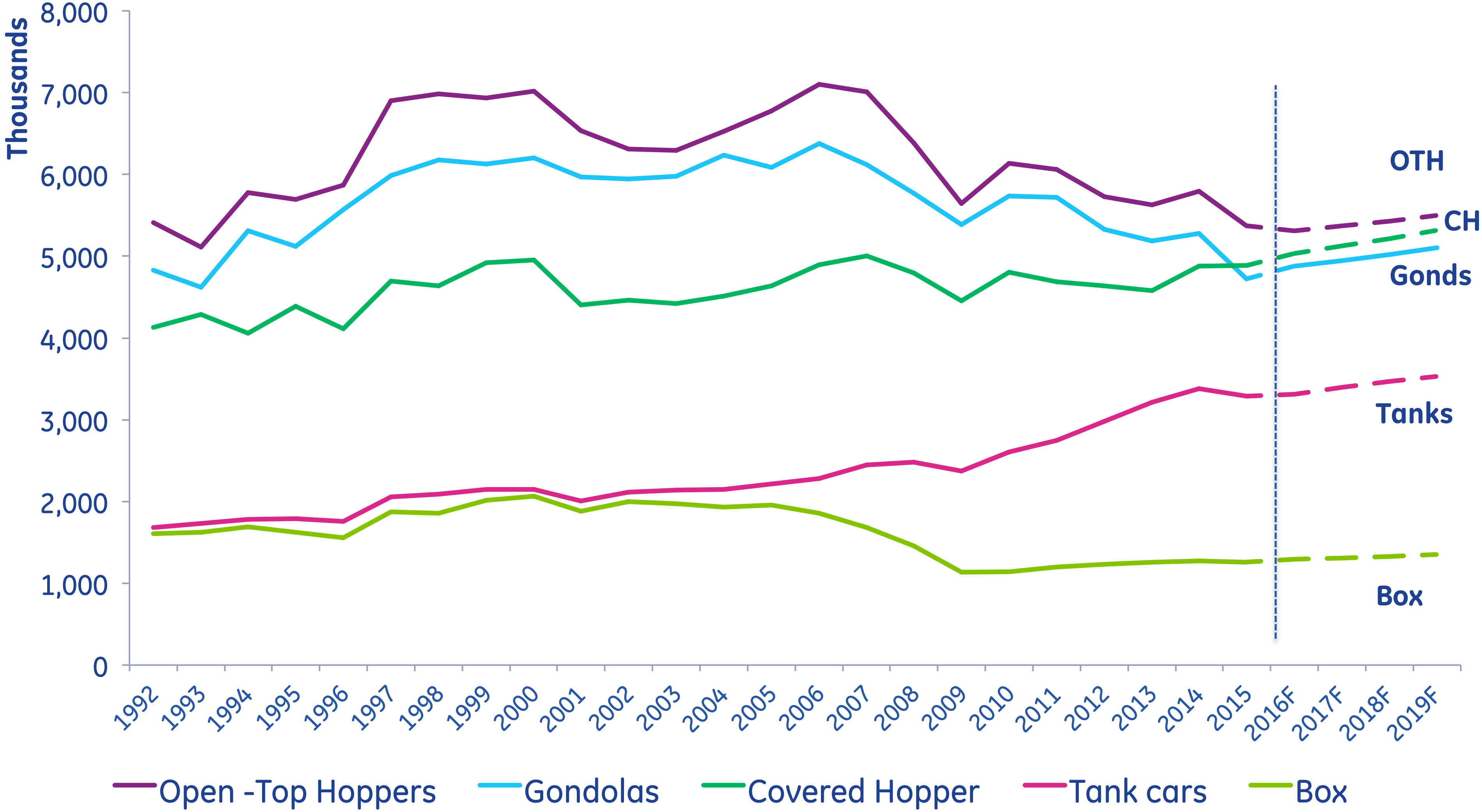
- NA carloadings fell 3.3% in 2015Q4 and were 5.7% lower Y/Y
- Downward trend continues in 2016, Q1 2016 traffic down 6.5% Y/Y led by carloads down 13.8%
- Fleet utilization fell 9.6 points in 2015Q4 to 69.8% and 20.3 points lower Y/Y
- Natural gas prices continue to be extremely low ($1.9MM/Btu in February) and only forecasted to rise to $2.25MM/Btu in 2016
- Low oil prices and reduced coal demand continue to drive down forecasts
- Corn production was down 4.3% from the 2014 record harvest



Source: FTR Rail Equipment Q1'16 www.ftrintel.com

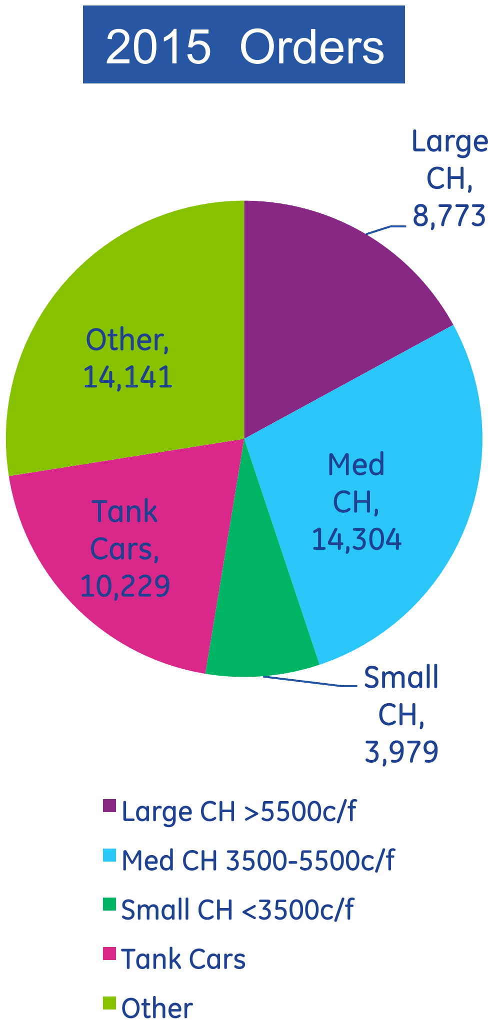
Source: FTR Rail Equipment Outlook Q1'16 www.ftrintel.com , EIA

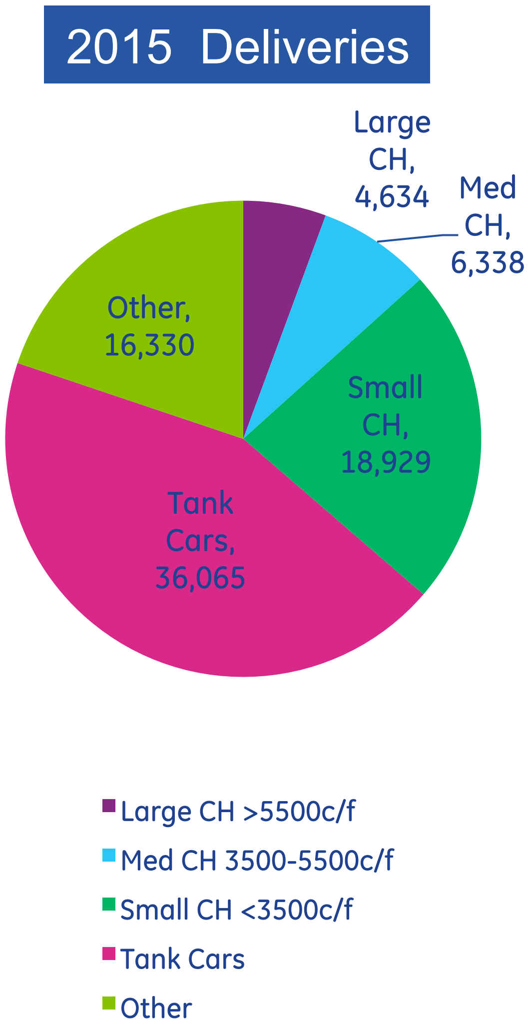
N.A. Railcar loadings by car type

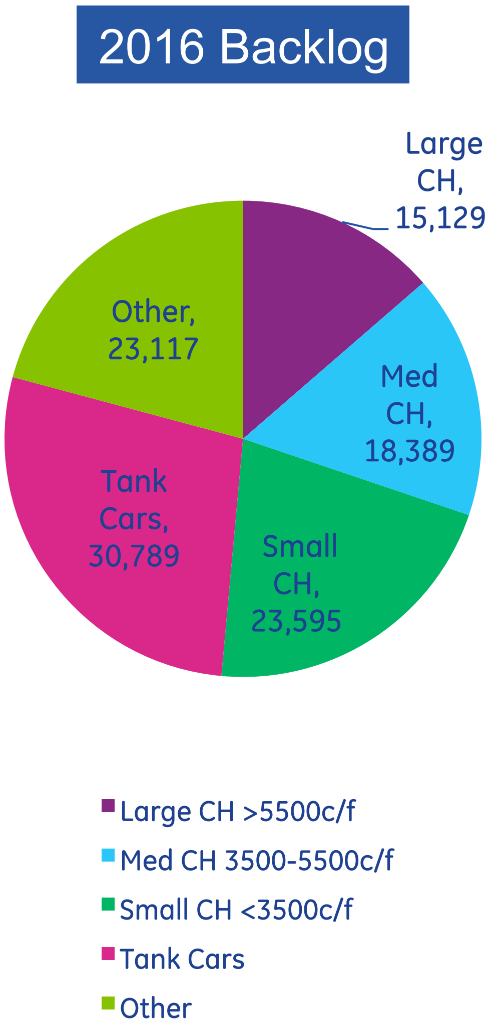


Source: FTR Rail Equipment Q1'16 www.ftrintel.com

Freight Car Builds



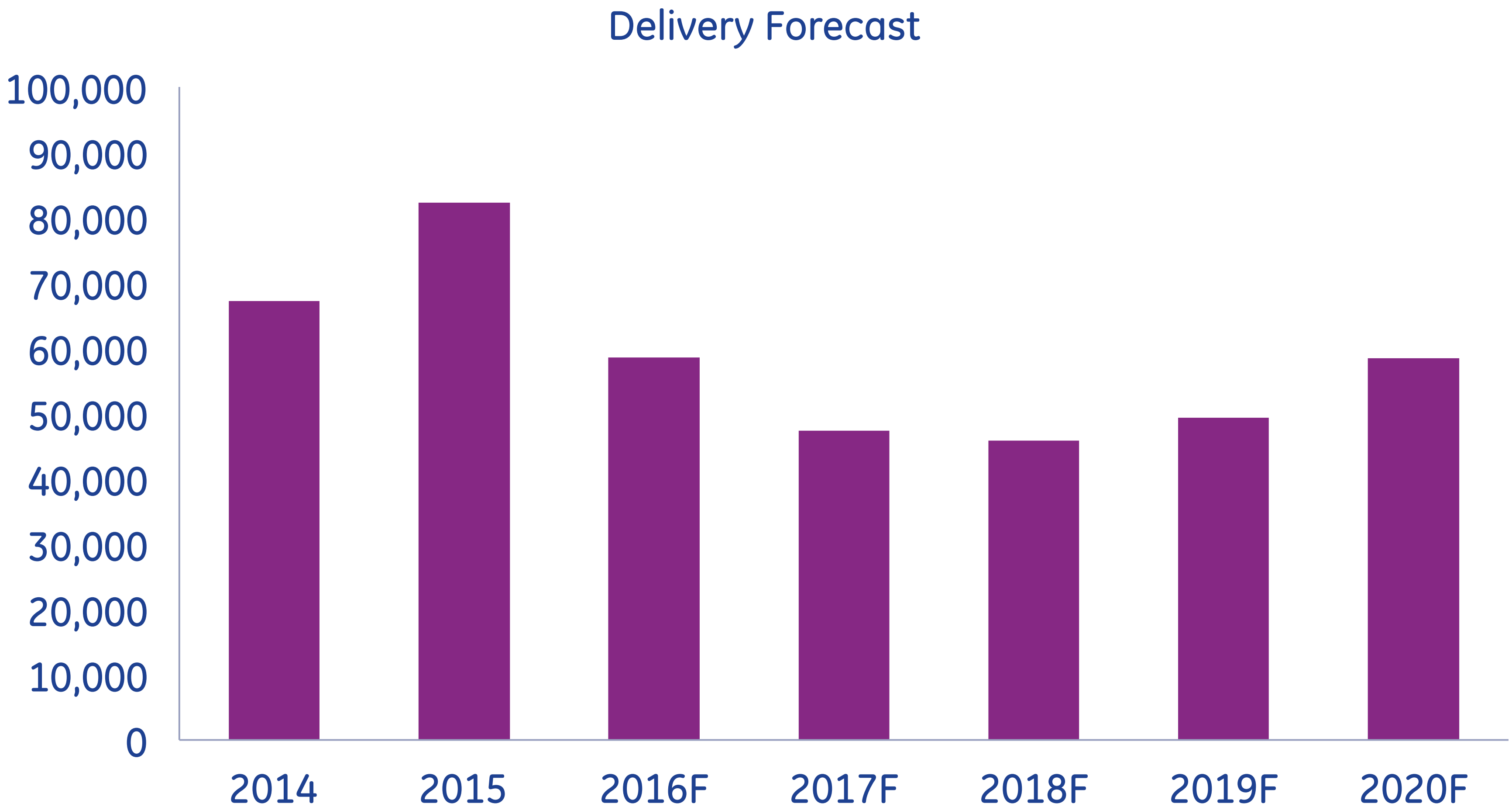




Other category includes Box, Flat, Gondolas, OT Hoppers, Intermodal

Source: Railway Supply Institute, ARCI 4Q-2015

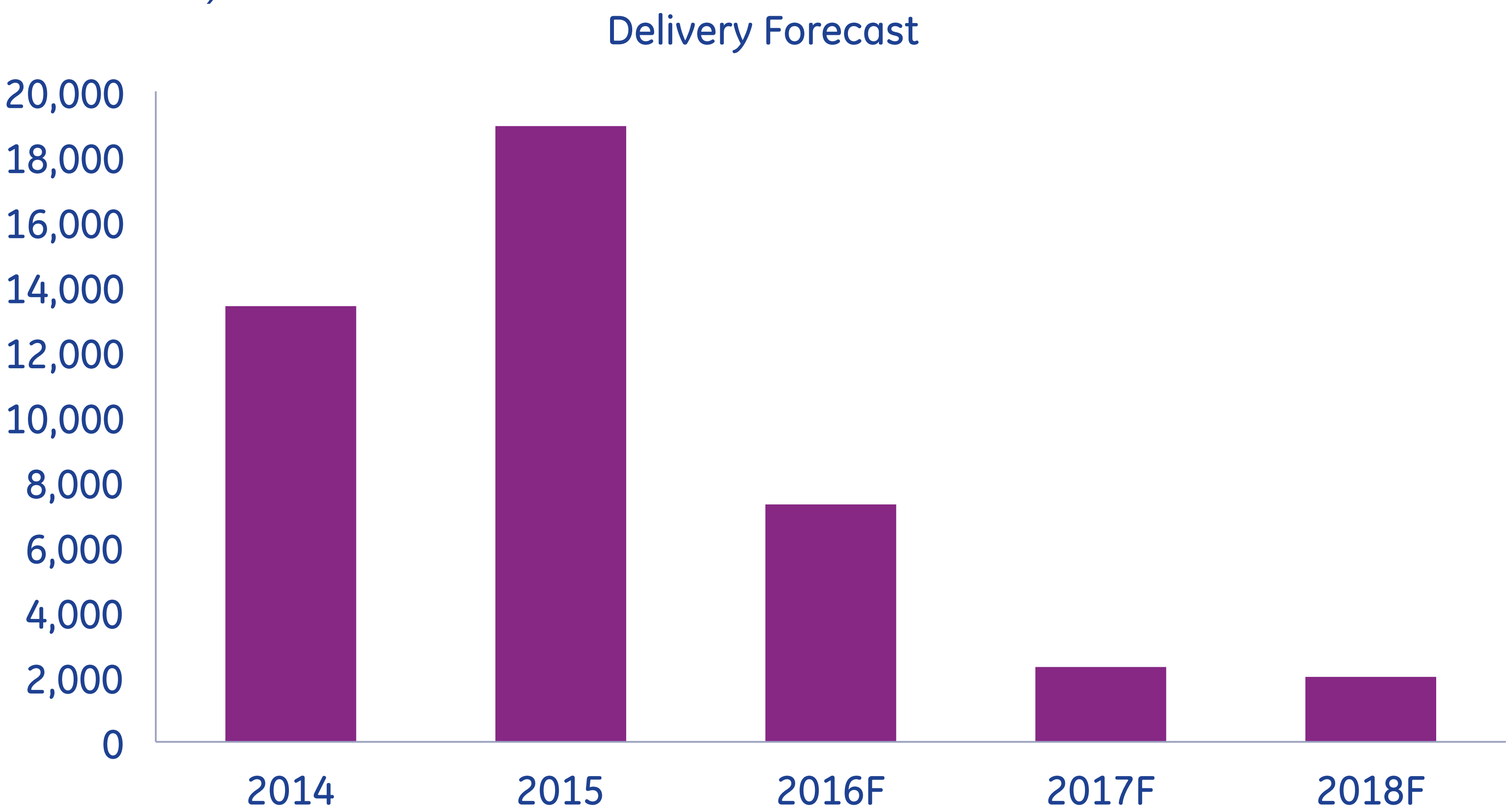
Total Freight car Builds



2016 Deliveries driven by Tank, Covered Hoppers, Flat and Box Cars

Source: FTR Rail Equipment Q1'16 www.ftrintel.com

Small Cube Hopper Builds
(< 3500 c/f)



Demand for sand cars the main driver

Source: FTR Rail Equipment Q1'16 www.ftrintel.com

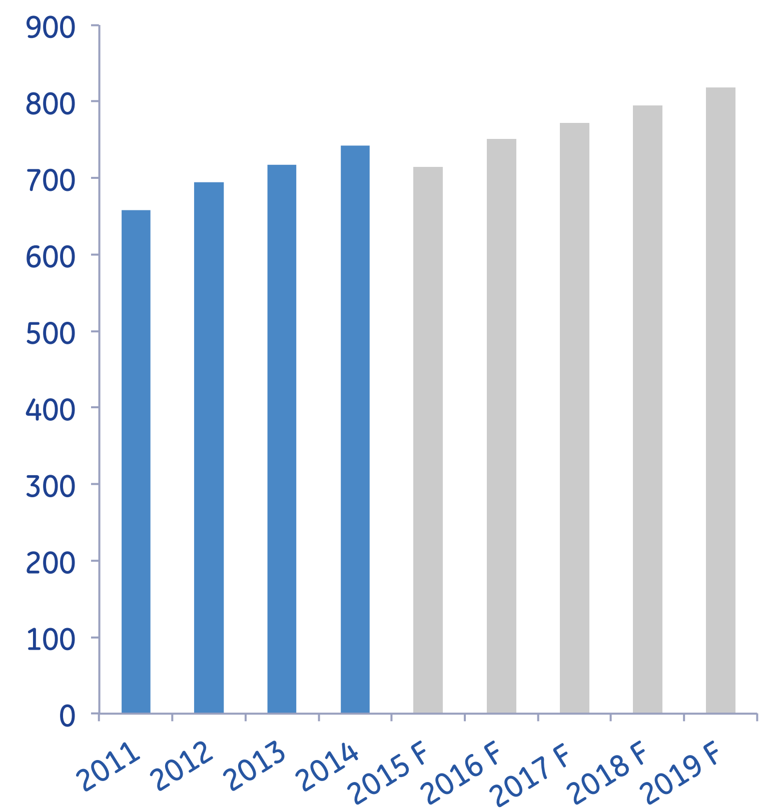
Sand & Cement

- Production of stone, glass and clay products has grown 28% over the past 6 years
- Construction spend up 13.2% over last 12 months
- Residential spend up 14% V last year
- Frac sand demand stagnant, well count down, usage per well up
- Excess equipment continues

Source: FTR Rail Equipment Outlook Q1'16 www.ftrintel.com, PCA

North American Sand, Stone, Glass and Concrete Loadings

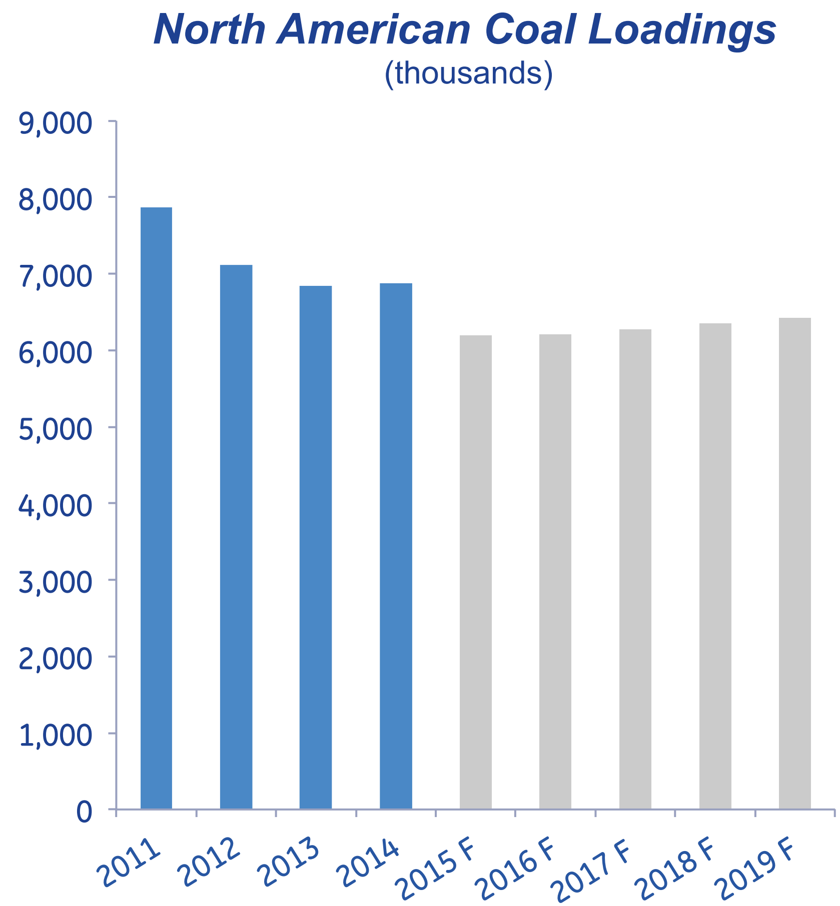
(thousands)



Source: FTR Rail Equipment Outlook Q1'16 www.ftrintel.com

Coal

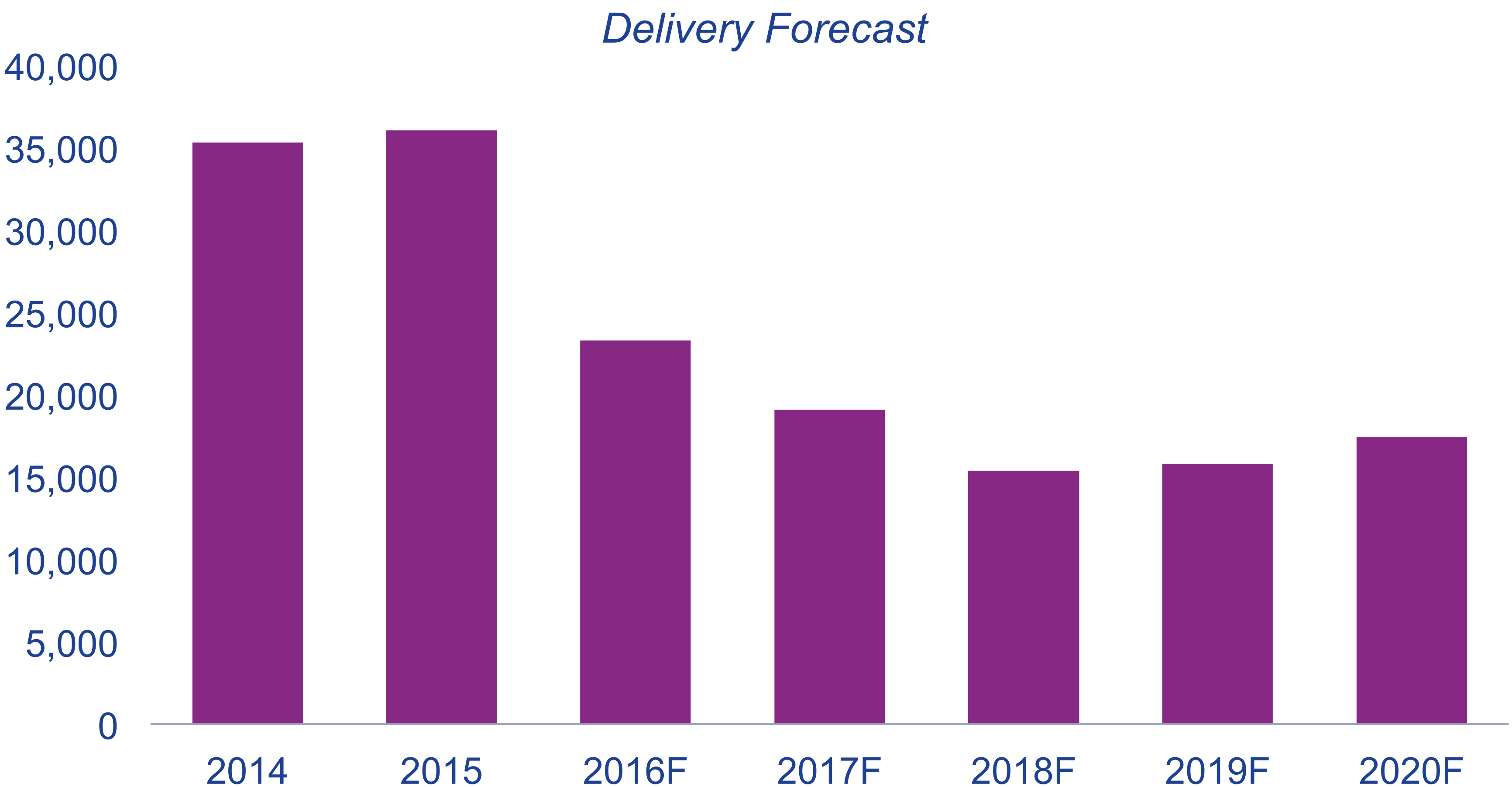
- Coal production fell to 895M tons in 2015, its lowest mark since 1986
- U.S coal exports declined 23% in 2015
- 2016 demand expected to continue to decline as natural gas prices remain low
- Natural gas has surpassed coal in lead of fuels used for U.S power generation in 2016
- Still searching for bottom of coal market
- Industry forecasts most likely will adjust for Q1 2016 results



Source: FTR Rail Equipment Outlook Q1'16 www.ftrintel.com, EIA, AAR

Source: FTR Rail Equipment Q1'16 www.ftrintel.com

Tank Car Builds



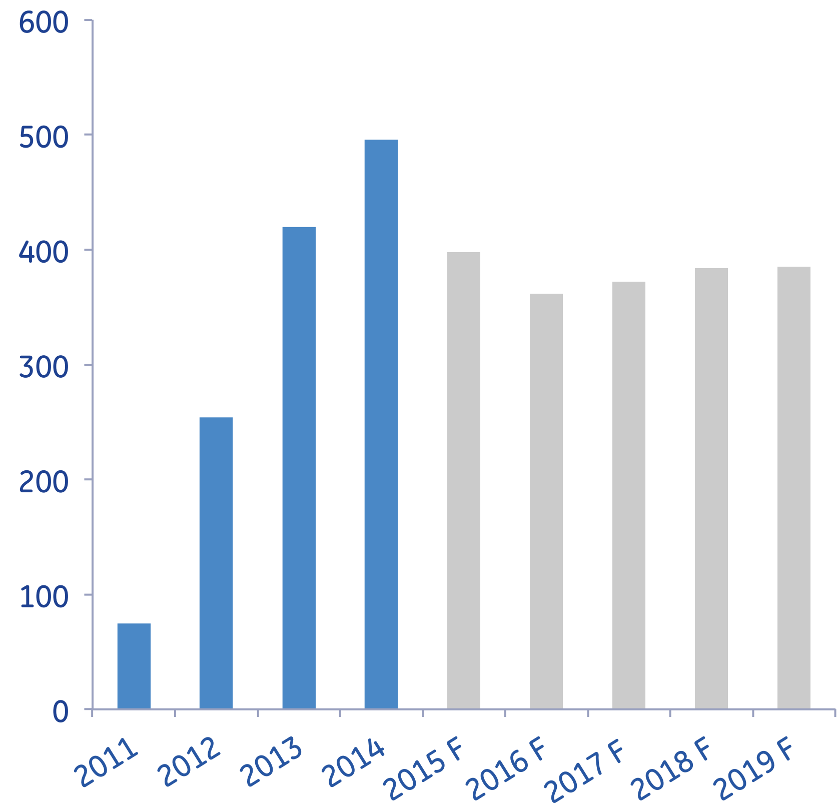
Tank builds to be driven by replacements and regulatory changes.

Source: FTR Rail Equipment Q1'16 www.ftrintel.com

Petroleum, Crude Oil & Natural Gas

- Oil demand growth is forecast to slow to 1.2 Mb/d in '16 after reaching a 5-year high of 1.8 Mb/d in '15 (IEA). Non-OPEC growth is forecasted to decline by 0.6 Mb/d
- Petroleum, crude, & natural gas products are projected in 2016 to make up less than 1% of total N.A carloadings
- US crude projected production will average 8.7 Mbd in '16, down 8% y/y and slightly down vs. prior estimates (EIA)
- Crude prices have, for the time being, stopped their steady slide and are currently up nearly $10 from the $26/barrel floor established in early February

North American Petroleum, Crude and Natural Gas Loadings
(Thousands)



Source: FTR Rail Equipment Outlook Q3'15 www.ftrintel.com, EIA, CAPP

Source: FTR Rail Equipment Q1'16 www.ftrintel.com

Biofuels

- Positive impact of summer driving expected
- Lower corn prices stimulate export opportunities
- Fleet size more than adequate
- Possible consolidations of producers may improve efficiencies

  resulting in reduced tank car demand

Tank Car Regulatory Update

- DOT/PHMSA (HM-251), Transport Canada (TC) Final Rules 5/1/15
- FAST Act 12/4/15 Revisions to HM-251
- DOT/TC 117, DOT/TC 117R Designation, 10/1/15 Compliance New Tank Cars
- All Class 3 Flammable Liquids, All Tank Cars
- Prescribed Standards, Performance Standard Option
- Harmonization Not 100%, Technical, Compliance Dates, Crude Oil Definition
- Fleet Count, Reporting Requirements Under Review
- Petition / Appeal Status
- ECP Review Required