The following comments were submitted by the respondents for each of the risks.

**CUSTOMER RISK**

(Fast changing customer demand, Easy to lose customer loyalty, Changing customer base demographics, Hard to predict customer behavior, Hard to service customer)

<table>
<thead>
<tr>
<th>Comment</th>
</tr>
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<tbody>
<tr>
<td>Change in consumer buying patterns to home delivery is disrupting traditional retail supply chains, and straining existing final mile home delivery networks to cope with increased growth.</td>
</tr>
<tr>
<td>Increase in the number of COVID testing and positive patients being admitted to the hospitals.</td>
</tr>
<tr>
<td>There is a steadily increasing risk in changing customer demand.</td>
</tr>
<tr>
<td>Customers are not sure what they are doing. IT has been feast of famine waves. Hurry up I need it done or now. And I will talk to you when I can. You might not hear from me for two or three weeks. Also you will hear I need a lot right now but if you can't do it NOW do not bother.</td>
</tr>
<tr>
<td>until the uncertainty of the startup of elective procedures goes away, we will continue to have very-difficult-to-predict customer behavior. Those that had opened may re-close due to a resurgence.</td>
</tr>
<tr>
<td>Given the COVID19 crisis, we expect to see challenges with predicting the customer demand, especially during the s/t fall/winter time frame</td>
</tr>
<tr>
<td>It will be a ripple effect from layers deep on supplier side to us to layers deep on the customer side. How many customers will or can hang in there on both sides?</td>
</tr>
<tr>
<td>The timing around when elective surgeries return to the hospitals is the major wild card. We cannot predict this therefore being ready with the right products to support the return will be difficult.</td>
</tr>
<tr>
<td>How quickly will they recover from COVID-19. Will there be an increase in customer demand above previous levels?</td>
</tr>
<tr>
<td>COVID-19; etc...</td>
</tr>
<tr>
<td>Increased demand volatility</td>
</tr>
<tr>
<td>Decreased risk as lockdowns are lifted across the country.</td>
</tr>
<tr>
<td>Years ago we implemented JIT principles. Demand management utilizing dynamic scheduling has increased our ability to be changing customer demand.</td>
</tr>
</tbody>
</table>

Visit the Lehigh Business Supply Chain Management Risk Index website.
With the current state of the economy, demand is fluctuating and this is a problem for predicting production quantities and inventory.

<table>
<thead>
<tr>
<th>Digital banking adoption has increased which demands enhancements and improvements of all digital platforms.</th>
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</table>

<table>
<thead>
<tr>
<th>Customer base as a whole will change as the economy restarts.</th>
</tr>
</thead>
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<tr>
<th>Depending on the workforce correction (getting more people back to work) we are expecting to see a decrease in demand. Luxury items don't sell well when you can't find work.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Our customer base was impacted by COVID however has lately been on a trend towards normalization. We still see risk in the future however the risk is lower compared to the past 4 months.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Again, we are not able to predict what our customer landscape and portfolio will look like as we enter into 3Q20. The risks we are facing as a carrier from our customers are increased payment terms, bankruptcies, decreased volumes, reducing our charges by &quot;x&quot; percent while the economy has been shut down, etc.</th>
</tr>
</thead>
</table>

<table>
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<tr>
<th>We have also seeing a trend from the shippers to exploit the market and release bids to purely drive down their transportation costs. I am sure this happening across all verticals and not just the transportation sector. Of course we see this in both the LTL and FTL space. This addresses customer loyalty as customers are willing to sacrifice quality of service (on time, claim free) for additional savings on the bottom line.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Our demand has dropped significantly in the 2nd quarter and improvements will be based on our customers getting back to business vs shutting down.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>We expect our bad debt expenses to increase due to weakened balance sheets and some bankruptcies</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Covid19 emergence issues, primarily access to capital.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>We have seen a massive loss in revenue to changing customer behavior and concern's with work patterns being forever altered by COVID i.e. more work at home</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Due to high demand and tight supply in my industry, we expect to struggle with meeting the customer's demands which may open us up to competitor erosion of our market share</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>COVID-19 supply chain bullwhip effect had highest magnitude APR/MAY volumes, therefore the assessment is to remain the same as countries and customers re-start unevenly creating on-going lumpy demand and limited and short visibility certainty.</th>
</tr>
</thead>
</table>
Lehigh Business Supply Chain Management Risk Index
3rd Quarter 2020

CYBERSECURITY AND DATA RISK
Cyberattacks, Data corruption, Data theft, System viruses, Hardware and software issues
Security platform controls

With our people working from home, there is somewhat greater risk of breaches. this is partially offset by greater focus on cyber-security.

happening with or without COVID-19

More and more products are moving online as consumers will shift to online orders. E-commerce will pick up and the need for robust cybersecurity and data risk will become more important than ever. The risks of this shifting landscape are that cyber threats will become more and more prevalent. Just use Twitter as the recent example of blue checked hacked accounts.

As people have been working remotely the technological level of failures has been increasing. It goes beyond what people think as typical issues but there are huge problems with dealing with resetting the historic patterns imbedded into the current systems.

No opinion on the subject.

we are constantly taking steps to improve our firewalls and security

Many people are out of work, the country is in a state of civil unrest and upheaval, etc. I think companies all over need to check and double check their security, be on full alert because everyone is paying attention to so many other issues... Attacks happen when you are not focused and alert.

Many people working remotely or otherwise in different environments increase the "attack surface" for cyber attacks. Also, fears related to COVID-19 could be exploited by phishing / social engineering attacks.

Cyber security is a concern for any company or data is routed through public Internet connections with international notes and differing government regulations.

Cybersecurity is becoming a real problem. My clients are starting to hire more people to address cybersecurity in their IT staff.

Not a matter of if you will be attacked but when. Companies need to invest heavily into the Cyber security.

It's always increasing as far as I can tell.

A lot of scope for fishing and scams that we are constantly increasing our security parameters.
I believe the election cycle will cause additional cybersecurity risks.

Cyber security and Data Risks rose for us (and I believe others) during the past 3 months of COVID. We are assuming that they will remain the same.

Entering election cycle - foreign interference

We have a very robust and on-going training program that is required for all associates on Cyber-attacks, Data Corruption, Data Theft, System Viruses, etc. This training addresses smart phones, tablets, laptops and system computers.

Our IT Cyber-security Team has seen a dramatic increase in phishing and malware attacks and they believe this will only continue to rise.

There seems to be a continuing trend of increased cyber security issues every sequential quarter

Cannot quantify or document why we see an increase beyond saying we view this as an ever increasing problem

I expect it will decrease due to very aggressive approaches to prevent breaches of security. So while we expect the cyber attacks to continue or increase, I expect that our risk will decrease
**ECONOMIC RISK**

(Increasing energy costs, Commodity price volatility, Labor shortages, Sudden demand shocks, Global energy shortages, Border delays)

---

I believe the worst of COVID has passed; and even with a resurgence; the economy will now begin to climb out of the damage inflicted this spring.

Raw material costs and labor issues overseas has created a shortage of material to make healthcare PPE.

All the issues above are happening now and will only get worse as we move into the fall.

The big economic risks no-one is even talking about is cashflow, credit, and debt. Many companies almost zeroed out cash flow for months. They short term borrowed against future receivables which now may not start for many months yet to come. And credit is shrinking across the board. As banks are not receiving payments they cannot lend or issue credit.

Also the other economic Risk no-one is talking about are bankruptcies. Because of the issues mentioned above I see a wave of bankruptcies after companies run out of free government money and protections.

We are assuming that the worst of COVID (from an economic perspective) is behind us.

Economic Risk is pretty high now and will remain the same. COVID and civil unrest, a dangerously divided body politic, Govt stimulus money, devalued dollar....

labor shortages and possible customer bankruptcies

We are not anticipating a large Economic Risk for 3Q20 however, and depending on the election, we are more bullish for 4Q20 and 1Q21 which could impact the labor market and increased energy costs.

Depending on how we progress or regress with our China relations and trade along with the USMCA, this could eventually have a dramatic impact on where manufacturers are sourced. We anticipate and are seeing a trend of on-shoring to Mexico and Central American countries, moving manufacturing the US friendly countries in APAC and also moving manufacturing to US friendly South American countries. The on-shoring could have a dramatic affect on the MEX/US border where moving to vendors in S America will dramatically change freight flows from West Coast Port arrivals to Southern and East Coast ports.

The risk of labor shortages is less than the anticipated benefit of increased demand as the economy rebuilds from the Covid-19 shock event

The entire world economy is disrupted right now and the impacts on all businesses will result. What impact and how much and how long are the questions as yet unanswered

Unclear what would take place that has not already taken place domestically and internationally that would dramatically alter Q3 more positively or negatively than conditions we face.
The government removed many of the environmental regulations. A company can dump toxins in a river with no repercussions and there is no after the pandemic go back at them possibilities. There is a lot more environmental issues happening then people are aware of because they do not have to be reported either.

Healthcare is in a Pandemic.

2nd wave of Corona Virus is a concern

Southern Mexico he a 7.4 earthquake a couple of days ago... did that trigger others? California is a ticking bomb with fault lines, 2020 seems to be the year for it. I’m not sure anything else would shock me this year.

COVID-19

Continuation of COVID distuption

Risk related to the climate crisis are totally underestimated. In my view, this will be THE topic number one, having the highest implications four our industry.

Over all reduction due to lesser energy consumption was workforce is adopting to remote

We are planning for Covid-19 to run similarly to the Spanish Flu. 1st wave was the eye opener, but the 2nd wave was very deadly. Current medical news is that there will be no preventative means available for wide distribution till end of this year. As such, expecting to see an increase of Covid-19 in Q3.

COVID with Trump lack of leadership

Environmental Risk is political

We anticipate the pandemic risk to dissipate

Pandemic
Government intervention is constantly increasing.

Any government action related to COVID.

White House and Congressional leaders are deeply corrupt and incompetent.

Risk costly and non-value added legislation passed further burdening tax payers

Risk of "progressive" socialists taking control of Congress and the White House setting guidelines, regulations and laws ill-suited for the American way of life.

Billions (trillions?) has been spent with no plan to restructure, streamline or modernize government operations to eliminate waste and drive down costs from nice to have, but non-mission critical Cadillac programs.

This is simple. THE GOVERNMENT KEEPS SCREWING IT UP. It is all politics and how they make money out of the deals and even the stock market. It is not about business surviving and getting through this. The government keeps seemingly making things worse. And then the NEWS just exacerbates it.

Government regulations around when hospitals and other businesses can open will have an impact.

COVID-19; political climate

Increased issues with china, where much of our supply comes from, may cause shortages or price increases.

This is a hard question to answer. The current federal government administration favors deregulation and lower tax rates on business. Through the next four years, a change from a conservative business view to a socialistic democrat view will have traumatic negative influence over our business. We are prepared to exit the market if we see excessive government regulation or tax increases.

A lot of the variability and chaos in government intervention will hopefully be quieted after the November election. Until then, chaos reigns.

Not sure yet about any Impact on financial institutions by the government.

I am hopeful that foreign trade policy will get the US w friendlier trade partners. I hope we can increase near shoring policies that allow increased production and trade in our Hemisphere
**Lehigh Business Supply Chain Management Risk Index**  
**3rd Quarter 2020**

<table>
<thead>
<tr>
<th>Expectation of settling of China trade war, as Election Year campaign rhetoric increases.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will continue to watch trade activities with China which has impacted our supply chain from Fall 19 and beyond.</td>
</tr>
<tr>
<td>may complicate risk depending on trade implications</td>
</tr>
<tr>
<td>Already high.</td>
</tr>
<tr>
<td>On-going impacts from trade war between China and US remain and despite Phase One announcement existing conditions remain.</td>
</tr>
</tbody>
</table>
OPERATIONAL RISK

(Site Disasters, Product Counterfeiting, Damage or disruption to physical assets, Machine breakdowns)

Regardless of the Covid Pandemic and Racial Tension, Political risk Impacts far outpace all of the others. They have created a risk of people not coming back to work, regulatory risk of tariffs, visa cancellations, Mandatory work environment rule changes, bailout pay backs, credit problems, and a host of other issues that substantially impact doing business. And the biggest risk multiplier to these is that politicians can change these risks and levels on a whim.

possible resurgence of COVID-19 infecting the workplace

Inventory build up in preparation for a "hit or miss" active hurricane season

supply disruptions due to shutdowns and any problems resulting from that remain the same as they have been based on prior experience.

We worry more about supply and people with current issues around the world.

The threat of another wave of COVID-19 will decimate hospitals and the overall healthcare industry.

COVID-19 unknowns

MY clients are more aware of the risks and paying attention, rather than an increase in actual risk

Increase political instability throughout the world, confusion over national bank institution's policies on monetary issues, and higher risk associated with euro currency valuation, increase the chances of inefficient operations.

Unemployment increases the default on loan payments.

Any time you shut down equipment and try and restart it, unexpected things happen.

We are expecting the end of Q3 and most of Q4 to have global shut downs relating to a 2nd wave of Covid-19. Expectation is to see production delays out of the Asia/Pacific region and then corresponding delays in the US ports and domestic areas for the same reason.

We are assuming that the operational issues caused by COVID will diminish however the risks will remain the same.
Lehigh Business Supply Chain Management Risk Index
3rd Quarter 2020

<table>
<thead>
<tr>
<th>Risks to person and property are as high now as ever. This will remain for the remainder of the year.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covid-19 employee shortages.</td>
</tr>
<tr>
<td>As a company we have seen breakdowns of our assets decrease. This is in direct correlation with purchasing newer equipment ($220MM Capex in 2019) and moving out older assets, both tractors and trailers.</td>
</tr>
<tr>
<td>COVID has changed everything</td>
</tr>
<tr>
<td>Supply chain disruptions</td>
</tr>
<tr>
<td>In aviation. Our physical assets being grounded has a big risk with maintenance, but we've been incredibly proactive. Same risk vs q2.</td>
</tr>
<tr>
<td>COVID-19 impacts and remedies already present in domestic and international supply chains.</td>
</tr>
<tr>
<td>It's scary!</td>
</tr>
</tbody>
</table>
QUALITY RISK
(Lack of sufficient quality testing, Changing quality standards, Informal quality control documentation Customer safety issues, Product recalls)

We provide advisory services to clients. If a significant number of individuals at our client companies should become ill with Covid-19, the demand for our services will decrease during that time period.

Major back orders on Healthcare PPE products.

With reduced staffing and expertise availability plus limited supply on certain things I anticipate being forced to take what you can get. OR at least have a higher cost to quality in the inspect quality into what you are utilizing.

Currently we have some quality issues and expect them to potentially increase (FDA related)

Our quality standards are getting more strict.

Shifting procedures at suppliers and internal operations due to COVID-19 increase risk due to changes from typical processes that formal or informal QA procedures may not address. Also, many people are working in unusual circumstances, so may be less attuned to other "unusual circumstances" that indicate a quality problem.

Our company and industry we work in (Healthcare) maintains very high standards for Quality. We have a very low tolerance for taking on risk and therefore manage accordingly.

Counterfeit is on the rise

Due to COVID-19 impacts

Again, Averitt is engaged in on going Quality Training with our associates. This training is specific to the different departments all across the company. From dock associates to customer service representatives, training is developed for each area within the organization.

We are consolidating two DC's into one which will have a better overall Quality impact for our customers.

Recovery from Covid-19 restrictions

Demand remains high, concern exists with lesser quality product from manufacturers to meet schedules due to COVID related shortages of materials and manpower

Customer safety is biggest concern of the lot for our industry
<table>
<thead>
<tr>
<th></th>
<th>COVID-19 impacts and ways to address already present in domestic and international supply chains.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Remote working and COVID impacts our quality organization’s effectiveness. In addition, travel restrictions limit supplier quality assessments and inspections.</td>
</tr>
</tbody>
</table>
**SUPPLIER RISK**
(Single/Sole source supplier, Suppliers from one geographic location, Supplier quality issues, Price volatility, Counterfeit products)

<table>
<thead>
<tr>
<th>Major back orders and supply issues related to healthcare PPE.</th>
</tr>
</thead>
<tbody>
<tr>
<td>We've seen a lot of negative disruption during this COVID environment. For example, food companies have seen demand spike, but most have changed their supply chains to buy from China to meet shareholder value without creating contingency plans in the event of a disruption. We are now seeing that a lot of these companies traded resilience for profit-maximization.</td>
</tr>
<tr>
<td>qualifying new suppliers</td>
</tr>
<tr>
<td>disruption in oil prices - seems unlikely but always possible</td>
</tr>
<tr>
<td>Risk related to price volatility and counterfeit risk with certain products, especially personal protective equipment and disinfectant supplies, seem to be diminishing</td>
</tr>
<tr>
<td>The risk for suppliers has been all over the board. They try to do the right things but all the issues we are having as an organization they are also happen. And sometimes it only takes one supplier to shut down the whole operations process flow.</td>
</tr>
<tr>
<td>expecting that things will be calmer in the supply chain as COVID issues start to diminish/disappear</td>
</tr>
<tr>
<td>Some suppliers are in Asia/China and continue to present challenges in our supply chain.</td>
</tr>
<tr>
<td>The European union is discussing restricting travel from the USA. If that takes place, will the US react and stop all trade coming in from overseas? It might be a far leap to go come discussing simply tourist travel to business travel to now trade issues. It's a slippery slope. We’ve already seen disruptions in maritime and air frt... it wasn't as bad as it could have been and it's better than the 1st shock wave of Covid19. Many companies have suffered from the quarantine some with permanent damages. Those companies may be sub-suppliers to our supplier's suppliers. Companies everywhere are trimming the fat and then some.</td>
</tr>
<tr>
<td>Smaller companies may not be able to whether the storm in the long term. This will require additional sourcing and qualification efforts.</td>
</tr>
<tr>
<td>COVID-19; etc...</td>
</tr>
<tr>
<td>Increased risks due to single sourcing</td>
</tr>
<tr>
<td>I believe that there may be increased risk due to social unrest and political issues with suppliers in china, but decreased risk due to workers returning from Covid-related shutdowns.</td>
</tr>
</tbody>
</table>
Developing single sources for key items, following the principles of strategic alliances, and ensuring supply back up through escrow accounts, and alternative sources using documentation from escrow accounts, has decreased supplier risk. Contrary to academic thought, applying principles that ensure quality remains high through process improvement, designing product with supplier contributions in the design phase, and periodic executive management review (at the CEO level) of suppliers has immensely decreased the risk associated with traditional supply chain methodology.

With so many companies leaving China, the risk with Chinese suppliers has really increased. Once you announce you are leaving a Chinese supplier, product quality and on-time scheduling often suffers. In addition, some suppliers won't ship the final production until they are paid in full.

One way to keep your risk at a low level is to better communicate with your suppliers and work to form a partnership.

Covid is shaking up the supply chain

If there is a second wave of Covid-19, we are expecting to see a greater impact to our suppliers in the Asia/Pac region.

We are assuming that the worst of COVID (from a supplier risk perspective) is behind us however the risk of interruption is still with us.

COVID impact

supplier risk will stem from tightened truck capacity

covid 19 risk with our suppliers

Because of the COVID-19 outbreak, our company has postponed some truck and trailer orders. Most of the vendors we deal with have been vetted and have been partners of ours for many years. We have not see a truck or trailer shortage since early 2018.

This will definitely be contingent upon COVID activities.

We worry about bankruptcy risks for some suppliers due to Covid-19 disruptions on their businesses sand the weakening of balance sheets.

This may be offset by spending reductions however.

Domestic and international supply chains have supplier and geography resilience built into them that will not change in the 2H 2020.
TECHNOLOGICAL OR COMPETITIVE RISK
(Disruptive or replacement technologies, Introduction of new competitor firms, Ineffective or non-existent regulation for competitors)

I anticipate that, with social distancing, customers will tend to remain loyal to known suppliers. There will be fewer opportunities for potential new suppliers to meet with customers and present their sales "pitches".

There is more technological risk in this climate than there has ever been. The need for digital transformations in modern day business tactics will naturally draw in a lot of competition from both incumbents and new players. Microsoft is putting everything in Teams and data management investments to support to increase in teleconferencing. Telemedicine is becoming increasingly popular. Essentially the need for digital interfacing will be more and more prevalent in each sector.

Curious about drone capabilities for high value goods, and remote locations; see it as an added capability in the toolbox rather than but do not see it as a major disruptor to overall market

Risk related to alternative products

We are all going through the same pain. Although as we come out of this going into next spring the people that figure it out will be in the best place to take business.

Many companies are all feeling the same effects. Large companies, just like BBraun, are struggling. Medline reported they have experienced zero growth and in fact they are telling customers they can't make requested changes. Depending on how much bandwidth or deep pockets a company can exercise, would depend if customers jump from Medline to BBraun or BBraun to 3M, etc. Will Medtronic loose their foothold to the global market or BBraun surpass Baxter Healthcare in the rankings?

Disruptive technologies in our business are easy to predict. We track cost and performance data, establish technological breakthroughs necessary to improve product performance, and we determine the likelihood of us technological breakthroughs occurring.

I see more and more customers looking for ways to reduce costs. One way is through technology. As a representative of a common carrier we are encouraging our clients to use EDI or API technology to communicate vital information (bill of lading) this cuts down the back office costs (eliminate manual entry of the information) and the saving can be passed back to the customer.

Always high since we're a software company

Forced to find new ways of operating in COVID world

This is a mixed bag. On the one hand we expect a continued growth of disruptive technologies. On the other hand we may see some traditional competitors go bankrupt, giving survivors a larger market share.
Covid19 move to Tele-Health presents opportunity and risk.

may vary depending on pandemic implications

A competitor recently went bankrupt and closed. This took about 8% of the capacity out of the market. This will change our market in ways not yet completely understood. None of the current major players in this market have capacity to absorb this capacity deficit.
Many of our customers are transportation companies. An increase in actual Covid-19 illnesses that lead to lost time from work for their employees (as distinguished from an increase in positive test results) would be disruptive to their operations. That would have an indirect impact on our business, so I've answered "Increase".

Truck drivers were experiencing more leverage than they've ever had for a 6 week period during COVID peaks. However, as non-essential businesses stay closed, we expect demand for transportation to actually fall and subsequent risks to follow that same trend.

smaller carriers are struggling to stay in business. Some have not returned post-COVID.

lack of qualified, quality drivers remains problematic; and driver shortage will accelerate as economy recovers and final mile volumes surge

Fuel prices are on the rise. Company are going out of business including several LARGE TRUCKING COMPANIES WHO HAVE BEEN BORROWIGN TO MAKE PAYROLL. Drivers want to work but costs have hit bottom and many truckers would rather let their trucks sit then not make enough for payments. They are protected via bailout right now.

Also there is a huge bubble coming through the supply chain which will create a shortage of capacity for months to come.

we are not experiencing any transportation disruptions at this time

We've experienced driver shortages over the last several years with the increased baby boomers retiring or simply exiting the business due to the strict HOS laws. Most recently, the Federal govt lifted 4 keys aspects of the law. Most importantly, the drivers are now able to drive an extend 2 hours and can take a break outside of an 8 hour drive instead of within those 8 hours. The new regulations will go into effect starting at the end of September. It will be interesting to know how those changes will impact deliveries... Will there be an increase of same day deliveries or reduce the transit time from 3 days to 2, etc. Also, I'm curious if we will see an increase or decrease in damages because we will have less cross dock times... NOT SURE. I'm interested to know how the carriers will handle this and if it will just simply improve service or not.

The lack of air traffic has had a significant impact on the cost of international air shipments. Costs will continue to increase as air traffic continues to be limited.

COVID-19; civil unrest; political climate

I believe that social unrest in urban areas may have an increased effect on risk for my company.
You took the list of factors are significant in the degree to which they are not predictable. Uncertainty is creating additional frustration and cost for operations managers.

**Driver shortage** - The average age of a driver is in their 50's and as they retire, the demand for qualified drivers will increase with since less and less young people are interested in becoming drivers.

**Typical season variation**

**Primary resource would be workforce but all are either local or remote.**

**capacity and cost**

Expecting to see an increase in demand fluctuation and equally an increase in finding drivers that will transport into & out of heavy areas of Covid-19 infection (NY & NJ as an example). Also expecting to see issues with cross border trade US/Mexico and US/Canada.

We are assuming that the worst of COVID (from a logistics perspective) is behind us.

the market has seen an exit of truck capacity. When business levels increase due to people returning to work and economic activities take place once more, the capacity crunch will return. And we will see the spot OTR truck market spike.

I have listed a current response to major Fortune 500 company about the current state of the FTL space. As most of us know, Disruption Risk can vary based on the space. For instance, there is still available capacity in most domestic spaces but that can change as the economy starts to recover from COVID-19. For instance port traffic will increase dramatically affecting warehousing, dray and transload operations.

- Regarding the overall market, we are seeing the FTL improve. We have been monitoring our customers volume and load count and we are seeing approximately 80% of the normal volume. However, this does not include the LTL one way pulls which is still not back to normal volumes. By not having those one way loads, that in particular is having a big impact on our operation because this has changed the flow of our drivers and where we land trucks.

- Spot market rates are still depressed but the rates are starting to improve because capacity in some markets is beginning to tighten. Once the economy fully opens up, we do expect to see a period where capacity may be extremely tight and truck shortages can become a serious problem. The main reason is the carriers still have drivers on furlough and the carriers will be reluctant to call these drivers back without the market being strong. The longer term issue will be hiring drivers. If most carriers are like us, carriers have not been hiring drivers nor having orientations so there are not many drivers in the pipeline. We will not begin to hire drivers and hold orientations until we bring back all the drivers from furlough. Compound that issue with losing 6-7 drivers on average per week, the numbers continue to diminish and we could be down 100-150 when this is all said and done. To replace these drivers will take months if not until 2021 to replace those drivers, even if business is abundant. In addition, driving schools have been closed so we are not...
even sure how the larger carriers have been replacing their lost drivers. There are many unknowns so only time will tell.

- OPS and Senior Management then has to make the decision on whether or not to reduce our truck count due to not having enough drivers. The way our accounting is set up, we can only depreciate these costs for so long and then we have to make a decision on whether or not to carrying extra trucks is equitable. By having all of these trucks sit, this alone will cost our truckload division approximately $350,000 in idle equipment. This is not just our problem as we think most of our competitors are in the same situation as us. And because there is a glut of used equipment in the marketplace, selling our used trucks is not going well. Bottom line, our OR for the truckload division has not been good.

- Long term, and within the overall industry, if this period in time does not put many carriers out of business, we are not sure what will. Many forecasters are predicting smaller fleets and a reduced number of drivers. Our truckload division could easily end up being reduced by 15%(currently over #1100 trucks). Even if business begins to recover and we see a surge in the market, with the losses the carriers took over the last quarter, what carrier will be willing to go out and invest in new equipment and drivers? The market is certainly in uncharted waters and no one can predict how the market will recover.

Bottom line, there are a lot of uncertainties in the market right now and the outlook is not great. Recovery will all depend on how the economy comes back and how interested carriers will be to provide extra capacity.

We expect disruptions due to volatility in demand and not knowing if there will be enough drivers.

Air shipment rates have been our biggest challenge in Q2 with the COVID impacts.

Driver shortages may emerge again as demand picks up. Fuel to remain low.

Covid19 restrictions impacting delivery.

Not only the above but travel restrictions.

The global transport market (ie air freight) a bigger and more costly risk than what we are seeing with ground freight.

As demand picks up after COVID wave I, logistics providers have to get their resources and schedules back as well...this will take some time.

For domestic OTR and intermodal, drayage, rail and ocean container shipping, Q2 saw the significant disruptions to capacity, availability and network/asset balance that shippers continue to work through as we move into Q3.