



Kuehne + Nagel Inc.
Corporate Office
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July 22, 2010

Dear Valued Customer,

I am writing with an update to our [June 30 letter](#) with additional information regarding Trans Pacific East Bound (TPEB) U.S. import seafreight market conditions.

The main issues continue to be:

- Space constraints throughout most of the year
- Peak season that will further exacerbate the situation
- Equipment shortages in all major global trades
- Interior Port Intermodal (IPI) movements being closely monitored by carriers, based on revenue considerations

As outlined in our previous market update, Kuehne + Nagel's management strategy remains:

- Protection of existing allocations
- Participating "sweeper vessel" opportunities
- Negotiation of additional long-term carrier allocations / capacity
- Providing West Coast deconsolidation capabilities

We re-introduced the ARC, effective July 15, to better manage the carrier options and counter the space constraints, equipment shortages and IPI limitations that have been imposed by the carriers to manage capacity on the TPEB trade.

The ARC assigns priority status to your cargo during the peak season. As a result, your freight gets placed at the front of the line -- critical if you have cargo that absolutely must sail as booked. With the anticipation of space shortages through November, we want to give customers with critical moves options to ensure their cargo is assigned priority status and will sail as booked.

Additionally, many carriers continue to discuss and have filed with the Federal Maritime Commission to implement a PSS II, effective August 1, 2010. We are still waiting to get the exact surcharge amounts from our carrier base. Your local Kuehne + Nagel sales representative or customer service representative will reach out to you directly to discuss all issues in the coming days.

Kuehne + Nagel continues to monitor the many aspects of this dynamic, challenging trade to ensure that we provide you with market-competitive, solution-driven pricing options. Thank you for your continued support.

Best regards,

Bill Kascel
Vice President
Transpacific Development