



FINANCING PROGRAMS FOR OWNER OPERATORS

May 29, 2018



JTM TRANSPORT FINANCE ADVANTAGE



JTM Transport Inc. is a leading Transportation Company with a national lender for new and used tractors, trailers and equipment to small, medium and large fleets

FC is well-established company with over 65+ years of truck and trailer lending

FC is one of the largest independent finance companies in U.S.

Large nationwide customer base of small, medium and large fleets

Best-in-Class service platform

One of the industry's strongest balance sheets and liquidity profile

Seasoned team with over 100 years of combined Transportation Finance experience



KEYS TO SUCCESSFUL OWNER OPERATOR PROGRAM

The Owner Operator needs to be Successful

- Be cognizant of the Independent Relationship between all parties involved
- Provide a Quality Tractor
- Provide a lease structure that is designed to build equity over time
- Help the Owner Operator build and manage their business
- Effectively Recondition and Remarket any down units to another Owner Operator
- Everyone's Success is Dependent on the Success of the Independent Contractor



PROGRAM ADVANTAGE



*We believe that a good finance company will provide solutions to help Carriers grow their businesses by providing Owner Operators a better business opportunity. We do not bring a **One Size Fits All** mentality, but custom design a lease program to improve the chance of success for your Owner Operators.*

A knowledge lender. A partnership lender.

We know and understand the Affiliate and Owner Operator model having developed and managed successful programs with many national brands using the Affiliate, Agent, and Owner Operator model.



Specialized lender with significant experience in Affiliate, Agents, and Owner Operators programs for large carriers.

CARRIER MISCLASSIFICATION CONCERNS

- All parties are deemed to be independent of each other; Owner Operator, Carrier and Finance Company
- The Lease between FC and the OO is Portable
 - The OO can port the lease to another Carrier as long as the new Carrier provides similar support and credit risk
 - The OO can put down 30% of the Lease and operate independently or lease onto any Carrier
 - Once the OO ports out of the program, Carrier support terminates
- FC will make a Credit decision. Not all OOs will qualify for a lease through JTM's Lender
- Remarketing Agreement between JTM's Lender and Carrier is not a full guaranty. We enter into a Remarketing Agreement to support the program. FC, Company Sponsor and truck vendor work together to provide an OO Lease that:
 - (i) provides another recruiting tool to increase OO's
 - (ii) offers better than market financing terms and equipment
 - (iii) promotes greater OO success
 - (iv) reduces turnover
 - (v) increases retention
- The JTM team understands the primary operational and legal challenges that a carrier experiences as a result of managing an Owner Operator program. Our goal is to manage and mitigate these concerns

MAINTENANCE RESERVE ACCOUNTS

- Designed to help the Owner Operator budget for repairs and PM to operate the tractor
- Fixed amount collected weekly along with the weekly lease payment and 2290s
- MR account is based on expected annual mileage and age of equipment
- MR is the OOs funds upon completion of the Lease
- In the event of an OO default



OO has access to MR for DOT compliant repairs and PM expenses

- OO pays for repairs or PM on their own
 - OO submits receipts to FC via fax or email
 - FC verifies shop work completed and shop paid in full
 - FC cuts a check to OO on Wednesdays
- OO can use Drivers Road Services (DRS) to support repair or PM expenses
 - FC communicates MR balances to DRS
 - DRS call center is open 24/7/365
 - DRS will issue a PO to the repair shop
 - DRS charges a fee, \$25-\$275 based on \$ amount of repair



RESEATING A TRACTOR

The backbone of the Lease Purchase Programs is the ability to reseat the down/defaulted Tractor to another Owner Operator. The following is provided as an Example:



Original Lease terms are 36 months at \$450/week and a \$7,500 residual
The first OO makes 6 lease payments before they quit/terminated
Tractor is recovered and has a refurbishing costs of \$3,000
(DOT compliant/new mattress/condition to be resealed)

The original OO has \$1,000 balance remaining in the Maintenance Reserve Account

The \$2,000 of refurbishing costs will be added to the 2nd Lease

The 2nd Lease will be stretched to 31 months at \$450/week and a \$7,500 residual

The goal is to keep the new lease term as close to the original remaining lease terms as possible.

PROGRAM ADVANTAGES

- **FC wants to Partner with a Carrier:** By working together and designing a successful lease purchase program, retention and Owner Operator satisfaction will increase. We work with Carriers to build a proforma income statement for their the average OO. Using that information we can design a Lease that will support OO Success and eventual ownership of the Tractor.
- **We do not bring our own Equipment to the program:** We work with local dealers to create programs that will help the program Succeed. We work with manufacturers and larger dealer groups that want to become a partner and support the OO program. We ask the dealer to stand behind their equipment for the first 30 to 60 days, paying for repairs in the short term. This helps the OO get off to a good start. We are not bringing our problem assets to your Owner Operators.
- **We try to structure deals that will help the OO own the equipment:** Our lease terms are designed to fit the opportunity at each individual Carrier. There is a big difference between an OO working drayage vs OTR freight. Different revenue opportunities and mileage usage need different programs.



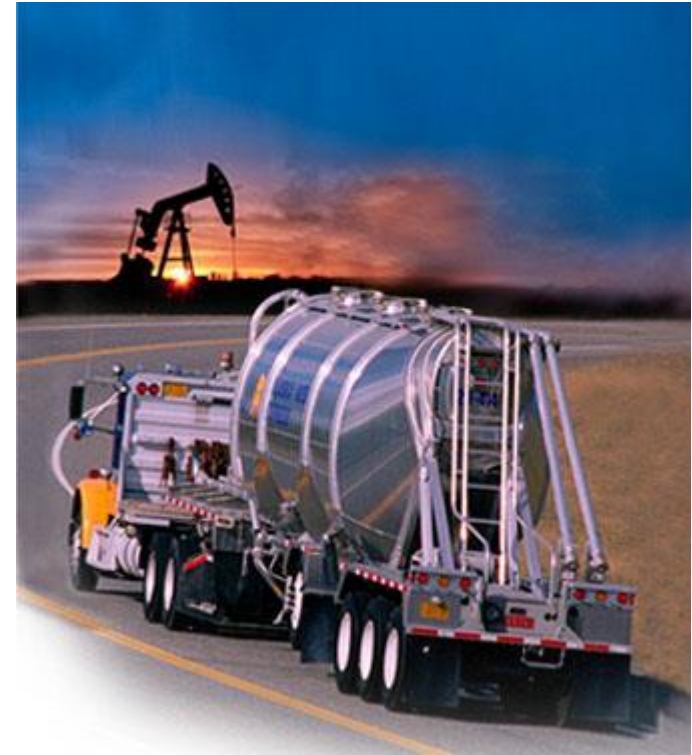
PROGRAM ADVANTAGES (CONT.)

- **A More Profitable Business:** The financing program offers greater opportunity for the Owner Operator to succeed. Reduced cash investment and interest rate result in significantly better weekly cash flow. Including a funded maintenance reserve extends tractor life and lessens down time.
- **Retention tool:** Our finance program encourages the Owner Operator to stay in Company Sponsor's fleet, but does not require this. An operator can port the truck to another company provided similar program support is offered, or additional (reasonable) principal reduction payment is made. The test is whether ECF is in a similar credit and equity position. We believe this increases affiliate retention without restricting portability.
- **Lower Turnover and Onboarding Costs:** Creating a better opportunity for the OO to succeed should reduce turnover % and the costs associated with hiring replacement Owner Operators. We are trying to reduce turnover by designing a more profitable opportunity for the Owner Operator. Our combined goal is to design a Lease Purchase Program that would reduce turnover rates by 50%.

The best recruiting and retention tool is to show greater opportunities for economic success.

PROGRAM ADVANTAGES (CONT.)

- **Recruiting tool:** There is a void of financing options for small and midsize Owner Operators today. By offering a financing program to its Owner Operators, Company Sponsor is better positioned to grow its Owner Operator business and small fleets.
- **Maintenance Reserve Account:** We require a weekly amount from the OO to help support future PM and repairs. The OO can access these funds for PM and DOT compliant repairs.
- **Creation of a Program Reserve:** We include a specific amount in each lease that will help to support the overall program. We know there are going to be challenges in these programs and we try to budget for catastrophic repairs or Lemon tractors that need to be liquidated outside of the program.



SAMPLE LEASE PROGRAM

2014 International ProStar

- Approximately 350,000
- 2 year NTP /200k Engine and ATS warranty
- Diamond Renewed
- International warranty
- UTC support first 60 days
- Cummins ISX



Lease Structure:

Down Payment	\$1,000.00
Pmt # / \$	30 \$2,058.72
Weekly Payments	\$475.09
Maintenance Reserve	\$275.00
2290s	\$11.00
Total Weekly	\$761.09
Residual	\$7,500.00
Program Reserve	\$5,000.00

Benefits:

- Short Terms - Lease structure approximates a 34 month amortization
- Warranty coverage for 70% of amortization period
- Maintenance Reserve of \$0.13/mile based on 110k/year
- \$5,000 Program Reserve to help insulate Carrier and Eng's asset risk

PROGRAM ADVANTAGES (CONT.)

- **DIRECT PAY/SETTLEMENT.** ECF will receive lease payment directly from Company Sponsor via weekly settlement deduct.
- **MAINTENANCE RESERVE ACCOUNT.** Company Sponsor to manage a maintenance account for benefit of O/O for needed maintenance and repairs. Company Sponsor will deduct \$200-\$275/wk. These funds will stay with equipment.
- **DOWN PAYMENT REQUIREMENT:** \$1,000 to \$3,000 or possibly an advance lease payment. The OO needs to have an investment in the asset.
- **REMARKETING AGREEMENT TERMS:**
 1. Pay ECF via weekly settlement deductions, maintenance reserve, HVUT, etc.
 2. Help reseal a defaulted unit with a replacement O/O, commit to sending OO applications for down unit until reseated.
 3. Rent the unit for up to 9 months until a replacement O/O is qualified and takes delivery of the down unit

Building a Program where the Carrier, Dealer and Finance Company want the OO to Succeed

JTM TRANSPORT INC. COMPANY CONTACTS



Jaime Tamez Martínez
President

JTM Transport Inc.
7380 InterState 10 East
San Antonio, TX 78219
Office: 210.619.0019

Email: jaime@jtmtransport.com

