

## **Roadrunner Transportation Services, Inc. Independent Contractor Program**

Roadrunner Transportation Services provides the Independent Contractor the opportunity to finally achieve the goal of independence that motivated him/her to become an Independent Contractor in the first place. You decided to establish your own business because you wanted to realize the maximum return for your efforts and to achieve greater control over your life. You chose the Independent Contractor business because of your work experience.

Becoming an Independent Contractor is the easy part, **you buy a truck**. However, running a successful business with the truck is the hard part. Sorting through all the options, programs, companies, brokers, etc., can be extremely confusing and frustration can lead to a decision that may not be in your best interest.

The two most obvious options that the Independent Contractor has are, 1) securing and operating under his/her own authority and, 2) contracting with a motor carrier and operating under their authority.

### Operating under own authority

#### Advantages:

- Freedom of choice in the conduct of the business
- Not sharing revenue with another party

#### Disadvantages:

- Responsibility for securing business
- Maintaining all insurance coverage
- Significant administrative work in licensing, permitting, filing fuel taxes, maintaining D.O.T. compliance files, log auditing, credit qualification, billing and collection

### Contracting with a motor carrier

#### Advantages:

- Carrier provides a base of business
- Carrier provides primary insurance coverage
- Carrier handles most administrative functions

#### Disadvantages:

- Loss of freedom in choice of work
- Carrier takes significant percentage of revenue

**Roadrunner Transportation Services offers the Independent Contractor a unique opportunity that incorporates the advantages of each of these traditional options without the disadvantages associated with either.**

When you contract with Roadrunner Transportation Services.

Advantages:

Significant freedom of choice in the conduct of your business

Minimal revenue sharing

Roadrunner Transportation Services, Inc. provides all or most of the business

Roadrunner Transportation Services, Inc. provides primary insurance coverage

Roadrunner Transportation Services, Inc. handles most administrative functions

Roadrunner Transportation Services, Inc. is an LTL Common Carrier, with headquarters in Cudahy, Wisconsin, and 48 state operating authority. We have terminals in the following locations:

Milwaukee, WI

Dallas, TX

Cincinnati, OH

Minneapolis, MN

Indianapolis, IN

Atlanta, GA

Los Angeles, CA

Seattle, WA

Chicago, IL

Cleveland, OH

St. Louis, MO

Detroit, MI

Charlotte, NC

Nashville, TN

San Francisco, CA

Mira Loma, CA

From these locations we load to major metropolitan areas throughout the United States where we have a terminal and agent network that unloads and delivers the freight. In all cases, the Independent Contractor chooses the destination to which he/she is willing to be loaded. There is no forced dispatch. Revenue on loads from Roadrunner Transportation Services, Inc. terminals is paid on a mileage basis (PC Miler – Practical Miles) with 100% of the revenue going to the truck.

Our extensive terminal network provides ample opportunity for the Independent Contractor to run his/her business hauling only Roadrunner Transportation Services, Inc. freight. RRTS also has a Nationwide Truckload Division that will find backhauls for you. However, if a situation arises where the Independent Contractor needs to secure an outside (backhaul) load, Roadrunner Transportation Services, Inc. will provide the billing and collecting.

In this prospectus you will find our schedule of compensation. This shows the specific rates in each lane for hauling Roadrunner Transportation Services, Inc. loads. These rates include the Independent Contractor providing a tractor and a 53-foot trailer. If an Independent Contractor does not have a trailer we can arrange a leased trailer until he/she decides to obtain one.

While Roadrunner Transportation Services, Inc. has turnover well below industry averages, and our Independent Contractors tend to stay with us for a long time, like any business venture, the initial stages are the most challenging. Being an LTL company, loading and dispatch patterns are different than truckload companies. These are things that are learned by the new Independent Contractor and he/she uses this knowledge in their overall business strategy. However there is a learning curve that is natural in any new business venture and must be expected. Also, for many new Independent Contractors, dealing with brokers and assuming responsibility for securing a portion of the business is new and like any other business development, success takes time and is the result of the effort and skill of the individual.

Given the advantages inherent in Roadrunner Transportation Services, Inc. and the opportunity to develop a business in conjunction with Roadrunner Transportation Services, Inc., it is obvious that for the right Independent Contractor, Roadrunner Transportation Services, Inc. is a unique business opportunity. Please study the information contained in this prospectus. If the program appears to be consistent with your business goals or you would like further information, please call us at 800-560-3758.

## **SETTLEMENTS**

Independent Contractor settlements are weekly with payments being made on Friday. Electronic Fund Transfer is available giving the Independent Contractor immediate access to his/her money. Trip reports and paperwork must be received in the corporate office by noon Friday for settlement the next Friday. Backhaul loads secured through a broker who has credit approval with Roadrunner Transportation Services, Inc. are also paid as above.

# INDEPENDENT CONTRACTOR WORKSHEET

Monthly Revenue: \_\_\_\_\_ miles @ \$\_\_\_\_\_ per mile = \$\_\_\_\_\_

**Fixed Expenses:**

**Equipment**

Tractor \_\_\_\_\_

Trailer \_\_\_\_\_

Total Equipment \_\_\_\_\_

**Insurance**

**Physical**

Damage \_\_\_\_\_

Bobtail \_\_\_\_\_

Cargo \_\_\_\_\_

**Workers**

Comp \_\_\_\_\_

Occ/Acc \_\_\_\_\_

Total Insurance \_\_\_\_\_

**Plates and Permits**

\_\_\_\_\_

**Highway Use Tax**

\_\_\_\_\_

**Settlement**

\_\_\_\_\_

**Total Fixed Expenses** \$\_\_\_\_\_

**Variable Expenses:**

**Fuel**

\_\_\_\_\_

**Tolls**

\_\_\_\_\_

**Maintenance**

\_\_\_\_\_

**Tires**

\_\_\_\_\_

**Fuel Taxes**

\_\_\_\_\_

**Personal Expenses**

\_\_\_\_\_

**Co-Driver**

\_\_\_\_\_

**Total Variable Expenses** \$\_\_\_\_\_

**Total Expenses** \$\_\_\_\_\_

**Total Profit (Loss)** \$\_\_\_\_\_

For purposes of this study you might use the following assumptions:

Tractor and trailer - monthly payment

Plates and permits - \$175 (\$2100 divided by 12)

Highway use tax - \$46 (\$550 divided by 12)

Settlements - Amount required to maintain your home and family

Fuel - miles @ \$.80 per mile

Maintenance - miles @ \$.07 per mile

Tires - miles @ \$.02 per mile

Fuel taxes - \$150 average

## **STANDARDS**

### **EQUIPMENT STANDARDS**

Tractor	7 years or newer
Trailer	Minimum 53' 102" Van or Reefer

### **INDEPENDENT CONTRACTOR/DRIVER STANDARDS**

Fully Qualified Owner	1 year OTR experience (Interstate) No more than 1 moving violation in past year No more than 3 moving violations in past 3 years No major violations in past 5 years No more than 1 preventable accident in past 3 years 21 years of age CDL with Hazardous Materials endorsement or willing To obtain within 90 days No suspensions or revocations for moving violations in past 3 years
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## **INSURANCE REQUIREMENTS**

**LIABILITY INSURANCE**, when you are under load, is provided by Roadrunner Transportation Services, Inc.. The Independent Contractor is responsible for the first \$4,500 of the liability if it is determined that the liability was caused by the negligence of the Independent Contractor.

**BOBTAIL INSURANCE** is required in the amount of \$1,000,000. This provides liability coverage when you are empty or using your tractor in a non-trucking capacity. Roadrunner Transportation Services, Inc. has a group rate of \$32.00 per month for this coverage.

**OCCUPATIONAL ACCIDENT INSURANCE** provides the Independent Contractor protection from expenses due to injury as well as disability income during the time the person is unable to work. This policy also includes a “minimum certificate” workers compensation policy that covers the Independent Contractor against claims for injury by a casual laborer. If the Independent Contractor is a team, an Occupational Accident policy is required for both team members. In addition, if an Independent Contractor has employees operating his/her equipment, those employees must also be covered by Occupational Accident.

**PHYSICAL DAMAGE INSURANCE** through Roadrunner Transportation Services, Inc. is provided at a competitive rate of .324% of the insured value per month. The deductible for this insurance is \$1000.

**CARGO INSURANCE** coverage is provided by Roadrunner Transportation Services, Inc. for all Roadrunner Transportation Services, Inc. generated loads. The maximum liability per load is \$500,000. The Independent Contractor will be charged \$1,000 deductible per loss occurred. In addition an Independent Contractor may purchase cargo insurance for their brokered backhauls through Roadrunner Transportation Services, Inc. (or any other source) for \$71 a month.

## **SIGN-ON COSTS**

Normal sign-on costs will include Plate and Permit fees, cost of DOT physical, if needed, and pre-qualification drug screen. There are no up front payments required. All costs are deducted from settlements once you start running loads.

## **INSURANCE**

Roadrunner Transportation Services, Inc. has group insurance rates available to its Independent Contractors which is paid by the contractor through settlement deductions. The following shows costs at sign-on for these policies:

	<u>Monthly</u>
Bobtail Liability	\$ 32.00
Occupational Accident	\$ 139.00
Team partner (spouse)	\$ 139.00
Cargo (optional)	\$ 71.00

Physical damage is available at a competitive rate of .00324% of insured value of equipment.

Fleet drivers must be covered by occupational accident also.

## **INDEPENDENT CONTRACTOR FAQ'S**

### Questions and Answers for Potential Independent Contractors

How is compensation figured?

Compensation is lane based cents per mile with additional compensation for drops, pick ups, and hazmat, as well as a team incentive of .03 per mile.

How is compensation received?

Settlements can be paid by electronic transfer to bank accounts or by check.

Are advances available on loads? How are they paid?

Advances are loaded on to Comdata Cards if requested.

Is an escrow required? How much? What is the return policy?

There is a \$1000 escrow, deducted the first ten weeks. The escrow is returned within 45 days of cancellation of lease and return of all permits, plates, and materials belonging to Roadrunner Transportation Services, Inc..

Does Roadrunner Transportation Services, Inc. pay fuel surcharges?

Yes, based on the Department of Energy National Fuel Cost Averages calculated each Tuesday

Is Independent Contractor required to load and unload?

Minimal for Roadrunner Transportation Services, Inc. loads

Is the Independent Contractor required to purchase insurance or anything else from the company?

No the Independent Contractor does not have to purchase insurance through the company, the Independent Contractor may purchase the required insurance from any insurance agent or broker. If the Independent Contractor does purchase insurance through another source they must supply Roadrunner Transportation Services, Inc. with a certificate of insurance with Roadrunner Transportation Services, Inc. listed as certificate holder.

What insurance is the Independent Contractor required to purchase and maintain?

Per the lease agreement the Independent Contractor must show proof of:  
Physical damage (if lien holder exists)  
Bobtail, \$1,000,000 policy  
Occupational Accident with work comp rider  
Work comp if they will have contract drivers

Will all bills of lading be in the company's name?

Yes if they are Roadrunner Transportation Services, Inc. loads.

Is there a fleet average of miles run per week?

No, it is up to that individual business owner to determine their miles run per week. They are required to abide by all federal, state and local regulations.

Are there forced dispatches?

No

How many days/weeks will Independent Contractor be kept out on the road?

That is up to the Independent Contractor.

What is the policy on home time?

Again that is up to the Independent Contractor.

What regions does the company expect Independent Contractors to run?

That is discussed with the recruiter and terminal manager during the initial interview. We try to give the Independent Contractor the lanes he would like to run, but flexibility is desired.

Does Roadrunner Transportation Services, Inc. offer dedicated runs?

They may be available depending on the lane. Check with your terminal manager.

Will Independent Contractor work directly with brokers?

Only if they choose to. Roadrunner Transportation Services, Inc. has a Truckload Division which can provide loads, or you can work with a broker if you desire.

What is the company policy on check calls?

Once daily as per the lease.

What is Roadrunner Transportation Services, Inc. turnover percentage?

It runs about one half of the National Average.

Does Roadrunner Transportation Services, Inc. have company owned trucks?

All over the road trucks are 100% Independent Contractor.

Do Roadrunner Transportation Services, Inc. vendors offer discounts to Independent Contractors on various items that are essential to their trucking operations?

There is a national tire account, tractor rental, trailer rental, fuel discounts available thru the Comdata card, and a group medical plan available through Pro Drivers Choice.

Does Roadrunner Transportation Services, Inc. have a sign on incentive?

Yes, there is an incentive for Independent Contractor teams. \$500 after 30 days, \$500 payable 6 months after lease inception.

Is orientation required?

Yes, there is a 1 1/2 day orientation in Milwaukee WI.

Does the lease contain a non compete clause?

No.

Is there a complaint resolution program?

Yes. All complaints are to be discussed with your terminal manager first. If there is no resolution at that level, then the RVP is to be contacted.