



HILL BROTHERS INDEPENDENT CONTRACTOR LEASE PURCHASE PROGRAM

Over the years many drivers have come to us expressing their frustrations with trying to buy or lease a truck to become an independent contractor. New truck prices are too high, finance companies want 20-25% down and depending on your credit history, interest at 8-10% over the going rates.

We want to help you achieve the American dream of starting your own business!

We formulated a plan to take advantage of current market conditions, our buying power and our relationships with vendors. To offer you: Aerodynamic, fuel-efficient equipment and extended warranties-an owner operator type truck for the lowest possible price.

After months of negotiations with Paccar (Peterbilt and Kenworth's parent company) and Volvo, we came up with a plan to lease new trucks for 36-48 months with the ability to either walk away or buy for a fixed price at the end of the lease.

In addition, recently we also came up with a plan to lease used 2006 and 2007 trucks for 24-42 months with the ability to either walk away or buy for a reduced fixed price at the end of the lease.

What do we mean by taking advantage of market conditions? Congress passed a new accelerated depreciation law, which allows leasing companies greater cost savings that can be passed on in the form of lower payments. These are 2007, 2008 and 2009 model year trucks. The lease term is 36-48 months. If you begin a lease in April 2007 it will end in April 2010 or 2011.

Congress has also mandated new engine emission regulations effective January 2007. The price of these new engines is expected to be \$10,000 more and the cost of operating as much as 2.5 cents per mile higher. Total cost over the life of these new engines: \$25,000!! In our program at lease end in 2010 or 2011, you'll be sitting in a 2006 or 2007 tractor with a pre 2007 engine.

USED TRUCKS: (these trucks are only available if turned back in - \$1000 Security Deposit Required)

2007 Peterbilt 387 (2-4 yr lease term – Payments between \$400-\$480 per week-balloon payment will vary depending on length of lease term)

- 72” Aero cab Aerodyne Sleeper
- C-15 475 HP Caterpillar Acert Twin Turbo Engine
- Fuller RTLO18913A 13 Speed Transmission
- Premium Length High Roof Sleeper
- Refrigerator
- 235 inch wheelbase
- 3:36 Meritor rear end

2007 Kenworth T-600 (2-4 yr lease term – Payments between \$400-\$460 per week-balloon payment will vary depending on length of lease term)

- 72” Aero cab Aerodyne Sleeper
- C-15 475 HP Caterpillar Acert Twin Turbo Engine
- Fuller RTLO18913A 13 Speed Transmission
- Diamond Interior in sleeper
- Refrigerator
- 232 inch wheelbase
- 3:36 Meritor rear end

2006 & 2007 Volvo 780 (2-4-yr lease term – Payments between \$400-\$480 per week-balloon payment will vary depending on length of lease term)

- 81” Elite Neo-Classic Sleeper
- D12 Volvo Engine – 465 horsepower
- Easton Fuller RTLO18913A 13 Speed Transmission
- Work station w/foldable table/cushions in sleeper
- Refrigerator
- 236 inch wheelbase
- 3:42 Meritor rear ends

NEW TRUCKS: (\$2500 Security Deposit Required - \$1500 minimum accepted up front)

2008 Volvo 780 (4-yr lease term – Payments approximately \$490.00 per week-balloon payment is approximately \$49,000.00)

- 81” Elite Neo-Classic Sleeper
- Cummins Engine – 450 horsepower
- Cummins ISX automatic 10 speed transmission
- Work station w/foldable table/cushions in sleeper
- Refrigerator
- 229 inch wheelbase
- 3:42 Meritor rear ends

2009 Volvo 780 (4-yr lease term- Payments approximately \$490.00 per week-balloon payment will be approximately \$49,000.00)

- 81” Elite Neo-Classic Sleeper
- D13 Volvo engine - 485 horsepower
- Volvo I-shift automatic 12 speed transmission
- Work station w/foldable table/cushions in sleeper
- Refrigerator
- 230 inch wheelbase
- 3:25 Meritor rear ends

2009 Volvo 780 (4-yr lease term- Payments approximately \$490.00 per week-balloon payment will be approximately \$49,000.00)

- 81” Elite Neo-Classic Sleeper
- D13 Volvo engine - 485 horsepower
- Eaton Fuller RTLO-16913A- 13 speed transmission
- Work station w/foldable table/cushions in sleeper
- Refrigerator
- 230 inch wheelbase
- 3:36 Meritor rear ends

OTHER TID-BITS OF INFORMATION TO KNOW:

* Truck payments include the addition of a Thermo King Tri Pac generator

* On used trucks, the length of the lease term and the balloon payment will be determined at the time the driver begins his/her lease. The payment and lease term will depend on how long the truck has been in service and how many miles are on the truck at that time. All other terms and conditions remain the same regardless if the truck is new or used.

*All trucks include a great warranty package including:

- 4 years or 500,000 mile warranty on all major components
- 7 yr 750,000 mile warrant on Rear End
- 4 yr or 500,000 mile warranty on A/C
- 3 yr or 300,000 mile warranty on transmission
- 2 yr or 300,000 mile warranty on alternator/starter
- 1 yr or 100,000 mile standard coverage warranty-

* Discounted fuel at all Corporate Flying J's and Pilots.

The Plan:

On a used truck that has more than 75,000 miles, you pay a \$1000 security deposit and have lower weekly payments of approximately \$400-\$480. On a new truck with less than 75,000 miles, you pay \$2500 security deposit (we will accept \$1500.00 minimum up front) and have payments of approximately \$490 per week. Since this is a lease purchase plan you'll have a balloon payment at the end of the lease term.

At the end of the lease term you will receive a \$3000 lease completion bonus from Hill Brothers. You will also receive your \$1000 or \$2500 security deposit and at least \$3000 in your maintenance account. You can use this \$8500 to \$10,500.00 plus interest earned as a down payment to purchase your truck.

You will participate in a maintenance escrow account. We will deduct 5 cents per mile until the account reaches a balance of \$5000. The deductions will then stop, however, a "floor" of \$3000 will be established and the account will not be allowed to go under \$3000. This will allow you to purchase tires and other maintenance related items from our vendors at our price through company accounts.

Maintenance items only are allowed to go through a maintenance account; this does not include chrome or accessories. We can set up a savings escrow if you like.

Our shop will work on your truck at discounted rates. We'll provide you with very attractive upfront pricing.

We think our plan achieves the goal of putting a driver in an aerodynamic, fuel-efficient truck with extended warranties, for the lowest possible price, with little down and minimum risk throughout the lease.

PAY:

The independent Contractor Lease Agreement and Business Operating Agreement will spell out the whole Independent Contractor Package, but the highlights are:

- Loaded miles from 0–150 miles = \$1.10 per mile
 - Loaded miles from 151–350 miles = \$.93 cents per mile
 - Loaded miles from 350+ miles = \$.90 center per mile
 - All empty miles = \$.87 center per mile
 - Safety bonus = \$.02 cents per mile
1. ***New Longevity Bonus Plan:*** If you are here on January 31st each year, we will pay you \$.01 cent per mile for the 1st year for all miles driven in the previous year by February 15th. Then, for each additional year of service since 2005 as an Independent Contractor we will add an additional \$.005 cents per mile.

For example, effective January 31st 2007, if you became an Independent Contractor in 2005, we will recognize your service and you will receive a total of \$.015 (.01 plus .005) for all miles driven in 2006. Then, on January 31st, 2008 we will pay you \$.01 + .005 + .005 for a total of \$.01 cents per mile for all miles driven in 2007.

TAXES, LICENSE AND INSURANCE:

- License Fees: Approx. \$1800 per year (deductions begin on or around May 25th each year, \$55.00 per week)
- Federal Highway Use Tax: \$550 per year (deductions begin April each year, \$50.00 per week)
- Bobtail Insurance: \$30 per month (weekly deductions= \$6.92 per week)
- Physical Damage Insurance: Approximately \$150-\$240 per month (weekly deduction approximately \$35.00-\$55.00)
- Occupational Accident Insurance: Approximately \$141 per month* (weekly deductions approximately \$32.54).
- Health Insurance: You provide your own. By law we cannot provide health insurance to you because you are not an employee. You are an Independent Contractor. We can put you in touch with companies we know in the area.

First year expenses can be overwhelming, you have to build up your escrow accounts quickly. The government and insurance companies like to be paid in full and on time. (They're kind of funny about that) We will establish escrow accounts for these deductions to help spread the cost over the year.

This is an informational outline of The Plan. The Vehicle Lease Agreement (VLA) and the Business Operating Agreement (BOA) will list all the details.

QUALIFICATIONS TO ENTER LEASE PURCHASE PROGRAM INCLUDE:

- 1) Must be a company driver for at least 60 days.
- 2) Must have \$1000.00 security deposit for a used truck or a minimum of \$1500.00 security deposit for a new truck. The security deposit is refundable at lease completion.
- 3) Must have Hazmat endorsement.
- 4) Must maintain a satisfactory safety record including logs, tickets and accidents.
- 5) Must perform in a satisfactory manner with our Operations Department.
- 6) Must service our customers to the highest level.
- 7) Must remain professional and business-like at all times.

Lease Agreement

Escrow Accounts:

All monies held in these accounts are yours. They are interest bearing T-Bill accounts with funds paid out quarterly and deposited directly into your escrows. Any money left over at the end of your lease term or upon purchase of your vehicle will be refunded to you within 45 days of lease completion, termination, or cancellation.

License Fees: \$1800.00 annually deducted at \$55.00 per week beginning on or around May 15th each year, which escrows for the following year. The current year's fees still need to be paid and will be handled through payroll settlements. This double deduction for licensing fees will only occur during the first year. Any difference between escrow balance and actual fees will be deducted from your settlements at \$100 per week until paid in full.

Federal Highway Use Tax: Due July 1st, \$550.00 per year deducted at \$50 per week until account amount is obtained. This deduction is also for the next year. As with the licensing fees, the first year you will see a double deduction to cover the current tax that is due.

Insurance: Occupational Accident, Bobtail and Physical Damage coverage together escrow up to a total of \$250.00 per month and include a \$1000.00 deductible. The \$250.00 is escrowed to help you absorb occasional added expenses with any of your insurances. Your actual cost for the Occupational Accident insurance will be deducted from your weekly settlements. This escrow account will be deducted at the rate of \$.02 per mile until the total of \$250.00 is obtained. Tractor insurance renews on the first of July each year and is calculated at a rate of .02196 of your vehicles current value.

Tractor Services: This is your tractor **maintenance** account and will be used for maintenance items only. This is a voluntary account for current owner operators but mandatory for all leasing to purchase. This escrow account is designed for maintenance expenses you incur solely to keep your tractor running. Enhancements to your tractor are not included in this account. This deduction will be charged at \$.05 per mile until the account reaches the maximum amount of \$5000.00. Hill Bros does require this particular account to hold a minimum amount of \$3000.00. When this account drops below the \$3000.00 amount, the \$.05 per mile charge will reestablish until the account once again reaches the maximum. This account also may be used for any tractor insurance deductibles you may encounter.

Security Deposit: This deposit is to cover damage to a trailer and/or a cargo loss. You will be responsible for the first \$500.00 for each for a possible total of \$1,000.00. This is a separate security deposit from the initial \$2,500.00, which is found in your Vehicle Lease Agreement. The \$500.00 account will be deducted from your weekly settlements at a rate of \$25.00 until amount is reached.

Other: This is an optional escrow account you can use at your discretion. Can be used for expenses such as fund saving for items like vacations, Christmas, quarterly taxes, etc. As with the other escrows, this is an interest bearing account with funds being deposited into your account quarterly. Any changes to the deductions in this account need to be submitted in writing by filling out a new escrow account sheet and cannot change more than twice during any 12 month period. You can set this deduction amount entirely at your discretion. This would be a good item for discussion with your CPA.

Maintenance Reports

These reports are due by the 15th of the following month. This report is for repair and maintenance expenses incurred on your truck each month. Items to include in this report are any and all repairs completed during the month and all replacement parts. This would include even such *minor* repairs as lights and reflectors. Other items to include are lubrication and grease maintenance and all tire repairs, replacements, tire switching, rotations, etc.

Frequently Asked Questions:

1. *Who is eligible?*

Any current or former driver with at least 2 or more months of recent history with Hill Bros. Transportation.

2. *How much money down?*

\$1000 or \$2500 security deposit is required depending on a new or used truck. The deposit is refundable at lease completion.

3. *Is there a credit check?*

Yes.

4. *Whose name is on the title?*

H.P. Inc, a division of Hill Brothers Inc, is leasing the trucks from Paccar Financial and Volvo and is responsible for the entire amount. Therefore, their name must be on the title.

5. *What's the deal with escrows?*

Escrow's are like savings accounts that you put money into and authorize us to pay your expenses out of. They're established to pay annual expenses like taxes, license fees, and insurance. We also have a maintenance escrow, which allows you to "charge" maintenance related items and tires to your account. All money in escrow is your money. Interest is paid quarterly and automatically deposited into your account. Any money left over is refunded at end of term within 45 days.

6. *I don't have any business experience. Can you help?*

Yes. Accounting and taxes can be very confusing so we have enlisted the help of an accounting firm that does nothing but work with owner operators. We have partnered with American Truck Business Services out of Denver, CO. ATBS is a program designed to make their customers the most successful owner-operators in the industry. Far more than the typical "tax" service", ATBS provides the owner-operator with the business tools necessary to manage their business and maximize profitability. They have many years of trucking experience and will give you a group discount. We can allow them to collect your revenue and expenses directly from our computer system so you don't have to send them that information. All you have to do is send them your receipts or any other simple information that they may need. ATBS has agreed to provide both business and personal financial consulting. If you

currently have a financial advisor you can still use them. If you are new to business, we strongly urge you to take advantage of American Truck Business Services experience. All dealings between you and your business consultant will be confidential. For more information please visit the ATBS website at atruktax.com or call 888-640-4829.

7. *I've never owned a truck before. What about maintenance?*

Our maintenance staff will be happy to advise and set up schedules for you. We are also offering discounted parts and labor rates to all of our independent contractors. We'll publish a detailed Preventive Maintenance schedule and price list that will be better and cheaper than any one else on the road.

8. *What about warranties?*

Each truck will have:

- 4 years or 500,000-mile warranty on all major components
- 7 yr 750,000-mile warrant on Rear End
- 4 yr or 500,000-mile warranty on A/C
- 3 yr or 300,000-mile warranty on transmission
- 2 yr or 300,000-mile warranty on alternator/starter
- 1 yr or 100,000-mile standard coverage warranty-

9. *Can I change the color or specs?*

We cannot change the specs. In order to keep the price down and keep uniformity for the lease company we had to freeze the specs at time of order.

10. *Can I leave Hill Brothers with the truck and lease onto another company?*

Buyout options are available. However, they are normally very expensive and the financial institution that holds the note and H.P. Inc. will establish the price. You can receive a payoff amount at any time. This is a lease with a balloon payment at the end.

11. *How do I get started?*

To sign up, see Abbie Reed, Owner Operator Program Administrator or call 877-650-8919 to set up an appointment. Then, after 60 days of service and a \$1000 or \$2500 security deposit, you can get into the truck of your dreams. You must make an appointment. This is a business decision we want to handle it like a businesslike manner.