TranzAct Technologies Inc.

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PREDICTABLE SURPRISES IN TRANSPORTATION

Disasters you should have seen coming and how you can prevent them.

From 2008 through most of 2013

U.S. shippers saw reasonable capacity, fairly stable pricing, and experienced minimal new legislation or rules with a significant impact on motor carrier productivity.

By the end of 2013, we began to see the first indices of the supply chain storm to come.

Q4 2013-2014

Capacity tightens due to weather events, port disruptions economic growth and more.

2015

Events at the West Coast Ports generate severe supply chain disruptions across the U.S.

HOW WELL WERE YOU PREPARED for these predictable surprises?

Over the last 18 months, shippers and 3PLs alike were surprised by 'sudden' increases...

Carriers submit significant increases with the threat to cancel the shipper contract if not accepted.

Density and Dimensional pricing results in re-classification of LTL freight from Class 70 to 92.5.

TL carriers take 50% to 100% increases in accessorial charges to reflect their reality.

The sellers' market triggers abrupt 30/60/90 day contract cancellations by carriers.

WHAT KIND OF SHIPPER ARE YOU?

STATUS QUO | PRO ACTIVE

STATUS QUO SHIPPER

Consumed with daily operations, you continue with business as usual and address issues as they are presented.

Your transportation costs will go up by as much as 20 to 25% over the next 2 - 3 yrs.

ANNUAL SPEND $10M
AVG INCREASE +20%
FINAL SPEND $12M

PROACTIVE SHIPPER

You change supply chain and transportation practices in preparation for events that will catch many off guard.

You can reduce transportation costs by as much as 15 to 20% over the next 2 - 3yrs.

ANNUAL SPEND $10M
AVG DECREASE -20%
FINAL SPEND $9.6M

HOW WILL A SUPPLY CHAIN STORM AFFECT YOU?

These factors will impact your budget over the next 3 years:

Wage increases To address driver shortage issue	14%
HOS Rules Changes	2%
Independent Contractors Moving to full time employees	3.3%
Electronic Logging Devices	2%
Diesel Tax Increases	1.3%

It is likely your rate increases over the next 3 yrs will be

22.6%

THE PREDICTABLE SURPRISES FORMULA

When the following challenges compound for carriers, shippers can expect an unfavorable market shift.

FINANCIAL HEALTH

Carriers had to rebuild their balance sheets after the 2008 - 2012 downturn. As a result, we have seen have reduced fleets and a decline in truckload miles per month per truck resulting in a significant reduction in truckload capacity.

Trucks available per demand dropped from 100 in 2005 to **90** trucks in **2014**

Source: ATA

Truckload miles per month compared to 2007 are **down 20%** in 2014

Source: ATA

Capacity for public fleet levels including owner operators is **9%** lower than in **Q42006**

Source: KeyBanc

OPERATIONAL ISSUES

LTL carriers need to be paid for the space on their trailers. Lane densities and network footprints are constantly changing while structural challenges negatively impact carriers' cost models.

"Our job is to get our trailers full. After that, we will cull our least profitable freight and replace it with more profitable freight. Right now, we're pricing all of our new bids with an operating ratio of 90."

- CEO, Super Regional LTL Carrier

Look for LTL carriers to revise long term contracts to use dynamic pricing to maximize yield and capacity. LTL carriers are getting much better at quantifying the cost to serve their customers.

"Truckload rates may need to rise as much as 12 to 18% to pay for higher driver wages."

- Journal of Commerce 3/26/ 2015

As publicly traded TL carriers start disclosing the number of parked trucks due driver shortage, recruiting, seating and retaining drivers will continue to be the top operational challenge for truckload carriers.

ECONOMIC REGULATORY

No fully funded, Surface Reauthorization (or Highway) Bill is on the horizon.

The HOS Suspension was recently extended to December 2015.

Electronic Logging Devices (ELDs) will most likely be standard by 2017.

A decrease in capacity could reach an additional 4 - 6%

Bills for increased insurance, rules for carrier hiring, and driver health issues will threaten small truckers and OOIDA .

A possible Driver Coercion Proposal requires discussions with all drivers of all shipments.

Capacity has been tight with a GDP of 2-2.5%.

Truck driver Independent Contractor (IC) issues are in courts.

= TIGHTER CAPACITY & INCREASED RATES [WILD CARD ECONOMY]

EVEN IN TODAY'S ENVIRONMENT there are opportunities to reduce your transportation costs. The real question is **will you make it a high enough priority and invest the time and resources?**

STATUS QUO SHIPPER

"I'll settle with the 20% increase."

PROACTIVE SHIPPER

"YES. Tell me how to get started."

We're on your team and here to help.

CONSIDER FACTORS THAT DRIVE YOUR TRANSPORTATION COSTS:

- Advantages of an effective TMS
- Advanced tendering notice to carriers
- Shipment frequency and CWT analysis
- Inbound management & consolidation
- Sourcing strategies with lane matching and outbound consolidation
- Packaging efficiency improvements

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KEY TAKEAWAYS TO BE PROACTIVE, predict surprises, and protect your supply chain from the impending storm:

Is there a reasonable probability these forward looking predictions will become a reality? What are we doing to prepare for it?

Now that I am aware, are there other predictable surprises to consider?

How will my operations be different 1 month, or 1 year from now, based on what I know?

Do associates in the company have the support and tools needed to get the job done?

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