MARTEN TRANSPORT LTD
Form DEF 14A
March 29, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
ý	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Marten Transport, Ltd.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Dear Stockholder:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of Marten Transport, Ltd. The meeting will be held on May 1, 2007, at 4:00 p.m. local time, at The Plaza Hotel & Suites, 1202 West Clairemont Avenue, Eau Claire, Wisconsin.

We suggest you carefully read the enclosed Notice of Annual Meeting and Proxy Statement.

We hope you will attend the Annual Meeting. Whether or not you attend, we urge you to complete, sign, date and return the enclosed proxy card in the enclosed envelope in order to have your shares represented and voted at the Annual Meeting.

Very truly yours,

Randolph L. Marten
Chairman of the Board, President and
Chief Executive Officer

March 29, 2007

MARTEN TRANSPORT, LTD.

129 Marten Street

Mondovi, Wisconsin 54755

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 1, 2007

TO THE STOCKHOLDERS OF MARTEN TRANSPORT, LTD.:

The Annual Meeting of Stockholders of Marten Transport, Ltd. will be held on May 1, 2007, at 4:00 p.m. local time, at The Plaza Hotel & Suites, 1202 West Clairemont Avenue, Eau Claire, Wisconsin, for the following purposes:

1. **To elect five directors to serve for the next year or until their successors are elected and qualified.**

2. **To consider and vote on a proposal to confirm the selection of KPMG LLP as our independent public accountants for 2007.**

3. **To transact other business if properly brought before the Annual Meeting or any adjournment thereof.**

Only stockholders of record as shown on the books of the Company at the close of business on March 14, 2007, will be entitled to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors

Thomas A. Letscher
Secretary

March 29, 2007

MARTEN TRANSPORT, LTD.

129 Marten Street

Mondovi, Wisconsin 54755

PROXY STATEMENT FOR

ANNUAL MEETING OF STOCKHOLDERS

MAY 1, 2007

INTRODUCTION

The Annual Meeting of Stockholders of Marten Transport, Ltd. will be held on May 1, 2007, at 4:00 p.m. local time, at The Plaza Hotel and Suites, 1202 West Clairemont Avenue, Eau Claire, Wisconsin. See the Notice of Meeting for the purposes of the meeting.

A proxy card is enclosed for your use. You are solicited on behalf of the Board of Directors of Marten Transport, Ltd. to **MARK, SIGN, DATE AND RETURN THE PROXY CARD IN THE ENVELOPE PROVIDED**. Postage is not required if mailed in the United States. We will pay the cost of soliciting proxies, including preparing, assembling and mailing the proxies. We will also pay the cost of forwarding such material to the beneficial owners of our common stock, par value $.01 per share. Our directors, officers and regular employees may, for no additional compensation, solicit proxies by telephone or personal conversation. We may reimburse brokerage firms and others for the expenses of forwarding proxy material to the beneficial owners of our common stock.

Any proxy given in accordance with this solicitation and received in time for the Annual Meeting will be voted in accordance with the instructions given in the proxy. Any stockholder giving a proxy may revoke it at any time before its use at the Annual Meeting by giving written notice of revocation to our Secretary. The revocation notice may be given before the Annual Meeting, or a stockholder may appear at the Annual Meeting and give written notice of revocation before use of the proxy.

We expect to mail this Proxy Statement, the proxy card and Notice of Meeting to stockholders on or about March 29, 2007.

The terms we, us, our, or the Company or similar terms refer to Marten Transport, Ltd.

VOTING OF SHARES

Only holders of common stock of record at the close of business on March 14, 2007, will be entitled to vote at the Annual Meeting. On March 14, 2007, we had 21,770,773 shares of common stock outstanding. For each share of common stock that you own of record at the close of business on March 14, 2007, you are entitled to one vote on each matter voted on at the Annual Meeting. Holders of shares of common stock are not entitled to cumulative voting rights.

Presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of common stock on March 14, 2007 (10,885,387 shares) is required for a quorum to conduct business. In general, shares of common stock represented by a properly signed and returned proxy card will count as shares present at the Annual Meeting to determine a quorum. This is the case regardless of whether the proxy card reflects votes withheld from the election of director nominees or abstentions (or is left blank) or reflects a broker non-vote on a matter. A proxy card reflecting a broker non-vote is any that is returned by a broker on behalf of its beneficial owner customer and not voted on a particular matter, because voting instructions have not been received and the broker has no discretionary authority to vote.

Assuming a quorum is present at the Annual Meeting, any business, except for the election of directors, that may properly come before the Annual Meeting requires the approval of a majority of the shares voting in person or by proxy on that proposal. With respect to the election of directors, the five director nominees receiving the greatest number of votes cast for the election of directors will be elected as directors. You may vote for or against a proposal, or may abstain from voting on a proposal. Shares voted as abstaining on a proposal will be treated as votes against the proposal. You may vote for all nominees for director, or withhold authority to vote for all or certain nominees. Votes withheld from the election of director nominees, therefore, will be excluded entirely from the vote and will have no effect. Broker non-votes on a proposal will be treated as shares not entitled to vote on that proposal and, therefore, will not be counted as voted shares.

Shares of common stock represented by properly executed proxy cards will be voted as directed on the proxy cards. Proxies signed by stockholders but lacking any voting instructions will be voted in favor of each of the proposals. The proxies named on the proxy cards will use their judgment to vote such proxies on any other business that may properly come before the Annual Meeting.

ELECTION OF DIRECTORS

Proposal 1

3. To transact other business if properly brought before theAnnual Meeting or any adjournm

Nomination

Our Bylaws provide that the Board shall have at least one member, or a different number of members as may be determined by the Board of Directors or the stockholders. The Nominating/Corporate Governance Committee has recommended to our Board of Directors that the five persons listed below be nominated for election at the Annual Meeting, and our Board has nominated the five persons listed below. If elected, the individuals will serve until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified. All of the nominees are members of the present Board of Directors, and all were elected at last year s Annual Meeting of Stockholders.

The Board recommends a vote **FOR** the election of each of the nominees listed below. The five nominees for election as directors at the Annual Meeting who receive the greatest number of votes cast will be elected as directors. If, before the Annual Meeting, the Board learns that any nominee will be unable to serve because of death, incapacity or other unexpected occurrence, the proxies that would have been voted for the nominee will be voted for a substitute nominee recommended by the Nominating/Corporate Governance Committee and selected by the Board. The proxies may also, at the Board s discretion, be voted for the remaining nominees. The Board believes that all nominees will be able to serve at the time of the Annual Meeting. No arrangements or understandings exist between any nominee and any other person under which such nominee was selected.

Information About Nominees

The following information has been furnished by the respective nominees for director.

Name of Nominee	Age	Principal Occupation	Director Since
Randolph L. Marten	54	Our Chairman of the Board, President and Chief Executive Officer	1980
Larry B. Hagness	57	President of Durand Builders Service, Inc., Durand, Wisconsin	1991
Thomas J. Winkel	64	Management Consultant	1994
Jerry M. Bauer	55	President of Bauer Built, Incorporated, Durand, Wisconsin	1997
Christine K. Marten	51	Flight Attendant with Northwest Airlines	1998

Other Information About Nominees

Randolph L. Marten has been a full-time employee of ours since 1974. Mr. Marten has been a Director since October 1980, our President since June 1986, our Chairman of the Board since August 1993 and our Chief Executive Officer since January 2005. Mr. Marten also served as our Chief Operating Officer from June 1986 until August 1998 and as a Vice President from October 1980 to June 1986.

Larry B. Hagness has been a Director since July 1991. Mr. Hagness has been the President of Durand Builders Service, Inc., a retail lumber/home center outlet and general contractor, since 1978. Mr. Hagness has been an officer and owner of Main Street Graphics, a commercial printing company, since 1985.

Thomas J. Winkel has been a Director since April 1994. Since January 1994, Mr. Winkel has been a management and financial consultant and private investor. From 1990 to 1994, Mr. Winkel was the majority owner, Chairman of the Board, Chief Executive Officer and President of Road Rescue, Inc., a manufacturer of emergency response vehicles. Mr. Winkel is a certified public accountant and, from 1977 to 1990, he was a partner in a national accounting firm. Mr. Winkel served as a director of Featherlite, Inc., a manufacturer of specialty trailers and luxury motorcoaches from 1994 through October 2006 upon the sale of Featherlite.

Jerry M. Bauer has been a Director since January 1997. Mr. Bauer has been the President of Bauer Built, Incorporated since 1976. Bauer Built is a distributor of new and retreaded tires and related products and services throughout the Midwest, and a distributor of petroleum products in west central Wisconsin. Mr. Bauer has also served on the Boards of Directors of Security National Bank, Durand, Wisconsin, and Mason Shoe, Chippewa Falls, Wisconsin, since 1992 and 1999, respectively.

Christine K. Marten has been a Director since September 1998. Ms. Marten has been a flight attendant with Northwest Airlines since 1978. Ms. Marten and Randolph L. Marten are siblings.

Corporate Governance

Our Board of Directors adopted an Audit Committee Charter, a Compensation Committee Charter, a Nominating/Corporate Governance Committee Charter, Corporate Governance Standards, Policy Regarding Related Party Transactions, a Code of Ethics for Senior Financial Management and a Code of Ethics/Conduct that applies to all officers, directors, employees and independent contractors. In January 2005 and December 2006, our Board of Directors further updated and amended our Audit Committee and Compensation Committee Charters, respectively. We have posted all of these documents on our website at *www.marten.com*. The information contained in or connected to our website is not incorporated by reference into or considered a part of this Proxy Statement.

Corporate Governance Standards

Our Corporate Governance Standards provide guidelines which govern the qualifications and conduct of our Board. Our standards are consistent with the corporate governance requirements of the Sarbanes-Oxley Act of 2002, and the corporate governance listing requirements applicable to companies whose securities are listed on the NASDAQ Global Select Market. Our Corporate Governance Standards address, among other matters, the following:

- regular meetings of our Board of Directors;
- attendance by directors at annual meetings of stockholders;
- conduct of Board meetings;
- meetings of independent directors;
- director access to executive officers and employees;
- the composition, membership and selection of our Board of Directors;
- the compensation and evaluation of performance of our Board of Directors and its committees;

- the organization and basic function of Board committees;
- the evaluation of the performance of our Chairman of the Board, President and Chief Executive Officer; and
- stockholder communications with directors.

Code of Ethics for Senior Financial Management

Our Code of Ethics for Senior Financial Management applies to all of our executive officers, including our Chairman of the Board, President and Chief Executive Officer and our Chief Financial Officer, along with our Controller and other employees performing similar functions who have been identified by the Chairman of the Board, President and Chief Executive Officer, and meets the requirements of the Securities and Exchange Commission. We have posted our Code of Ethics for Senior Financial Management on our website at *www.marten.com*. We intend to disclose any amendments to and any waivers from a provision of our Code of Ethics for Senior Financial Management on our website within five business days following the amendment or waiver.

Code of Ethics/Conduct

Our Code of Ethics/Conduct applies to all officers, directors, non-driver employees, driver employees and independent contractors of the Company. The Code is intended to promote honest and ethical conduct and to provide guidance for the appropriate handling of various business situations. The Code addresses, among other matters, legal and regulatory compliance, insider trading, confidentiality, conflicts of interest, competition and fair dealing, financial reporting and record-keeping, protection and proper use of Company assets, and the reporting of illegal or unethical behavior. Employees may anonymously report possible violations of the Code via a toll free telephone number. Waivers of the Code for officers and directors may be made only by our Board and will be promptly disclosed if and as required by law or NASDAQ listing requirements. We have posted our Code of Ethics/Conduct on our website at *www.marten.com*.

Board and Board Committees

We continue to monitor the rules and regulations of the Securities and Exchange Commission and NASDAQ to ensure that a majority of our Board remains composed of independent directors. Mr. Winkel, Mr. Hagness and Mr. Bauer are all independent directors, as defined by current NASDAQ listing standards. Our independent directors hold meetings, referred to as executive sessions, on a periodic basis and at least two times each year, at which only the independent directors are present. We have appointed Mr. Winkel as our lead independent director to preside at executive sessions of our independent directors, as well as perform other duties applicable to that position including, among other things, providing guidance to the Chair regarding agendas for Board and committee meetings, advising the Chair as to the information to be provided the Board for its meetings, and acting as principal liaison between the independent directors and the Chair.

Our Board of Directors held four meetings during 2006, and each director attended all Board meetings, as well as all meetings of committees of the Board on which they serve. The Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating/Corporate Governance Committee. Our Board of Directors adopted a policy that all directors are expected to attend our annual meeting of stockholders, and we generally schedule a meeting of the Board on the same day as our annual meeting of stockholders in order to facilitate attendance of all directors at the annual meeting. All directors attended last year s annual meeting of stockholders.

Audit Committee

The Audit Committee provides assistance to the Board in satisfying its fiduciary responsibilities for our accounting, auditing, operating and reporting practices. The committee oversees the financial reporting process, has the sole authority to appoint, compensate, retain and oversee the work of our independent registered public accounting firm, reviews and pre-approves all audit services and permissible non-audit services performed by our independent registered public accounting firm, establishes procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters, oversees the establishment and administration of a written code of ethics for our senior financial management, reviews and either approves or disapproves of all related party transactions and performs other related duties delegated to it by the Board. The responsibilities and functions of the Audit Committee are further described in the Audit Committee Report beginning on page 8 of the Proxy Statement. The Audit Committee currently consists of Mr. Winkel (Chair), Mr. Hagness and Mr. Bauer. All of the members of the Audit Committee are independent as defined by current NASDAQ listing standards and the rules of the Securities and Exchange Commission. In addition, our Board has determined that Mr. Winkel is an audit committee financial expert as defined by the rules and regulations of the Securities and Exchange Commission. During 2006, the Audit Committee met seven times.

Compensation Committee

The Compensation Committee establishes the compensation philosophy and policy for our executive officers and other key employees, which includes reviewing and approving corporate goals and objectives relevant to their compensation, reviewing and evaluating their performance, monitoring the effectiveness of our benefit plans and, where appropriate, approving changes, reviewing and approving, or recommending to the full Board of Directors, executive incentive compensation plans and stock based plans, supervising and overseeing the administration of our incentive compensation and stock based programs and reviewing the compensation levels of independent directors from time to time. The committee also serves as the disinterested administrator of our 2005 Stock Incentive Plan. The responsibilities and functions of the Compensation Committee, including the use of compensation consultants and the involvement of management in compensation decisions, are further described in the Compensation Discussion and Analysis beginning on page 13 of the Proxy Statement. The Compensation Committee currently consists of Mr. Winkel (Chair), Mr. Hagness and Mr. Bauer. All of the members of the Compensation Committee are independent directors, as defined by current NASDAQ listing standards. During 2006, the Compensation Committee met six times.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee reviews and makes recommendations to the Board regarding the size and composition of the Board, considers and recruits candidates for director nominees based upon recommendations from current outside directors, members of management, outside consultants or search firms and stockholders, recommends on an annual basis a slate of director nominees for approval by the Board and the stockholders, reviews our committee structure and membership, reviews and advises the Board regarding our corporate governance standards, advises the Board on emerging corporate governance matters, develops and recommends to the Board for its approval an annual self-evaluation process of the Board and its committees and provides suitable programs for the orientation and continuing education of directors. The Nominating/Corporate Governance Committee currently consists of Mr. Hagness (Chair), Mr. Winkel and Mr. Bauer. All of the members of the Nominating/Corporate Governance Committee are independent directors, as defined by current NASDAQ listing standards. During 2006, the Nominating/Corporate Governance Committee met one time.

In evaluating and determining whether to recommend a person as a candidate for election as a director, the Nominating/Corporate Governance Committee s criteria reflects the requirements of the NASDAQ definitions with respect to independence and financial literacy and the following factors: the needs of the Company with respect to the particular talents and experience of its directors; personal and professional integrity of the candidate; level of education and/or business experience; broad-based business acumen; the level of understanding of the Company s business and the transportation industry; strategic thinking and a willingness to share ideas; and diversity of experiences, expertise and background. The Committee will use these criteria to evaluate potential nominees and will not evaluate proposed nominees differently depending upon who has made the recommendation.

The Nominating/Corporate Governance Committee will consider proposed nominees whose names are submitted to it by stockholders; however, it does not have a formal process for that consideration. The Nominating/Corporate Governance Committee has not adopted a formal process because it believes that its informal consideration process has been adequate because historically stockholders have not proposed any nominees. The Nominating/Corporate Governance Committee intends to review periodically whether a more formal policy should be adopted.

Any stockholder who desires to recommend a nominee for director must submit a letter, addressed to the Chairman of the Nominating/Corporate Governance Committee, Marten Transport, Ltd., 129 Marten Street, Mondovi, Wisconsin 54755, and which is clearly identified as a Director Nominee Recommendation. All recommendation letters must identify the author as a stockholder and provide a brief summary of the candidate s qualifications, as well as contact information for both the candidate and the stockholder. Stockholders who wish to make a recommendation for a nominee to be elected at our 2008 Annual Meeting must submit their recommendation by November 30, 2007 to assure time for meaningful consideration and evaluation of the nominees by the Nominating/Corporate Governance Committee.

Audit Committee Report

The Audit Committee of the Board of Directors is composed of three directors and acts under a written charter adopted and approved by the Board of Directors. A copy of the Audit Committee Charter is posted on our website at *www.marten.com*. All members of the Audit Committee meet the SEC and the NASDAQ definitions of independence and financial literacy for audit committee members. The Audit Committee will periodically review the Audit Committee Charter in light of new developments and may make additional recommendations to the Board of Directors for further revision of the Audit Committee Charter to reflect evolving best practices and changes in applicable laws and regulations.

Management is primarily responsible for the preparation, presentation and integrity of our Company s consolidated financial statements, accounting and financial reporting processes, and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. KPMG LLP, our Company s independent registered public accounting firm, is responsible for performing an independent audit of the Company s annual consolidated financial statements, management s assessment that the Company maintained effective internal control over financial reporting, and the effectiveness of the Company s internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States), and to issue their reports thereon. KPMG also reviews our Company s interim consolidated financial statements in accordance with Statement on Auditing Standards No. 100 (*Interim Financial Information*). The Audit Committee s responsibility is to monitor and oversee these processes on behalf of the Board of Directors.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management and KPMG the audited consolidated financial statements, including Management s Discussion and Analysis, included in our Company s Annual Report on Form 10-K and the results of KPMG s review of our Company s interim consolidated financial statements. These reviews included a discussion of:

- critical accounting policies of our Company;
- the reasonableness of significant financial reporting judgments made in connection with our consolidated financial statements, including the quality (and not just the acceptability) of our Company s accounting principles;
- the clarity and completeness of financial disclosures;
- the effectiveness of the Company s internal control over financial reporting, including management s and KPMG s reports thereon, the basis for the conclusions expressed in those reports and changes made to the Company s internal control over financial reporting during 2006;
- matters noted by KPMG during its audit of the Company s financial statements and other material written communications between management and KPMG; and
- the potential effects of regulatory and accounting initiatives on our Company s consolidated financial statements.

In connection with its audit of our Company s annual consolidated financial statements, the Audit Committee also discussed with KPMG other matters required to be discussed with the auditors under Statement on Auditing Standards No. 61 (*Communication with Audit Committees*), as amended and, with and without management present, reviewed and discussed the results of KPMG s audit of our Company s annual consolidated financial statements.

The Audit Committee also received from KPMG the written disclosures required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*) and discussed with KPMG its independence from management and Marten Transport, including a consideration of the compatibility of non-audit services with its independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission.

AUDIT COMMITTEE

THOMAS J. WINKEL (CHAIR)

LARRY B. HAGNESS

JERRY M. BAUER

Director Compensation

We do not pay fees to directors who are our full-time employees, nor do we reimburse them for out-of-pocket expenses of attending Board or committee meetings. In 2006, we paid non-employee directors a fee of $500 for each Board or committee meeting attended, and reimbursed them for out-of-pocket expenses of attending meetings. In 2006, in addition to per-meeting fees and expense reimbursements, we paid each non-employee director an annual retainer of $15,000. We also paid the Chair of our Audit Committee, who is also our lead independent director, an additional annual retainer of $20,000, the Chair of our Compensation Committee an additional annual retainer of $5,000, and the Chair of our Nominating/Corporate Governance Committee an additional annual retainer of $2,500. No other director received any cash compensation for services as a director in 2006.

On March 1, 2006, our Compensation Committee approved a non-employee director option program similar to the program that was suspended in 2004. Under the new program, each non-employee director will receive an automatic grant of an option to purchase 2,500 shares of common stock annually upon re-election to the Board by the stockholders. These options will be issued at a per share exercise price equal to the fair market value of one share of common stock on the grant date and expire ten years from the grant date.

The following table provides summary information concerning the compensation of each individual who served as a director of our Company during the fiscal year ended December 31, 2006, other than Randolph L. Marten, our Chairman of the Board, President and Chief Executive Officer, whose compensation is set forth below under the heading Compensation and Other Benefits.

Name	Fees Earned or Paid in Cash		Option Awards (5)(6)	Total
Thomas J. Winkel	$ 49,500	(1)	$ 25,175	$ 74,675
Larry B. Hagness	27,000	(2)	25,175	52,175
Jerry M. Bauer	24,500	(3)	25,175	49,675
Christine K. Marten	17,500	(4)	25,175	42,675

(1) Fees paid consists of $15,000 as an annual retainer, $20,000 for services as the lead director and Audit Committee Chair, $5,000 for services as the Compensation Committee Chair and $9,500 for attending nineteen Board and committee meetings.

(2) Fees paid consists of $15,000 as an annual retainer, $2,500 for services as the Nominating/Corporate Governance Committee Chair and $9,500 for attending nineteen Board and committee meetings.

(3) Fees paid consists of $15,000 as an annual retainer and $9,500 for attending nineteen Board and committee meetings.

(4) Fees paid consists of $15,000 as an annual retainer and $2,500 for attending five Board meetings.

(5) This column reflects the compensation cost for the year ended December 31, 2006 of each director s options, calculated in accordance with Statement of Financial Accounting Standards No. 123R, Share-Based Payment, and using a Black-Scholes valuation model. See note 9 of Notes to Consolidated Financial Statements for a discussion of the assumptions made by the Company in determining the grant date fair value and compensation costs of our equity awards. The dollar amount for each director reflects the compensation cost of an option award of 2,500 shares granted on May 4, 2006 at a Black-Scholes fair value of $10.07 per share of common stock.

(6) As of December 31, 2006, each director had the following number of options outstanding: Mr. Winkel 65,785; Mr. Hagness 78,442; Mr. Bauer - 15,157; Ms. Marten - 116,410. All of these option shares were issued under non-statutory stock option agreements and were fully-vested as of December 31, 2006.

On February 12, 2007, our Board of Directors approved the following fee schedule for non-employee directors for 2007:

Annual Board Retainer	$20,000
Lead Director	5,000
Audit Committee Chair	15,000
Compensation Committee Chair	7,500
Nominating/Corporate Governance Committee Chair	2,500

For 2007, we will pay non-employee directors a fee of $1,000 for each Board meeting attended, $500 for each committee meeting attended, and reimburse them for out-of-pocket expenses of attending meetings.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table gives information on the beneficial ownership of our common stock as of March 1, 2007, unless otherwise indicated. The information is given by (a) each stockholder who we know to beneficially own more than 5% of our outstanding common stock, (b) each director, (c) each named executive officer and (d) all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned (1) Amount		Percentage of Class	
Randolph L. Marten 129 Marten Street Mondovi, WI 54755	5,111,457	(2)	23.5	%
NWQ Investment Management Company, LLC 2049 Century Park East, 16th Floor Los Angeles, CA 90067	2,320,834	(3)	10.7	%
Christine K. Marten 831 Jefferson Street Mondovi, WI 54755	1,484,660	(2)	6.8	%
FMR Corp 82 Devonshire Street Boston, MA 02109	1,294,253	(4)	5.9	%
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, CA 90401	1,096,613	(5)	5.0	%
Larry B. Hagness	92,242	(2)	*	
Thomas J. Winkel	69,315	(2)	*	
Jerry M. Bauer	15,157	(6)	*	
James J. Hinnendael	12,400	(6)	*	
Robert G. Smith	8,438	(6)	*	
Timothy P. Nash	4,688	(6)	*	
Donald J. Hinson	2,905	(2)	*	
All Directors and Executive Officers as a Group (9 persons)	6,801,262	(7)	30.8	%

* Less than 1% of the outstanding shares

(1) Unless otherwise noted, the stockholders have sole voting and investment power for the shares shown. Shares not outstanding, but considered beneficially owned because of the right of a person or member of a group to purchase them within 60 days, are treated as outstanding only when calculating the amount and percent owned by such person or group.

(2) Includes shares that the stockholder may acquire under outstanding options: for Mr. Marten, 4,800 shares; for Ms. Marten, 116,410 shares; for Mr. Hagness, 78,442 shares; for Mr. Winkel, 65,785 shares; and for Mr. Hinson, 2,400 shares.

(3) On February 16, 2007, NWQ Investment Management Company, LLC reported in a Schedule 13G/A filed with the Securities and Exchange Commission that as of January 31, 2007, it is an investment advisor that has the sole power to vote or direct the vote of 2,140,209 shares, has the sole power to dispose or to direct the disposition of 2,320,834 shares and that all such shares are beneficially owned by clients of the advisor.

(4) On February 14, 2007, FMR Corp. reported in a Schedule 13G/A filed with the Securities and Exchange Commission that as of December 31, 2006, Fidelity Management & Research Company, a wholly owned subsidiary of FMR Corp., beneficially owned 1,294,253 shares as a result of acting as investment advisor to various investment companies.

(5) On February 9, 2007, Dimensional Fund Advisors LP reported in a Schedule 13G/A filed with the Securities and Exchange Commission that as of December 31, 2006, Dimensional Fund Advisors LP furnishes investment advice to four investment companies and serves as investment manager to certain other commingled group trusts and separate accounts, and as such, Dimensional Fund Advisors LP possesses investment and/or voting power over the Company s securities that are owned by such investment companies, trusts and separate accounts. According to the Schedule 13G/A, the investment companies, trusts and separate accounts beneficially own all such shares of the Company s stock and Dimensional Fund Advisors LP expressly disclaimed any beneficial ownership of such securities.

(6) Consists entirely of shares that such person may acquire under outstanding options.

(7) Includes a total of 308,520 shares that directors and executive officers may acquire under outstanding options.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis describes the material elements of the compensation awarded to, earned by and paid to our Chairman of the Board, President and Chief Executive Officer, our Chief Financial Officer and our other executive officers included in the Summary Compensation Table on page 26 below. These individuals are referred to in this Proxy Statement as our named executive officers. The discussion below focuses on the information contained in the tables and related footnotes and narrative primarily for 2006 under the heading Compensation and Other Benefits below, but also describes actions taken during 2005 and 2007 to the extent it enhances the understanding of our executive compensation disclosure for 2006.

Compensation Objectives and Philosophy

Our executive compensation program is designed to:

- attract, motivate, retain and reward executive officers and other key employees who are likely to contribute to our long-term success;

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- provide a team approach where executive officers and key employees with differing functional responsibilities work together to achieve overall strategic objectives;

- create a performance-based environment with variable compensation based upon achieving annual and long-term business results;

- focus management on maximizing stockholder value through stock-based compensation aligned to stockholder returns;

- provide compensation opportunities depending upon our performance relative to our competitors and changes in our performance over time; and

- ensure that our compensation program is competitive in the industry.

Our executive compensation program and decisions of the Compensation Committee are based on the following philosophy and principles:

- As a performance driven company, we favor having a significant component of variable compensation tied to attainment of Company objectives over solely fixed compensation.

- In order to foster cooperation and communication among our executives and among their respective teams, the Compensation Committee and the Board of Directors places primary emphasis on Company performance (rather than individual performance) as measured against goals approved by the Compensation Committee.

- We differentiate individual compensation among our executives based on scope and nature of responsibility, education and experience, job performance and potential.

- We seek to align the interests of our executives with the interests of our stockholders through the use of long-term, equity-based incentive compensation, primarily in the form of stock options.

- We use discretionary bonuses to reward individual performance.

- We seek to reward achievement of aggressive performance objectives that are aligned with the interests of our stockholders. Our incentive compensation programs are designed to provide increased earnings potential for our executives as aggressive performance targets are met or surpassed.

Setting Executive Compensation

In determining the amount of compensation to pay our named executive officers, the Compensation Committee considers factors, such as: the executive s position within the Company and the level of responsibility, skills and experiences required by the executive s position; the executive s experience and qualifications; our ability to replace such individual and the overall competitive environment for executive talent; the attainment of or failure to attain Company objectives and the difficulty in achieving desired Company objectives; individual performance of the executive as measured by the impact of such performance on the attainment of Company objectives; current and historical compensation levels; the executive s length of service to our Company; the Compensation Committee s view of internal equity and consistency; and other considerations it deems relevant. In analyzing some of these factors, the Compensation Committee from time to time reviews competitive compensation data gathered in comparative surveys and collected by independent consultants, as well as publicly available comparable public company information.

In November 2005, we hired a compensation consulting firm to conduct a competitive assessment of the base salaries, short-term and long-term incentives, benefits and perquisites paid to our executive officers and to review the option holdings of our executive officers in comparison to similar executives of other companies in our industry sector. The Compensation Committee uses this information to assist it in determining the amount of base salary, annual incentive compensation, total compensation and the form and amount of long-term equity-based incentive compensation to pay our named executive officers. Although the Compensation Committee did not retain a compensation consulting firm in 2006, it believes the information from the compensation consulting firm s November 2005 analysis is still valuable in assisting in the determination of compensation. The Compensation Committee intends to periodically use compensation consulting firms to evaluate the overall effectiveness and competitiveness of its executive compensation program.

Our executive compensation program as a whole and each individual element of the program is designed to be competitive in order to attract, motivate and retain executives necessary to the achievement of our Company objectives. We generally target total compensation and each element of total compensation within a reasonable range of our competitive market. In November 2005, we worked with a compensation consulting firm to define our industry sector as a peer group of 10 other publicly held long-haul truckload carriers that have between approximately $250 million and approximately $3 billion in revenue. We also chose these companies for inclusion in our peer group based on other business characteristics similar to ours and because we believe we compete with these or similar companies for executive talent.

While the Compensation Committee recognizes that benchmarking may not always be appropriate as a stand-alone tool for setting compensation due to the aspects of our business and objectives that may be unique to our Company, the Compensation Committee, nonetheless, believes that gathering this information is an important part of its compensation-related decision-making process.

Executive Compensation Components

The principal elements of our executive compensation program include:

- base salary compensation;

- annual incentive compensation;
- stock-based compensation; and
- executive benefits and perquisites.

In addition, our executive compensation program also includes certain change in control arrangements.

Except as described below, the Compensation Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid-out compensation, between cash and non-cash compensation, or among different forms of non-cash compensation. However, the Compensation Committee s philosophy is to make a significant percentage of an executive s compensation performance-based, and therefore at risk, as the executive s position and responsibility increases given the influence more senior-level executives generally have on Company performance. It is also the Compensation Committee s view to keep cash compensation at a competitive level while providing the opportunity to be well rewarded through long-term equity-based incentive compensation, in the form of stock options, if the Company s stock price performs well over time. Thus, individuals with greater roles and responsibilities associated with achieving our Company s objectives should bear a greater proportion of the risk that those goals are not achieved and should receive a greater proportion of the rewards if objectives are met or surpassed.

Base Salary Compensation

We provide a base salary for our named executive officers, which, unlike some of the other elements of our executive compensation program, is not subject to Company performance risk. We recognize the need for most executives to receive at least a portion of their total compensation in the form of a guaranteed base salary that is paid in cash regularly throughout the year to support a reasonable standard of living.

We initially fix base salaries for our executives at a level we believe enables us to hire and retain them in a competitive environment and to reward satisfactory individual performance and a satisfactory level of contribution to our overall business objectives. We also take into account the base compensation paid by companies in our peer group.

The Compensation Committee reviews base salaries for our named executive officers each year beginning in April and generally approves any increases at its May meeting held in conjunction with our Annual Meeting of Stockholders. Any increases in base salaries are typically effective as of April 1 of that year. This decision is made in May because the Compensation Committee takes the results of the first quarter of each fiscal year into consideration when deciding whether to increase base salaries.

In determining the amount of base salaries for our named executive officers, the Compensation Committee strives to target base salaries within the range of salaries for executives in similar positions and with similar responsibilities at companies in our peer group. The Compensation Committee s determinations regarding the base salaries of our named executive officers are also based on a number of other factors, including: the executive s position within the Company and the level of responsibility, the skills and experience required by the executive s position; the executive s experience and qualifications; our ability to replace such individual and the overall competitive environment for executive talent; the executive s current base salary; the executive s length of service to our Company, the executive s past performance and the impact of such performance on the attainment of Company objectives; competitive compensation data; the Compensation Committee s view of internal equity and consistency; and other considerations it deems relevant. Following these factors, we typically increase base salaries for executive officers modestly from year to year consistent with our general philosophy of favoring variable, performance-based compensation.

Annualized salary rates for 2005, 2006 and 2007 for the named executive officers are as follows:

	2005(1)	**2006**(2)	**2007**(3)
Randolph L. Marten	$ 386,731	$ 429,231	$ 440,000
Robert G. Smith	200,036	216,326	221,753
Timothy P. Nash	200,036	216,326	221,753
James J. Hinnendael		173,981	175,000
Donald J. Hinson	157,905	170,764	175,049

(1) On May 3, 2005, the Compensation Committee approved the following increases to base salary, retroactive to April 1, 2005: Mr. Marten from $350,000 to $400,000; Mr. Smith from $195,722 to $201,594; Mr. Nash from $195,722 to $201,594; and Mr. Hinson from $154,500 to $159,135.

(2) On May 4, 2006, the Compensation Committee approved the following increases to base salary, retroactive to April 1, 2006: Mr. Marten from $400,000 to $440,000; Mr. Smith from $201,594 to $221,753; Mr. Nash from $201,594 to $221,753; and Mr. Hinson from $159,135 to $175,049. Mr. Hinnendael became our Chief Financial Officer on January 1, 2006 at a base salary of $175,000.

(3) The Compensation Committee reviews base salaries for our named executive officers each year beginning in April and generally approves any increases at its May meeting held in conjunction with our Annual Meeting of Stockholders.

For 2006, base salaries accounted for approximately 84% of total compensation for our Chairman of the Board, President and Chief Executive Officer and 77% on average for the other named executive officers. We typically increase base salaries for executive officers modestly from year to year consistent with our general philosophy of favoring variable, performance-based compensation. The Compensation Committee approved a 3% increase to base salary for our named executive officers, except for Mr. Marten, effective as of April 1, 2005. At that time, Mr. Marten s base salary was increased approximately 14%. Mr. Hinnendael was appointed Chief Financial Officer effective as of January 1, 2006 and was not considered a named executive officer in 2005. The Compensation Committee approved a 10% increase for our named executive officers, except for Mr. Hinnendael, effective as of April 1, 2006. This increase was based on the Compensation Committee s determination to maintain the Company s competitive total compensation position in the marketplace. Mr. Hinnendael did not receive an increase due to the recent establishment of his base salary.

Annual Incentive Compensation

Prior to 2006, the Compensation Committee adopted incentive compensation plans on an annual basis providing for bonuses in connection with exceeding targeted earnings per share performance metrics. Our 2005 incentive compensation program for executive officers provided for bonuses of up to 50% of annual base salary if we exceeded targeted earnings per share, or EPS. If our performance was no more than 1% above our targeted EPS, each officer would receive a bonus of 5% of annual base salary and if our performance was 110% or more of targeted EPS, each officer would receive a bonus of 50% of annual base salary. Bonuses were prorated for performance falling between these achievement percentages. While we missed our targeted EPS in 2005, the Compensation Committee approved bonuses to certain executive officers equal to 50% of their target bonus under the 2005 Incentive Compensation Plan in recognition of our significant improvement in EPS from 2004 to 2005. Accordingly, certain executive officers were paid bonuses equal to 25% of their 2005 base salaries. In addition, each executive officer had the opportunity to earn an additional discretionary bonus of up to 10% of annual base salary; however, no discretionary bonuses were awarded in 2005.

In 2006, the Compensation Committee adopted our Executive Officer Performance Incentive Bonus Plan and Performance Incentive Bonus Plan to provide more continuity in our compensation structure and performance metrics. Pursuant to an ongoing program, the Board has authorized Mr. Marten, our Chairman of the Board, President and Chief Executive Officer, to award a discretionary bonus of up to 10% of each executive officer s base salary, except with respect to his own position.

*Executive Officer Performance Incentive Bonus Plan***.**

Under the terms of our Executive Officer Performance Incentive Bonus Plan, our named executive officers are eligible to earn annual cash incentive payments based on our annual financial performance. This plan is designed to provide a direct financial incentive to our named executive officers for the achievement of specific performance goals of our Company.

The Executive Officer Performance Incentive Bonus Plan provides for cash awards equal to the percentage increase in the award year s net income over the prior year s net income multiplied by the executive officer s base salary, provided the award year s net income after the amount of such cash award must be at least 110% of the prior year s net income and the award year s return on equity after the amount of such bonus is at least 15%. Participants are determined annually by the Compensation Committee from among Marten s eligible executive officers. In 2006, all of our named executive officers participated in the plan. Under the terms of the plan, there was no cash award for 2006 since our 2006 net income decreased 2.2% from our net income for 2005. In February 2007, the Board amended the Executive Officer Performance Incentive Bonus Plan. The amendment changes the return on equity threshold for the award year from at least 15% to at least equal to the return on equity set forth in the operating budget approved by the Board for the award year.

Whether we will achieve the Company performance measures set forth above cannot be predicted with any certainty. However, our intention is to set goals that require superior performance to achieve but are, nevertheless, achievable. The Executive Officer Performance Incentive Bonus Plan was adopted in 2006, so we do not have any other historical experience regarding the likelihood of achieving the goals. However, if the plan was in effect for fiscal year 2005, our executive officers would not have been eligible for a cash award, since the Company met the net income threshold, but failed to meet the return on equity threshold.

Performance Incentive Bonus Plan.

Under the terms of our Performance Incentive Bonus Plan, our named executive officers, as well as other employees of our Company, are eligible to earn annual cash incentive payments based upon our annual financial performance. This plan is designed to provide a direct financial incentive to our executive officers and other non-driver employees for the achievement of specific performance goals of our Company.

The Performance Incentive Bonus Plan provides for cash awards equal to 50% of an executive officer s salary multiplied by an award percentage ranging from 5% to 150% based upon the percentage that a net income performance objective is achieved. Award percentages range from a percentage of 5%, for achieving 96% of the net income performance objective, to 150%, for achieving 120% or more of the net income performance objective. No cash awards will be earned unless our net income for an award year is at least 96% of the established objective. Participants are determined annually by the Compensation Committee from among our eligible employees. In 2006, all of our named executive officers participated in the plan.

Whether we will achieve the Company performance measures set forth above cannot be predicted with any certainty. However, as with all of our incentive plans, our intention is to set goals that require superior performance to achieve but are, nevertheless, achievable. Under the terms of the plan, there was no cash award in 2006. The Performance Incentive Bonus Plan was formally adopted in 2006, however, we previously approved awards on similar terms on an annual basis in prior years. For fiscal year 2005, under a similar plan, our executive officers failed to achieve the net income performance objective.

Discretionary Bonus Program.

Pursuant to an ongoing program, the Board has authorized Mr. Marten, our Chairman of the Board, President and Chief Executive Officer, to award a discretionary bonus of up to 10% of each executive officer s base salary, except with respect to his own position. No discretionary bonuses were awarded in 2005 or 2006.

Stock-based Compensation

The third component of our executive compensation program consists of stock-based compensation. We award stock options to align the interests of our executive officers and key personnel with our stockholders and to increase our long-term value. Through deferred vesting, this component of our compensation program creates an incentive for individuals to remain with us. We generally grant an option to purchase shares of common stock to our director-level employees and our executive officers upon their promotion to such positions. In addition, from time to time we grant additional options to purchase shares of common stock to our executive officers and key personnel based primarily upon the individual s actual and/or potential contribution and our financial performance. To date, all stock options have been granted at fair market value. Generally, these options vest over a period of several years.

In 2005, our Board of Directors and stockholders approved the 2005 Stock Incentive Stock Plan, pursuant to which our named executive officers (as well as other employees) are eligible to receive equity compensation awards, including stock options and restricted stock awards, stock appreciation rights, performance unit awards and stock bonuses. For more information concerning the terms of this plan, we refer you to Compensation and Other Benefits Grants of Plan-based Awards. Currently, we provide named executive officers (and many of our other key employees) with stock options, which are either service-based or performance-based.

A stock option becomes valuable only if our common stock price increases above the option exercise price and the holder of the option remains employed during the period required for the option to vest. This provides an incentive for an option holder to remain employed by us. In addition, stock options link a portion of an employee s compensation to stockholders interests by providing an incentive to achieve corporate goals and increase the market price of our stock.

We did not grant any stock options to executive officers in 2005. In January 2006, the Compensation Committee recommended, and our Board of Directors approved, the granting of a non-statutory stock option under our 2005 Stock Incentive Plan to our Chief Financial Officer to purchase 50,000 shares of our common stock in connection with his appointment to that position. In March 2006, based upon certain recommendations of our compensation consultant, the Compensation Committee granted the Company s five executive officers non-statutory stock options under our 2005 Stock Incentive Plan to purchase a total of 156,000 shares of our common stock. One half of the option shares become exercisable in equal installments of one-fifth on each of the first five anniversaries of the grant date, while the other half of the shares become exercisable upon achievement of certain performance criteria from 2006 through 2010. The amount of shares underlying each grant was tied to the level of each executive officer s base compensation.

Each performance-based option granted in 2006 has a term of ten years, and will become exercisable, on a cumulative basis, upon our achievement of certain operating ratios for any full fiscal year beginning with 2006 and ending with 2010. The operating ratio will be the percentage that our operating expenses, prior to the effect of performance-based stock option compensation expense and any other expense determined by the Compensation Committee, bears to our operating revenue set forth in our audited financial statements for that particular fiscal year. The operating ratio will be determined for each fiscal year on the date our Form 10-K is filed with the Securities and Exchange Commission.

The exercise prices of the stock options granted to our named executive officers during 2006 are shown in the Grants of Plan-based Awards Table on page 28. Additional information on these grants, including the number of shares subject to each grant, also is shown in the Grants of Plan-based Awards Table. For additional information concerning the terms of outstanding options, we refer you to Compensation and Other Benefits Grants of Plan-based Awards.

The long-term incentive compensation information for our named executive officers during 2006 is included in the Summary Compensation Table on page 26. Additional information on long-term incentive awards is shown in the Grants of Plan-based Awards Table on page 28 and the Outstanding Equity Awards at Fiscal Year-end Table on page 32.

Executive Benefits and Perquisites; Other Compensation Arrangements

It is generally our policy not to extend significant perquisites to our executives that are not available to our employees generally. The only significant perquisites that we provide to our named executive officers are the personal use of Company aircraft by our executive officers and the use of a Company car by our Chairman of the Board, President and Chief Executive Officer. Also, beginning in 2000, we reimburse executive officers for their current accumulated vacation pay upon appointment as an executive officer.

On May 3, 2005, the Compensation Committee approved a general policy regarding use of our corporate aircraft by our executive officers. If any executive officer uses our corporate aircraft for combined business/personal use under applicable IRS regulations, we will include in the executive officer s taxable income the sum of the value of such personal use in accordance with IRS regulations and the related income taxes on such value, which are paid by us. The personal use of our corporate aircraft is generally limited to spouses or guests accompanying executive officers on business trips.

Our executives receive benefits, which are also received by our other employees, including 401(k) matching contributions, and health, dental and life insurance benefits. We do not provide pension arrangements or post-retirement health coverage for our executives or employees. We also do not provide any nonqualified defined contribution or other deferred compensation plans.

All of our employees, including our executive officers, are employed at will and do not have employment agreements. We have, however, entered into written change in control agreements with each of our executive officers, which provide for certain cash and other benefits upon the termination of the executive officer s employment with us under certain circumstances, as described below.

Change in Control and Post-termination Severance Arrangements

Our 2005 Stock Incentive Plan provides that in the event a change in control occurs, then, if approved by the Committee in its sole discretion either at the time of the grant of the incentive award or at any time after such grant, all options and stock appreciation rights will become immediately exercisable in full and will remain exercisable for the remainder of their terms; all outstanding restricted stock awards will become immediately fully vested and non-forfeitable; and all outstanding performance unit awards and stock bonuses will vest or continue to vest in accordance with their agreement. Using discretionary authority under the plan, our Compensation Committee approved Non-Statutory Stock Option Agreements for both service-based and performance-based option awards which provide that such options become immediately exercisable in full in the event of a change in control with respect to options that have been outstanding for at least six months. In addition, the Committee in its sole discretion may determine that some or all participants holding outstanding options will receive cash in an amount equal to the excess of the fair market value of such shares immediately prior to the effective date of such change in control over the exercise price per share of the options (or, in the event that there is no excess, that such options will be terminated), and that some or all participants holding performance unit awards will receive, with respect to some or all of the shares subject to the performance unit awards, cash in an amount equal to the fair market value of such shares immediately prior to the effective date of such change in control.

On March 29, 2006, the Compensation Committee approved the execution of Change in Control Severance Agreements with each current named executive officer pursuant to which we agree to provide certain benefits to these executives if they are terminated in connection with a change in control. These Change in Control Severance Agreements were effective upon execution and continue until the termination of the executive s employment or until we terminate the agreement upon fifteen months prior written notice.

Under these agreements, these executive officers are entitled to certain benefits if they are terminated either within 24 months of the effective date of a change in control or before the effective date of the change in control if the termination was either a condition to the change in control or was at the request or insistence of a person related to the change in control. These executives will not be considered terminated for purposes of these agreements if they die or are terminated for cause. They will, however, be considered terminated if they voluntarily leave our employ for good reason.

Upon a termination in connection with a change in control, these executives will be entitled to receive a lump sum cash payment of 100% of their base salary (except for Mr. Marten, who will receive 200% of his base salary), plus one times the executive s highest bonus in the preceding three calendar years (except for Mr. Marten, who will receive two times such amount). In addition, these executives will receive welfare benefits for a period of twelve months (except for Mr. Marten, who will receive such benefits for twenty-four months). These arrangements, including the quantification of the payment and benefits provided under these arrangements, are described in more detail elsewhere in this Proxy Statement under the heading Compensation and Other Benefits Potential Payments Upon Termination or Change in Control.

In order for our named executive officers to receive any other payments or benefits as a result of a change in control of our Company, there must be a termination event, such as a termination of the executive s employment by our successor without cause or a termination of the executive s employment by the executive for good reason. The termination of the executive s employment by the executive without good reason will not give rise to additional payments or benefits either in a change in control situation or otherwise. Thus, these additional payments and benefits will not just be triggered by a change in control, but will also require a termination event described above, and thus are known as double trigger change in control arrangements.

We believe that the change in control protections provided in the agreements described above are relevant and an important part of our executive compensation program. We believe that these arrangements mitigate some of the risk that exists for executives working in a smaller company, where there is a meaningful likelihood that the company may be acquired. These arrangements are intended to attract and retain qualified executives who may have employment alternatives that may appear to them, in light of a possible change in control, to be less risky absent these arrangements. We also believe similar protections are typically provided by other companies, including companies with which we compete for executive talent, and thus believe we must continue to offer such protections in order to be competitive.

Except for our Change in Control Severance Agreements, our named executive officers are not party to any employment or severance agreements and are not entitled to any particular severance benefit upon their involuntary termination of employment by the Company. The Compensation Committee may, however, provide severance on a case by case basis in its discretion.

Total Compensation Mix

The table below illustrates how total compensation for our named executive officers for 2006 was allocated between performance and non-performance based components, how performance-based compensation is allocated between annual and long-term components and how total compensation is allocated between cash and equity components:

	Total Compensation Mix (Base Salary, Annual Cash Incentives and Long-term Equity Incentives)											
	% of Total Compensation that is:				**% of Performance-Based Total Compensation that is:**				**% of Total Compensation that is:**			
	Performance -Based (1)		**Not Performance Based** (2)		Annual (3)		Long-Term (4)		Cash- Based (5)		Equity- Based (6)	
Randolph L. Marten	7.7	%	92.3	%		%	100.0	%	92.3	%	7.7	%
James J. Hinnendael	34.8	%	65.2	%		%	100.0	%	65.2	%	34.8	%
Robert G. Smith	17.4	%	82.6	%		%	100.0	%	82.6	%	17.4	%
Timothy P. Nash	10.0	%	90.0	%		%	100.0	%	90.0	%	10.0	%
Donald J. Hinson	10.1	%	89.9	%		%	100.0	%	89.9	%	10.1	%

(1) The sum of annual cash incentives and long-term equity incentives divided by total compensation.

(2) &#16