

Each branch is responsible for its own growth and profitability. Our branch salespeople are responsible for developing new business, negotiating and pricing services, receiving and processing service requests from customers, and contracting with carriers to provide the transportation requested. In addition to routine transportation, salespeople are often called upon to handle customers' unusual, seasonal, and emergency needs. Shipments to be transported by truck are priced at the branch level, and branches cooperate with each other to hire carriers to provide transportation. Branches may rely on expertise in other branches when contracting LTL, intermodal, international ocean and air shipments. Multiple branches may also work together to service larger, national accounts where the expertise and resources of more than one branch are required to meet the customer's needs. Their efforts are usually coordinated by one "lead" branch on the account.

Salespeople in the branches both sell to and service their customers. Sales opportunities are identified through our database, referrals from current customers, leads generated by branch office personnel through knowledge of their local and regional markets, and third party sources such as industry directories. Salespeople are also responsible for recruiting new carriers, who are referred to our centralized carrier services group to make sure they are properly licensed and insured, and that they do not have an unacceptable safety rating.

Branch Expansion. We expect to continue to open new branch offices. New branch offices are viewed as a long-term contributor to overall company growth. In addition to market opportunity, a major consideration in opening a new branch is whether we have branch salespeople that are ready to manage a new branch. Additional branches are often opened within a geographic area previously served by another branch, such as within major cities, as the volume of business in a particular area warrants opening a separate branch. A modest amount of capital is required to open a new branch, usually involving a lease for a small amount of office space, communications and hardware, and often employee compensation guaranties for a short time. We have also augmented our branch office network through selective acquisitions.

Branch Employees. Because the quality of our employees is essential to our success, we are highly selective in our hiring. We recruit applicants from across North America, Europe, Asia, and South America. Our applicants typically have college degrees, and some have business experience, although not necessarily within the transportation industry.

Early in their tenure, most newly hired branch employees go through centralized training that emphasizes development of the necessary skills and customer service philosophy to become productive members of a branch team. Centralized training is followed by ongoing, on-the-job training at the branch level. We expect most new salespeople to start contributing to the success of the branch in a matter of weeks.

Employees at a branch operate and are compensated in large part on a team basis. The team structure is motivated by our performance-based compensation system, in which a significant portion of the cash compensation of most branch managers and salespeople is dependent on the profitability of their particular branch or business unit. Branch managers and salespeople who have been employed for at least one complete year are paid a performance-based bonus which is a portion of the branch's earnings for that calendar year. The percentage they can potentially earn is predetermined in an annual bonus contract and is based on their productivity and contributions to the overall success of the branch. Employees can also receive profit sharing contributions that depend on our overall profitability and other factors in our 401(k) plan. In some special circumstances, such as opening new branches, we may guarantee a level of compensation to the branch manager and key salespersons for a short period of time.

All of our managers and certain other employees who have significant responsibilities are eligible to participate in our amended 1997 Omnibus Stock Plan. Within that plan, in 2003 we began regularly issuing restricted stock and restricted stock units as our primary equity awards because we believe these awards are an effective tool for creating long-term ownership and alignment between employees and our shareholders. For most restricted equity awards, restricted stock and units are available to vest over five calendar years, based on company performance.

Individual salespeople benefit both through the growth and profitability of individual branches and by achieving individual goals. They are motivated by the opportunity to advance in a variety of career paths, including branch management, national sales, and national account management. We have a "promote from within" philosophy, and fill nearly all branch management positions with current employees.

Executive Officers

Under our decentralized business structure, branch managers, while retaining autonomy for their branch performance, receive guidance and support from the executives at our central corporate office. These executives provide training and education, develop new services and applications to be offered to customers, analyze and monitor branch productivity and performance metrics, share operations and management guidance, and provide broad market analysis.