

PAM TRANSPORTATION SERVICES INC

Form DEF 14A

April 26, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

P.A.M. TRANSPORTATION SERVICES, INC.

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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**P.A.M. Transportation Services, Inc.
297 West Henri DeTonti Boulevard
Tontitown, Arkansas 72770**

**Notice of Annual Meeting of Stockholders
To Be Held on May 24, 2007**

To our Stockholders:

The 2007 annual meeting of stockholders of P.A.M. Transportation Services, Inc., a Delaware corporation, will be held at The Ritz-Carlton, Naples, 280 Vanderbilt Beach Road, Naples, Florida 34108, on Thursday, May 24, 2007 at 9:00 a.m. local time. The meeting is being held for the purpose of considering and voting on the following matters:

1. Electing eight directors to serve until the next annual meeting of stockholders and until their successors have been elected and qualified.
2. Such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

All stockholders of record as of the close of business on April 9, 2007 will be entitled to notice of and to vote at the meeting or any adjournment or postponement of the meeting.

By Order of the Board of Directors

Robert W. Weaver
President and Chief Executive Officer

April 27, 2007

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting in person, you are urged to promptly submit your proxy so that your shares may be voted in accordance with your wishes and the presence of a quorum may be assured. Your prompt action will help us reduce the expense of proxy solicitation.

P.A.M. Transportation Services, Inc.

Proxy Statement

**For the Annual Meeting of Stockholders
To Be Held on May 24, 2007**

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P.A.M. Transportation Services, Inc.

**Annual Meeting of Stockholders
May 24, 2007**

Proxy Statement

This proxy statement and form of proxy are furnished in connection with the solicitation of proxies on behalf of our Board of Directors for use at our annual meeting of stockholders to be held at The Ritz-Carlton, Naples, 280 Vanderbilt Beach Road, Naples, Florida 34108, at 9:00 a.m., local time, on May 24, 2007, and at any or all adjournments or postponements of the meeting. The address of our principal executive offices is 297 West Henri DeTonti Boulevard, Tontitown, Arkansas 72770 and our telephone number is (479) 361-9111. This proxy statement and form of proxy are being mailed to stockholders on or about April 27, 2007.

Information About the Annual Meeting and Voting

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the accompanying notice of the meeting, including the election of directors, and consideration of such other business as may properly come before the meeting.

Who is entitled to vote?

Only stockholders of record at the close of business on the record date, April 9, 2007, are entitled to receive notice of the annual meeting and to vote their shares at the meeting. Holders of our common stock are entitled to one vote per share.

What is the difference between a stockholder of record and a street name holder?

These terms describe how your shares are held. If your shares are registered directly in your name with our transfer agent, Computershare, you are a stockholder of record. If your shares are held in the name of a broker, bank, trust or other nominee as a custodian, you are a street name holder.

Who can attend the meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend the meeting.

What is a proxy?

A proxy is your legal designation of another person, the proxy, to vote on your behalf. By completing and returning the enclosed proxy card, you are giving the persons appointed as proxies by our Board of Directors the authority to vote your shares as indicated on the proxy card.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock outstanding and entitled to vote on the record date will constitute a quorum, permitting business to be conducted at the

meeting. As of the record date, 10,307,607 shares of our common stock were outstanding and entitled to vote. Proxies that are received and marked as withholding authority, abstentions, and broker non-votes (where a bank, broker or nominee does not exercise discretionary authority to vote on a matter) will be included in the calculation of the number of shares considered to be represented at the meeting.

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How do I vote?

You may vote by mail or follow the alternative voting procedures described on the accompanying proxy card. If you complete, sign and return the proxy card, it will be voted as you direct. If no choice is specified on a signed proxy card, the persons named as proxies will vote (1) in favor of the election of all of the nominees for director and (2) in the discretion of the persons named as proxies as to all other matters that may be properly presented at the annual meeting.

If the shares you own are held in street name, your broker, bank or other nominee, as the record holder of your shares, is required to vote your shares according to your instructions. Your broker, bank or other nominee is required to send you directions on how to vote those shares. If you do not give instructions to your broker, bank or other nominee, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. In the case of non-discretionary items, the shares that do not receive voting instructions will be treated as broker non-votes.

If, as of the record date, you are a stockholder of record and you attend the meeting, you may vote in person at the meeting.

Can I change my proxy after I return my proxy card?

Yes. Any proxy may be revoked by a stockholder at any time before it is exercised at the annual meeting by delivering to our Secretary a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting.

What is the vote required to elect directors?

The affirmative vote of the holders of shares of our common stock representing a plurality of the shares of our common stock voting on the matter is required for the election of directors. Votes withheld and broker non-votes are not counted toward a nominee's total.

Are there other matters to be voted on at the meeting?

As of the date of this proxy statement, our Board of Directors does not know of any matters which may come before the meeting, other than the election of directors described in this proxy statement. Should any other matter requiring a vote of the shareholders arise and be properly presented at the annual meeting, the proxy included with this proxy statement confers upon the persons named in the proxy and designated to vote the shares, discretionary authority to vote or otherwise act with respect to any such matter in accordance with their best judgment.

Who pays for this proxy solicitation?

All costs of soliciting proxies will be paid by us. Our directors, officers, and other employees may, without compensation other than their regular compensation, solicit proxies by further mailing or personal conversation, or by telephone, facsimile or electronic means. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their out-of-pocket expenses for forwarding soliciting material to the beneficial owners of our common stock.

Our Board of Directors encourages stockholders to attend the annual meeting. Whether or not you plan to attend, you are urged to promptly submit your proxy.

Election Of Directors

Our Board of Directors currently consists of nine directors. Members of our Board are elected annually to serve until the next annual meeting of stockholders or until their successors are elected and qualified. One of our directors, Thomas H. Cooke, has advised us that he will not be available to serve on our Board after the annual meeting. Our Board of Directors has nominated for re-election each of the other eight current members

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of our Board. We thank Mr. Cooke for his service on our Board, which began in 2002. Our Board of Directors has passed a resolution, effective as of the time of the election of the directors at the annual meeting, reducing the number of directors that constitutes the full Board from nine directors to eight directors. Information about the following eight individuals who our Board of Directors has nominated for re-election to the Board is set forth below.

Frederick P. Calderone, age 56, has served as a Vice President of CenTra, Inc. for the past 17 years. CenTra is a transportation holding company headquartered in Warren, Michigan. Prior to joining CenTra, Mr. Calderone was a partner with Deloitte, Haskins, & Sells, Certified Public Accountants (now Deloitte & Touche LLP). Mr. Calderone is a certified public accountant and an attorney. Mr. Calderone has served as a director of PTSI since May 1998.

Frank L. Conner, age 57, has served as Executive Vice President, Finance and Accounting and Chief Financial Officer of FedEx Freight East (formerly American Freightways, Inc.) since February 2001. Mr. Conner previously served as a Director of American Freightways from 1989 to February 2001 and held various positions with American Freightways, including serving as Executive Vice President-Finance and Accounting and Chief Financial Officer from November 1995 to February 2001. Mr. Conner previously served thirteen years with McKesson Service Merchandise in various positions including General Manager and Chief Financial Officer. Mr. Conner served seven years in public accounting with Peat, Marwick & Mitchell prior to joining McKesson. Mr. Conner has served as a director of PTSI since July 2002. Mr. Conner has also served as a member of the Board of Directors of First Federal Bancshares of Arkansas, Inc. since September 2003.

Christopher L. Ellis, age 62, retired in 2004 after serving as Senior Vice President and Chief Financial Officer of USF Corporation for 14 years. USF Corporation provided supply chain management services, including less than truckload trucking, logistics, freight forwarding, and truckload trucking. Prior to that he served for six years as Vice President and Chief Financial Officer of TNT North America, which included the business of USF Corporation before it was spun off from TNT North America. Mr. Ellis holds an MBA from The Wharton School of Business at the University of Pennsylvania. Mr. Ellis has served as a director of PTSI since May 2006.

Manuel J. Moroun, 79, is the President and Chief Executive Officer of CenTra, Inc., a transportation holding company headquartered in Warren, Michigan. Mr. Moroun has been a principal stockholder and officer of CenTra and its predecessor companies since 1954, and its Chief Executive Officer since 1970. CenTra is one of the largest privately held transportation holding companies in the United States. Mr. Moroun has served as a director of PTSI since May 2002. Mr. Moroun is the father of Matthew T. Moroun, a director of PTSI who has been nominated for re-election at the annual meeting. Mr. Moroun has also served as a member of the Board of Directors of Universal Truckload Services, Inc. since November 2004.

Matthew T. Moroun, age 34, has served as Vice Chairman and as a director of CenTra, Inc., a transportation holding company based in Warren, Michigan, since 1993. Since 1996, Mr. Moroun has served as Chairman of insurance holding company, Oakland Financial Corporation, and its subsidiaries, which are based in Sterling Heights, Michigan. Since 1995, Mr. Moroun has served as Chairman of the Board of Durarock Reinsurance, Ltd., a reinsurance company. Mr. Moroun has served as a director of PTSI since May 1992. Mr. Moroun is the son of Manuel J. Moroun, a director of PTSI who has been nominated for reelection at the annual meeting. Mr. Moroun has also served as a member of the Board of Directors of Universal Truckload Services, Inc. since November 2004.

Daniel C. Sullivan, age 66, has been a practicing attorney, specializing in transportation law for more than 39 years. Mr. Sullivan has been a principal with the firm of Sullivan, Hincks & Conway, or its predecessor, presently located in Oak Brook, Illinois, since 1972. Mr. Sullivan has served as a director of PTSI since June 1986. Mr. Sullivan has also served as a member of the Board of Directors of Universal Truckload Services, Inc. since November 2004.

Robert W. Weaver, age 57, is one of our co-founders. He has over 20 years of experience with our company and has served as our President and Chief Executive Officer since 1990. Mr. Weaver has served as a director of PTSI since 1990.

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Charles F. Wilkins, age 68, retired in January 1995 after 34 years of employment with Ford Motor Company, and from January 1995 to January 2005 was self-employed as a logistics consultant. He served in various positions with Ford Motor Company in transportation management, including three years of service as Traffic Manager in Europe. Mr. Wilkins retired from the position of Director, Transportation and Traffic Office, in which he had served since 1990. Mr. Wilkins has been a member of the National Motor Carrier Advisory Committee of the Federal Highway Administration and was previously active in the National Industrial Transportation League as Chairman of the Audit Committee and Third Vice Chairman. Mr. Wilkins has served as a director of PTSI since June 1995.

Unless otherwise instructed, the persons named as proxies intend to vote all proxies received for the re-election of the eight director nominees. All of the nominees have indicated their willingness to continue to serve. If any nominee should become unwilling or unavailable to serve, our Board of Directors may select a substitute nominee, and in that event the proxies intend to vote all proxies for the person selected. If a substitute nominee is not selected, the proxies intend to vote for the election of the remaining nominees. Our Board of Directors has no reason to believe that any of the nominees will become unavailable.

Your Board of Directors recommends that you vote FOR the election of the nominees named above.

Corporate Governance

Director Independence

Applicable NASDAQ rules require that a majority of our Board of Directors be independent. In April of 2007, our Board of Directors reviewed the independence of our directors and determined that all of the directors, including those who are nominees for election at the annual meeting, are independent as defined by applicable NASDAQ rules, with the exception of Mr. Weaver. In making this determination, our Board of Directors has concluded that none of the independent directors has a relationship that in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Mr. Weaver is not considered independent because of his employment as our President and Chief Executive Officer.

Board Meetings

During 2006, our Board of Directors held three meetings. During 2006, each director attended at least 75% of the total number of meetings of our Board and its committees on which he then served.

Board Committees

Our Board of Directors has, and appoints members to, three standing committees: the Audit Committee, the Compensation and Stock Option Committee, and the Executive Committee. The membership of these committees, as of April 1, 2007, was as follows:

Audit Committee	Compensation and Stock Option Committee	Executive Committee
Thomas H. Cooke*	Frank L. Conner	Matthew T. Moroun
Christopher L. Ellis	Thomas H. Cooke	Robert W. Weaver
Charles F. Wilkins	Matthew T. Moroun*	

* Committee chairman

Each of the members of the Audit Committee and the Compensation and Stock Option Committee is an independent director as defined by applicable NASDAQ rules. Each of these two committees has a charter that has been approved by our Board of Directors and is available on our website, www.pamt.com.

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Audit Committee. The Audit Committee has three members and met four times in 2006. The Audit Committee assists our Board of Directors in overseeing our accounting and financial reporting process, internal controls and audit functions, and is directly responsible for the appointment, retention and compensation of our registered public accounting firm. Our Board of Directors has determined that Mr. Cooke and Mr. Ellis, who are members of the Audit Committee, are each qualified as an audit committee financial expert, as that term is defined in the rules of the Securities and Exchange Commission (SEC). Mr. Cooke and Mr. Ellis are independent, as independence for audit committee members is defined in the NASDAQ listing standards and the rules of the SEC. More information about the Audit Committee is included below under the heading Audit Committee Report.

Compensation and Stock Option Committee. The Compensation and Stock Option Committee has three members and met one time in 2006. The Compensation and Stock Option Committee assists our Board of Directors in carrying out its responsibilities relating to compensation and benefits for our executive officers. The Compensation and Stock Option Committee's responsibilities and authority include:

reviewing trends in management compensation and the competitiveness of our executive compensation programs;

overseeing development of new compensation plans, and approving or recommending for determination by our Board of Directors revisions of existing plans;

evaluating the performance of our Chief Executive Officer;

determining, or recommending for determination by our Board of Directors, the salaries, bonus and other compensation for our Chief Executive Officer and each of our other executive officers;

reviewing and making recommendations concerning long-term incentive compensation plans, including stock option and other equity-based plans;

to the extent eligible to do so, acting as the committee of our Board of Directors that administers equity-based plans, incentive compensation plans and employee benefit plans; and

reviewing and approving, or recommending to our Board of Directors for approval, compensation packages for new officers and severance arrangements for officers.

If a member of a committee of our Board of Directors is absent from a meeting, our bylaws give Board committees authority to unanimously appoint another member of our Board of Directors to act at the meeting in place of the absent committee member. While the Compensation and Stock Option Committee could use this authority, it has no plans to do so. The Compensation and Stock Option Committee has the authority to retain compensation consultants but does not currently use compensation consultants. Compensation for directors is determined by our Board of Directors.

Executive Committee. The Executive Committee exercises the authority of our Board of Directors in accordance with our bylaws between regular meetings of our Board. The Executive Committee did not meet during 2006.

Director Nominating Process. Our Board of Directors does not have a nominating committee that nominates candidates for election to our Board of Directors. That function is performed by our Board of Directors. Each member of our Board participates in the consideration of director nominees. Our Board of Directors believes that it can adequately fulfill the functions of a nominating committee without having to appoint an additional committee to

perform that function. Our Board of Directors believes that not having a separate nominating committee saves the administrative expense that would be incurred in maintaining such a committee, and saves time for directors who would serve on a nominating committee if it were established. As there is no nominating committee, we do not have a nominating committee charter.

At least a majority of our independent directors participate in the initial consideration of director nominees. These directors are independent, as independence for nominating committee members is defined in the NASDAQ listing standards. After these independent directors discuss and evaluate potential nominees, they recommend director nominees to the full Board of Directors for selection.

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Our Board of Directors will consider as potential nominees persons recommended by stockholders. Recommendations should be submitted to our Board of Directors in care of our Secretary, Larry J. Goddard, at our principal executive office, 297 West Henri DeTonti Boulevard, Tontitown, Arkansas 72770. Each recommendation should include a personal biography of the suggested nominee, an indication of the background or experience that qualifies the person for consideration, and a statement that the person has agreed to serve if nominated and elected.

Our Board of Directors has used an informal process to identify potential candidates for nomination as directors. Candidates for nomination have been recommended by an executive officer or director, and considered by our Board of Directors. Generally, candidates have been known to one or more of our Board members. Our Board of Directors has not adopted specific minimum qualifications that it believes must be met by a person it recommends for nomination as a director. In evaluating candidates for nomination, our Board of Directors will consider the factors it believes to be appropriate, which would generally include the candidate's independence, personal and professional integrity, business judgment, relevant experience and skills, including those related to transportation services, and potential to be an effective director in conjunction with the rest of our Board of Directors in collectively serving the long-term interests of our stockholders. Although our Board of Directors has the authority to retain a search firm to assist it in identifying director candidates, there has to date been no need to employ a search firm. Our Board of Directors does not evaluate potential nominees for director differently based on whether they are recommended to our Board of Directors by a stockholder.

Communications with Directors and Attendance at Annual Meetings

Stockholders may communicate directly with our Board of Directors as a group, by writing to our Board of Directors, care of the Secretary of PTSI, 297 West Henri DeTonti Boulevard, Tontitown, Arkansas 72770. Our Secretary will review all of the correspondence and regularly forward to our Board of Directors a summary of the correspondence, and copies of all of the correspondence that, in his opinion, deals with the functions of our Board of Directors or any of its committees or that our Secretary otherwise determines requires the attention of our Board of Directors. Directors may at any time review a log of all of the correspondence that is addressed to our Board of Directors, and request copies of any and all of the correspondence.

Our Board of Directors has a policy of encouraging our directors to attend the annual meetings of the stockholders. All of our directors attended last year's annual meeting.

Code of Ethics

We have adopted a written code of ethics that applies to all our directors, officers and employees, including our chief executive officer and our chief financial and accounting officer. We have posted a copy of the code on our website, www.pamt.com. In addition, we intend to post on our website all disclosures that are required by law or NASDAQ listing standards concerning any amendments to, or waivers from, any provision of the code.

Compensation Committee Interlocks and Insider Participation

During 2006, Mr. Matthew Moroun served as a member of the Compensation and Stock Option Committee of our Board of Directors for the entire year. Messrs. Calderone, Conner, Cooke and Sullivan each served as a member of the Compensation and Stock Option Committee for part of 2006. Matthew Moroun, a member of the Compensation and Stock Option Committee and the Executive Committee of the Board of Directors, and our largest stockholder, is the controlling stockholder, Vice Chairman and a director of CenTra, Inc., a transportation holding company based in Warren, Michigan. He is also the Chairman and controlling stockholder of Oakland Financial Corporation, an insurance holding company, and its subsidiaries, based in Sterling Heights, Michigan. Our director, Manuel Moroun,

is the President and Chief Executive Officer of CenTra, and controls a trust that is the other major stockholder of CenTra. He is also a stockholder of Oakland Financial Corporation.

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During 2006, certain subsidiaries of CenTra paid us a total of \$3,253,884. These payments represent freight transportation charges of \$49,629, maintenance services performed in our maintenance facilities and maintenance charges paid by us to third parties on behalf of the subsidiaries and affiliates of CenTra and charged back at the amount paid of \$3,204,255.

During 2006, we made payments to certain subsidiaries of CenTra and other companies owned or controlled by our directors, Manuel Moroun and Matthew Moroun, in the aggregate amount of \$3,317,676. These payments are described below.

Payments were made to a subsidiary of CenTra in the amount of \$171,895 for real estate leases. Properties leased from the subsidiary include office and maintenance facilities in two states, and trailer drop yards in nine states. The leases are generally month to month leases with automatic monthly renewal provisions.

Property is also leased from an affiliate of CenTra that is used for trailer drop yards. Payments were made to the affiliate in the amount of \$10,850 during 2006 and represent lease payments made in accordance with lease agreements that contain automatic monthly renewal provisions.

Payments in the amount of \$326,342 were made to a subsidiary of CenTra during 2006. These payments were for parts and labor charges incurred to repair our equipment.

Payments in the amount of \$35,443 were made to a subsidiary of CenTra for the transportation of freight.

We made payments to subsidiaries of Oakland Financial Corporation during 2006 in the amount of \$43,498 for insurance premiums paid pursuant to agreements to provide insurance coverage to certain of our independent contractors. Underlying agreements are made directly with the independent contractors. The full amount of these payments to the subsidiaries of Oakland Financial Corporation is recouped by us from the independent contractors.

We purchase physical damage coverage on our tractors and trailers through an unaffiliated insurance broker which is written by a subsidiary of Oakland Financial Corporation. In 2006, we made payments related to these policies in the amount of \$1,821,618, and received \$1,330,642 in payment for claims filed under these policies.

We purchase commercial auto and general liability insurance issued through an unaffiliated insurance company. A subsidiary of Oakland Financial Corporation serves as third-party administrator for this insurance. In 2006, the subsidiary received \$100,000 from the unaffiliated insurance company for handling the claims under this program. Under the commercial auto liability policy, the subsidiary adjusts the claims (which are subject to a \$2,500 deductible) and remits the full amounts of the settlements to the claimants. The subsidiary invoices us for the \$2,500 deductible amount, for which we paid a total of \$908,031 in 2006.

We believe that substantially all of the above transactions were entered into on terms at least as favorable to us as could have been obtained from persons who were not related to us, and each of the transactions was in our best interest. We expect to continue transactions with subsidiaries of CenTra and other companies owned or controlled by our directors, Manuel Moroun and Matthew Moroun, in 2007 that are similar to those described above.

Audit Committee Report

Each member of the Audit Committee is independent, as independence for audit committee members is defined in the NASDAQ listing standards and the rules of the SEC. The Audit Committee's primary purpose is to assist the Board of Directors in overseeing:

the accounting and financial reporting process;
audits of financial statements; and
internal control and audit functions.

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In carrying out its responsibilities, the Audit Committee supervises the relationship between us and our independent auditor, including having direct responsibility for the auditor's appointment, compensation and retention, reviewing the scope of its audit services, and approving audit and permissible non-audit services. The Audit Committee reviews and discusses the annual and quarterly financial statements, and reviews the activities of our internal audit function.

Management is responsible for the preparation, presentation and integrity of our financial statements and for the appropriateness of the accounting principles and reporting policies that are used. Management is also responsible for testing the system of internal controls, and reporting to the Audit Committee on any significant deficiencies that are found.

The Audit Committee discussed with PTSI's independent registered public accounting firm, Grant Thornton LLP (Grant Thornton), who is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles, its judgments as to the quality and the acceptability of our financial reporting and such other matters as are required to be discussed with the Audit Committee under standards of the Public Company Accounting Oversight Board (United States), including the matters required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communications with Audit Committees). The Audit Committee also reviewed with Grant Thornton its opinion on management's assessment included in management's report on internal control over financial reporting, and its opinion on the effectiveness of the company's internal control over financial reporting.

The Audit Committee has discussed with Grant Thornton that firm's independence from management and us, and has received from Grant Thornton the written disclosures and letter required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee has considered the compatibility of the provision of non-audit services with maintaining Grant Thornton's independence.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2006 with both management and our independent registered public accounting firm. The Audit Committee's review included a discussion of the quality and integrity of the accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the financial statements.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the SEC.

Audit Committee

Thomas H. Cooke
Christopher L. Ellis
Charles F. Wilkins

Compensation Committee Report

The Compensation and Stock Option Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K for the year ended December 31, 2006 with management. Based on the review and discussion, the committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

Compensation and Stock Option Committee

Frank L. Conner
Thomas H. Cooke
Matthew T. Moroun

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Executive Compensation

Compensation Discussion and Analysis

Overview

Our primary goal for the compensation of our three executive officers, Messrs. Weaver, Lawson and Goddard, is to create long-term value for our stockholders. Our compensation program is intended to attract, motivate, reward and retain the management talent required to achieve our corporate objectives and create long-term value for our stockholders, while at the same time making efficient use of our resources. The compensation of our executive officers is designed to reward financial and operating performance, to align their interests with those of our stockholders, and to encourage them to remain with us.

Elements of Compensation

We have three key elements of compensation, annual base salary, cash incentive compensation, and stock options. Annual base salary is intended to attract and retain talented executives, and reward them for annual achievement. Cash incentive compensation is intended to motivate our executive officers to achieve specified financial results or superior performance. Stock options are intended to align the interests of our executive officers with those of our stockholders by linking compensation to stock price appreciation. In addition, when the criteria for vesting of options includes achieving specified financial results, the options also serve the purpose of motivating our executive officers to achieve those results.

Determining Compensation

Compensation for our executive officers is primarily based upon the judgment of the Compensation and Stock Option Committee of our Board of Directors. We consider competitive market compensation paid by other companies, including truckload dry van carriers and other trucking companies, but we do not attempt to maintain a specified target percentile within a peer group or otherwise rely on compensation paid by other companies to determine our executive compensation.

In determining compensation for our executive officers we review and evaluate many factors, including:

PTSI's performance and growth;

financial measurements such as revenue, revenue growth, net operating income and operating ratio, and trends in those measurements;

leadership qualities;

ability to achieve strategic objectives;

scope and performance of business responsibilities;

management experience and effectiveness;

individual performance, and performance as a management team;

current compensation arrangements; and

long-term potential to maintain and enhance value for our stockholders.

We generally do not adhere to rigid formulas or react to short-term changes in business performance in determining the amount and mix of compensation elements. We strive to achieve an appropriate mix between annual base salary, cash incentive compensation and stock options to meet our objectives.

Employment Agreements Include Annual Base Compensation

We have a multi-year employment agreement with each of our executive officers. The current agreements were entered into with our executive officers on July 26, 2006. We believe that it is useful to have employment agreements because they set forth the terms under which the executive officers are employed,

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include annual base salary and severance arrangements, and provide us with one year of protection from competition by our executive officers following termination of their employment with us. The employment agreements also require our executive officers to provide us with three months advance notice if they wish to resign. The annual base compensation for our executive officers set forth in the employment agreements was determined by the Compensation and Stock Option Committee and recommended to, and approved by, our Board of Directors.

Cash Incentive Compensation

On May 24, 2006, we adopted the PTSI Executive Incentive Plan, which is a cash incentive plan. Payments to executive officers under the plan are conditioned on the achievement of performance measures that are established by the Compensation and Stock Option Committee. The performance measures for 2006 were established by the committee on the day that the plan was adopted. The 2006 performance measures were based on our achieving:

an increase in total operating profit, for PTSI and its subsidiaries on a consolidated basis, calculated excluding certain operating expenses; and

a designated operating ratio (operating expense net of fuel surcharges, divided by operating revenue before fuel surcharges).

Under the plan, if for 2006 total operating profit was at least 5% more than for 2005, and the designated operating ratio was achieved, the executive officers would receive cash incentive compensation equal to the greater of a minimum amount (8% of their annual base salary) and a formula amount. The formula amount depended on the amount by which total operating profit for 2006 exceeded total operating profit for 2005. As the excess increased, a greater amount would be contributed to an incentive compensation pool. The amount contributed to the pool consisted of 20% of the first \$3 million, and a higher percent of each additional \$1 million, by which the total operating profit for 2006 exceeded the total operating profit for 2005. The plan provided for the pool to be allocated among our executive officers and several other members of our senior management who participate in the Executive Incentive Plan, and our middle management, clerical, administrative and certain other non-driver employees who participate in our PTSI Employee Incentive Plan. The allocation of the pool is based on a multiple of each employee's annual base salary, and the employment category of each employee.

As we achieved for 2006 a significant increase of total operating profits over 2005, and the threshold operating ratio was reached, each of the executive officers received for 2006 incentive compensation under the plan of from 56% to 59% of his annual base salary. This incentive compensation is payable to our executive officers in two equal annual installments. The first of the installments was paid in March of 2007, and the second installment is payable by March 15, 2008. Subject to certain exceptions, to receive either installment, the executive officer must be employed by us at the time of payment. Making the payments in two installments is intended to provide additional motivation, and assist with management retention.

We have not established a cash incentive compensation plan for our executive officers for 2007. The Compensation and Stock Option Committee has determined to evaluate whether to pay our executive officers a bonus for 2007, and the amount of any bonus, after reviewing our business and financial performance for 2007. The committee believes that our executive officers will have adequate motivation to achieve improvements in our business and financial performance without establishing specific performance measures for 2007 and related cash incentive compensation. In reaching this conclusion, the committee took into account the portion of the stock options granted to the executive officers on August 28, 2002 that will vest in the first quarter of 2008 if performance measures provided for in the grants of those options are achieved in 2007. The committee believes that for 2007, maintaining flexibility in our compensation arrangements will better enable us to provide an appropriate level of bonus for our executive officers.

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Stock Options

In March of 2006, the Board of Directors adopted a new stock option plan, the 2006 Stock Option Plan. The plan provides for the issuance of stock options for up to 750,000 shares of our common stock, subject to adjustments. Our officers, directors, key employees and consultants are eligible to receive options under the plan. The plan was approved by our stockholders at their May 24, 2006 annual meeting. In 2006, we did not issue any options to our executive officers or other employees under the plan.

Our most recent grant of stock options to our executive officers was on August 28, 2002. Those options were granted under our 1995 Stock Option Plan that expired in 2005. The options covered 120,000 shares of our stock for Mr. Weaver, and 90,000 shares for each of Mr. Lawson and Mr. Goddard. The options were scheduled to vest in installments. The first installment vested immediately on grant for 20% of the shares covered by each option. The remaining shares covered by the options were scheduled to vest in equal installments, on March 15 of each year, from March 15, 2003 through March 15, 2008, depending for each annual installment on whether the performance criteria for that installment was met. The primary performance criteria for each installment to vest has been whether our consolidated net income for the most recent year exceeded the consolidated net income for the immediately prior year by at least 5%. The exercise price for all of the shares was established at the market price of our stock on the date the options were granted, \$23.22. The performance criteria for the 2006 installment of the options was met, and the option for those shares vested on March 15, 2007. If the criteria is met for 2007, the final installment of the options is scheduled to vest for the executive officers on March 15, 2008.

Other Compensation

We sponsor a profit sharing plan for all of our eligible employees, including our executive officers. The plan qualifies under section 401(k) of the Internal Revenue Code, as amended. This allows eligible employees to make tax deductible contributions to the plan. We make employer matching contributions to the plan for each eligible employee. The matching contributions are 50% of each participating employee's voluntary contribution, up to 3% of the participant's compensation. These matching contributions vest at the rate of 20% each year until fully vested after five years.

We offer health, vision and dental insurance to Messrs. Lawson and Goddard, and pay the insurance premiums for them. While we make similar insurance available to Mr. Weaver and our other employees, we do not pay their insurance premiums.

We allow each of our executive officers to use a company owned automobile. With the exception of this perquisite, our policy is to provide minimal, if any, perquisites to our executive officers. This helps set an example for all employees that personal expenses are not payable from company funds, and helps to control expenses.

Post-Employment Compensation

We do not provide a defined benefit pension plan or post retirement health insurance coverage for our executive officers or any of our other employees. We do not offer deferred compensation plans, and do not have agreements that provide compensation to our executive officers based upon the occurrence of a change in control of PTSI.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code, as amended, imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to the company's chief executive officer or any of the company's four

other most highly compensated executive officers who are employed at the end of the year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for qualifying performance-based compensation (compensation paid only if the individual's or the company's performance meets pre-established objective goals based on performance criteria approved by the stockholders). We periodically review the potential consequences of Section 162(m) and may structure some

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or all of the compensation for our executive officers so that it will not be subject to the deduction limitations of Section 162(m). None of the compensation paid to our executive officers for 2006 was structured to be qualifying performance-based compensation. For 2006, we were not precluded by Section 162(m) from deducting any compensation that we paid to any of our executive officers.

Share Ownership Guidelines

We do not have stock ownership requirements for our executive officers. However, each of our executive officers owns shares of our stock, and options to acquire additional shares.

Overview of the Compensation Process

The elements of executive compensation are discussed at meetings of the Compensation and Stock Option Committee, with significant input from the Chairman of the committee. Annual base salary is generally determined for a multi-year period at the time that employment agreements are negotiated with our executive officers. Cash incentive compensation and other bonuses, and forms of stock-based compensation are discussed from time to time, but there is no set schedule for making determinations regarding these types of compensation, and the committee retains considerable flexibility in deciding when to address these matters. In making its compensation decisions, the committee will usually seek input from our President and Chief Executive Officer regarding elements of his compensation, and that of the other executive officers. However, the committee makes the final decision on executive officer compensation, or recommends executive officer compensation to our Board of Directors for approval. The committee is authorized to utilize compensation consultants, but does not presently confer with compensation consultants regarding executive compensation.