

MARTEN TRANSPORT LTD

Form S-2

July 25, 2003

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As filed with the Securities and Exchange Commission on July 25, 2003

Registration No. 333-

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

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**Form S-2**

**REGISTRATION STATEMENT**

**UNDER  
THE SECURITIES ACT OF 1933**

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**Marten Transport, Ltd.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**39-1140809**  
*(I.R.S. Employer  
Identification Number)*

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**129 Marten Street  
Mondovi, Wisconsin 54755  
(715) 926-4216**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

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**Randolph L. Marten  
Chairman and President  
Marten Transport, Ltd.  
129 Marten Street  
Mondovi, Wisconsin 54755  
(715) 926-4216**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

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**Approximate date of commencement of proposed sale to the public:** As soon as practical after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [  ]

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. [  ]

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common stock, \$0.01 par value per share	3,450,000 shares	\$20.1233	\$69,425,385	\$5,617

- (1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c), on the basis of the average high and low sales prices of the common stock on July 24, 2003, as reported by the Nasdaq National Market, and adjusted to reflect the registrant's three-for-two stock split effected in the form of a 50% stock dividend on July 24, 2003.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JULY \_\_\_\_\_, 2003**

3,000,000 Shares

**Common Stock**

We are selling 2,475,000 shares of our common stock. The selling stockholders identified in this prospectus are selling an additional 525,000 shares. We will not receive any of the proceeds from the sale of shares by the selling stockholders. Our common stock is listed on the Nasdaq National Market under the symbol MRTN. The last reported sale price on \_\_\_\_\_, 2003, was \$ \_\_\_\_\_ per share.

**You should consider the risks that we have described in Risk Factors beginning on page 5 before buying shares of our common stock.**

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$ _____	\$ _____
Underwriting discounts and commissions	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____
Proceeds, before expenses, to the selling stockholders	\$ _____	\$ _____

The underwriters may purchase up to an additional 225,000 shares of common stock from us and 225,000 shares of common stock from the selling stockholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

**Neither the Securities and Exchange Commission nor any state securities commissions has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares to purchasers on or before \_\_\_\_\_, 2003.

**Stephens Inc.**

**BB&T Capital Markets**

**Legg Mason Wood Walker  
Incorporated**

**Morgan Keegan & Company, Inc.**

The date of this prospectus is \_\_\_\_\_, 2003.

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**You should rely only on the information contained in or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations, and prospects may have changed since that date.**

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**PROSPECTUS SUMMARY**

*This summary highlights certain information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that is important to you. Before investing in our common stock, you should read this entire prospectus carefully, especially the sections entitled Risk Factors beginning on page 5 and Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 17, as well as our financial statements and related notes included elsewhere in this prospectus. All information in this prospectus reflects our three-for-two stock split effected in the form of a 50% stock dividend as of July 24, 2003. See Description of Capital Stock. The terms Marten, company, we, us, our, and similar terms refer to Marten Transport, Ltd. unless the context otherwise requires.*

**Our Business**

We are one of the leading temperature-sensitive truckload carriers in the United States. We specialize in transporting food and other consumer packaged goods that require a temperature-sensitive or insulated environment. We offer nationwide service, concentrating on expedited movements over an average length of haul of approximately 1,000 miles. In 2002, we generated \$293.1 million in operating revenue, which made us the nation's third largest temperature-sensitive carrier measured by revenue.

We have grown substantially since going public in 1986. From 1986 through 2002, our operating revenue increased from \$52.5 million to \$293.1 million, a compounded annual growth rate of approximately 11%. Our growth strategy is to expand our business internally by offering shippers a high level of service and significant freight capacity. We market primarily to large shippers that offer consistent volumes of freight in the lanes we prefer and are willing to compensate us for a high level of service. With our fleet of over 2,150 company and independent contractor tractors, we are able to offer service levels that include up to 99% on-time performance and delivery within the narrow time windows often required when shipping perishable commodities. Moreover, as one of the nation's largest temperature-sensitive carriers, we can offer substantial truck capacity to shippers that desire to concentrate their freight with large, well-capitalized core carriers. Our five largest customers in 2002 were Procter & Gamble, General Mills, Kraft, Anheuser-Busch, and ConAgra.

We focus our operating strategy on asset productivity, operating efficiency, and cost control. To improve asset productivity, our operations and sales departments work together to secure and service freight that facilitates rapid turnaround times, minimizes non-revenue miles between loads, and carries a favorable rate structure. To achieve efficiency and cost control, we seek to recruit and retain safe and dependable drivers. We operate newer tractors and trailers to minimize breakdowns and repair expense. In addition, we scrutinize our expenses and tightly manage non-revenue generating personnel and asset expenditures.

We believe that the successful execution of our strategies, along with a more favorable relationship between shipping demand and industry-wide temperature-sensitive truck capacity, have contributed to a significant improvement in our financial results during 2003. For the six months ended June 30, 2003, we increased operating revenue 15.1%, to \$163.5 million from \$142.0 million for the same period in 2002, and our earnings per diluted share increased 39%, to \$0.75 from \$0.54. Some of the operational highlights of our efforts include:

Average operating revenue per tractor per week of \$2,936 for the six months ended June 30, 2003.

A ratio of 5.4 tractors for each non-driver employee at June 30, 2003.

A ratio of approximately 1.3 trailers for each tractor at June 30, 2003.

Average non-revenue miles of 6.6% for the six months ended June 30, 2003.

Average company-owned tractor age of 2.1 years and average trailer age of 3.9 years at June 30, 2003.

Annualized driver turnover of 58% for the six months ended June 30, 2003.

We believe these measures compare favorably with the other leading truckload carriers, both dry van and temperature-sensitive.

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**Market Opportunity**

We operate primarily in the temperature-sensitive segment of the truckload market. The temperature-sensitive segment has estimated annual revenue of approximately \$8 billion. This market is highly fragmented, with only seven temperature-sensitive carriers reporting revenues over \$200 million in 2001. The main commodities shipped include meat, poultry, fish, dairy products, fruits and vegetables, pharmaceuticals, health and beauty products, film, candy, and temperature-sensitive manufacturing materials. Because of difficult operating conditions for trucking companies from 2000 to the present, many participants in the segment were forced to slow their growth, downsize, or cease operations. In addition, orders for new temperature-sensitive trailers decreased 50% between 1999 and 2002. The decrease in carrier capacity, combined with the service-sensitive nature of the segment, contributed to a 6.3% increase in average revenue per loaded mile for temperature-sensitive carriers over the twelve months ended April 30, 2003, according to the American Trucking Associations.

We believe we operate in an attractive market segment for several reasons:

The market lacks any dominant competitor.

The food and consumer products we transport are less cyclical than many other kinds of freight.

The time and temperature-sensitive nature of the freight favors carriers that offer expertise in the segment and a high level of service.

The food industry is dominated by large, consolidating shippers, many of which seek well-capitalized core carriers with significant tractor and trailer capacity.

The exit or downsizing of competitors and reduction in refrigerated trailer production has resulted in a more favorable balance of shipper demand and truck capacity.

As one of the largest carriers focused on the temperature-sensitive segment, we believe we are well positioned and well capitalized to take advantage of future opportunities.

**Company Information**

We are incorporated in Delaware. Our principal executive offices are located at 129 Marten Street, Mondovi, Wisconsin 54755, and our telephone number is (715) 926-4216. Our website address is <http://www.marten.com>. Information contained in our website is not incorporated by reference into this prospectus, and you should not consider information contained in our website as part of this prospectus.



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**The Offering**

Common stock being offered by us            2,475,000 shares

Common stock offered by the selling  
stockholders                                    525,000 shares

Common stock to be outstanding after the  
offering(1)                                    8,908,342 shares

Use of proceeds                                We estimate that our net proceeds from the shares of common stock that we sell in this offering, after deducting underwriting discounts and other estimated expenses, will be approximately \$        million. We intend to use the net proceeds to repay all amounts outstanding under our revolving credit facility (approximately \$19.4 million as of June 30, 2003) and for other general corporate purposes, including the purchase of tractors and trailers. We will not receive any proceeds from the sale of shares by the selling stockholders.

Nasdaq National Market symbol            MRTN

Unless otherwise stated in this prospectus, we have assumed throughout this prospectus that the underwriters' over-allotment option is not exercised.

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(1) Based on 6,433,342 shares outstanding as of July 24, 2003, giving effect to our three-for-two stock split effected in the form of a fifty percent (50%) stock dividend issued on such date. This number excludes approximately 1,005,750 shares of our common stock available for issuance under our incentive stock plans, of which options to purchase 694,125 shares of our common stock are outstanding under these plans.

**Table of Contents****Summary Financial and Operating Data****(in thousands, except per share data, operating data, and percentages)**

Our summary financial data as of and for the fiscal years ended December 31, 1998, through December 31, 2002, under the caption Statements of Operations Data are derived from our audited financial statements. Our annual financial statements were audited by KPMG LLP in 2002 and by Arthur Andersen LLP in the prior years. The summary statements of operations data and balance sheet data as of and for the six months ended June 30, 2002, and 2003, have been derived from our unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals that we consider necessary for a fair presentation of our financial position and our results of operations for these periods. Data for interim periods are not necessarily indicative of the results to be expected for a full year. You should read this summary data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes and other financial information included or incorporated by reference in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
							(unaudited)
<b>Statements of Operations Data:</b>							
Operating revenue	\$ 193,648	\$ 219,200	\$ 260,797	\$ 282,764	\$ 293,096	\$ 142,029	\$ 163,527
Operating expenses	177,303	201,514	242,106	267,657	281,235	135,024	154,828
Operating income	16,345	17,686	18,691	15,107	11,861	7,005	8,699
Interest expense, net	3,721	3,822	5,904	4,601	2,227	1,312	741
Income before taxes	12,624	13,864	12,787	10,506	9,634	5,693	7,958
Income taxes	5,050	5,407	4,859	3,992	3,661	2,163	3,024
Net income	\$ 7,574	\$ 8,457	\$ 7,928	\$ 6,514	\$ 5,973	\$ 3,530	\$ 4,934
Basic earnings per common share(1)	\$ 1.13	\$ 1.28	\$ 1.25	\$ 1.04	\$ 0.94	\$ 0.56	\$ 0.77
Diluted earnings per common share(1)	\$ 1.12	\$ 1.28	\$ 1.25	\$ 1.02	\$ 0.92	\$ 0.54	\$ 0.75
Weighted average common shares outstanding:							
Basic shares outstanding(1)	6,717	6,582	6,323	6,273	6,353	6,344	6,388
Diluted shares outstanding(1)	6,786	6,597	6,342	6,356	6,527	6,512	6,610
<b>Operating Data:</b>							
For period:							
Average operating revenue per total mile	\$ 1.17	\$ 1.20	\$ 1.27	\$ 1.25	\$ 1.23	\$ 1.22	\$ 1.27
Average freight revenue per total mile(2)	\$ 1.17	\$ 1.20	\$ 1.22	\$ 1.21	\$ 1.21	\$ 1.21	\$ 1.21
Average miles per tractor per period(3)	119,609	118,598	115,185	119,686	118,624	59,878	59,554
Average operating revenue per tractor per week(3)	\$ 2,678	\$ 2,726	\$ 2,810	\$ 2,870	\$ 2,809	\$ 2,822	\$ 2,936
Average freight revenue per tractor per week(2)(3)	\$ 2,685	\$ 2,722	\$ 2,685	\$ 2,768	\$ 2,756	\$ 2,793	\$ 2,794
Average miles per trip	1,081	1,069	982	978	968	963	1,000

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Non-revenue miles percentage(4)	6.6%	6.6%	6.7%	6.6%	6.6%	6.7%	6.6%
At end of period:							
Total tractors(3)	1,460	1,633	1,844	1,956	2,078	1,969	2,153
Average age of company tractors (in years)	2.1	1.6	1.5	1.8	1.9	2.0	2.1
Total trailers	2,094	2,303	2,626	2,713	2,676	2,713	2,821
Average age of company trailers (in years)	2.2	2.0	2.6	3.3	4.1	3.8	3.9
Ratio of trailers to tractors(3)	1.4	1.4	1.4	1.4	1.3	1.4	1.3
Ratio of tractors to non-driver personnel(3)	4.6	5.2	5.6	5.4	5.6	5.4	5.4

**June 30, 2003**

	Actual	As Adjusted(5)
(unaudited)		
<b>Balance Sheet Data:</b>		
Cash and cash equivalents	\$	\$
Total assets	214,048	
Long-term debt, including current portion	50,829	
Total stockholders' equity	84,906	

- (1) Restated to reflect a three-for-two stock split effected in the form of a 50% stock dividend on July 24, 2003.
- (2) Freight revenue is operating revenue, less fuel surcharge revenue.
- (3) Includes tractors driven by both company-employed drivers and independent contractors. Independent contractors provided 466, 549, 512, 547, and 611 tractors as of December 31, 1998, 1999, 2000, 2001, and 2002, and 599 and 601 tractors as of June 30, 2002, and 2003.
- (4) Represents the percentage of miles for which we are not compensated.
- (5) Gives effect to our sale of 2,475,000 shares of common stock at an assumed offering price of \$            per share and the application of our estimated net proceeds from such sale as described in Use of Proceeds.

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**RISK FACTORS**

*Any investment in our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained in this prospectus, including the financial statements and notes thereto, and the documents incorporated by reference in this prospectus, before buying shares of our common stock.*

**Risks Related to Our Business**

**Our business is subject to general economic and business factors that are largely out of our control, any of which could have a materially adverse effect on our operating results.**

Our business is dependent upon a number of factors that may have a materially adverse effect on the results of our operations, many of which are beyond our control. These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the trucking industry, strikes or other work stoppages, surpluses in the market for used equipment, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, and difficulty in attracting and retaining qualified drivers and independent contractors.

We also are affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries where we have a significant concentration of customers. Economic conditions may adversely affect our customers and their ability to pay for our services. It is not possible to predict the effects of actual or threatened armed conflicts or terrorist attacks and subsequent events on the economy or on consumer confidence in the United States, or the impact, if any, on our future results of operations. In addition, our results of operations may be affected by seasonal factors.

**We operate in a highly competitive and fragmented industry, and our business may suffer if we are unable to adequately address downward pricing pressures and other factors that may impair our ability to compete with other carriers. Numerous competitive factors could impair our ability to maintain our current profitability.**

These factors include:

We compete with many other truckload carriers that provide temperature-sensitive service of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads, and other transportation companies, many of which have more equipment, a wider range of services, and greater capital resources than we do or have other competitive advantages. In particular, several of the largest truckload carriers that offer primarily dry van service also offer temperature-sensitive service, and these carriers could attempt to increase their business in the temperature-sensitive market.

Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain significant growth in our business.

Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers, and in some instances we may not be selected.

Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors.

The trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size and with whom we may have difficulty competing.

Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

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Competition from internet-based and other logistics and freight brokerage companies may adversely affect our customer relationships and freight rates.

Economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

**We derive a significant portion of our revenue from our major customers, the loss of one or more of which could have a materially adverse effect on our business.**

A significant portion of our revenue is generated from our major customers. For 2002, our top 30 customers, based on revenue, accounted for approximately 77% of our revenue; our top ten customers accounted for approximately 54% of our revenue; our top five customers accounted for approximately 40% of our revenue; and our top two customers accounted for approximately 20% of our revenue. We do not expect these percentages to change materially for 2003.

Generally, we enter into one-year contracts with our major customers, the majority of which do not contain any firm obligations to ship with us. We cannot assure you that, upon expiration of existing contracts, these customers will continue to use our services or that, if they do, they will continue at the same levels. In addition, our volumes and rates with our customers could decrease as a result of bid processes or other factors. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

**Ongoing insurance and claims expenses could significantly affect our earnings.**

Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability, cargo and property damage claims, as well as employees' health insurance. We also are responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and expenses. We periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. On January 1, 2003, we increased our self-insured retention limit for auto liability claims from \$500,000 to \$1,000,000 per incident and for workers' compensation claims from \$500,000 to \$750,000 per incident. The increase in self-insured retention could increase our claims expense or make our claims expense more volatile depending on the frequency, severity, and timing of claims. Accordingly, the number or severity of claims for which we are self-insured, or the timing of such claims within a given period, could have a materially adverse effect on our operating results.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers recently have been raising premiums for many businesses, including trucking companies. As a result, our insurance and claims expense could increase, or we could raise our self-insured retention when our policies are renewed. If these expenses increase, or if we experience a claim in excess of our coverage limits, or we experience a claim for which coverage is not provided, results of our operations and financial condition could be materially and adversely affected.

**Increases in compensation or difficulty in attracting drivers could affect our profitability and ability to grow.**

Periodically, the transportation industry experiences substantial difficulty in attracting and retaining qualified drivers, including independent contractors, and competition for drivers is intense. Due in part to current economic conditions, including the cost of fuel and insurance, the available pool of independent contractor drivers is smaller than it has been historically. Accordingly, we may face difficulty increasing the number of our independent contractor drivers, which is one of our principal sources of planned growth. In addition, our industry suffers from high turnover rates of drivers. Our turnover rate requires us to recruit a substantial number of drivers. Moreover, our turnover rate could increase. If we are unable to continue

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to attract drivers and contract with independent contractors, we could be required to adjust our driver compensation package or let trucks sit idle. In addition, our compensation of drivers and independent contractors is subject to market forces, and we may increase their compensation in future periods. An increase in our expenses or in the number of tractors without drivers could materially and adversely affect our growth and profitability.

**Fluctuations in the price or availability of fuel may increase our cost of operation, which could materially and adversely affect our profitability.**

We require large amounts of diesel fuel to operate our tractors and to power the temperature-control units on our trailers. Fuel is one of our largest operating expenses. Fuel prices tend to fluctuate, and prices and availability of all petroleum products are subject to political, economic, and market factors that are beyond our control. We depend primarily on fuel surcharges, volume purchasing arrangements with truck stop chains, and bulk purchases of fuel at our terminals to control our fuel expenses. We previously used commodity swap agreements to partially hedge our exposure to diesel fuel price fluctuations, but the last remaining agreement expired on or prior to December 31, 2002. There can be no assurance that we will be able to collect fuel surcharges or enter into successful hedges in the future. Fluctuations in fuel prices, or a shortage of diesel fuel, could adversely affect our results of operations.

**If we are unable to retain our senior executive officers, our business, financial condition, and results of operations could be harmed.**

We are highly dependent upon the services of our four senior executive officers: Randolph L. Marten, our Chairman of the Board and President; Darrell D. Rubel, our Executive Vice President, Chief Financial Officer, and Treasurer; Robert G. Smith, our Chief Operating Officer; and Timothy P. Nash, our Executive Vice President of Sales and Marketing. Currently, we do not have employment agreements with any of these persons. The loss of any of their services could have a materially adverse effect on our operations and future profitability. In addition, we must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. We cannot assure you that we will be able to do so.

**We have significant ongoing capital requirements that could affect our profitability if we are unable to generate sufficient cash from operations and obtain financing on favorable terms.**

The truckload industry is very capital intensive. Historically, we have depended on cash from operations and borrowings to expand the size of our fleet and maintain modern revenue equipment. If we are unable to generate sufficient cash from operations and obtain financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a materially adverse effect on our profitability.

**Increased prices for new equipment and weakness in the market value of used equipment may adversely affect our profitability and results of operations.**

We have experienced higher prices for new tractors over the past two years, partially as a result of regulations on newly manufactured tractors and diesel engines. See Risk Factor titled "The engines used in our newer tractors are subject to new emissions control regulations, which may substantially increase our operating expenses" on page 8. We expect to continue to pay increased prices for equipment and incur additional expenses and related financing costs for the foreseeable future.

A large supply of used tractors and trailers in the secondary tractor and trailer resale market has depressed the market value of our used equipment. We currently do not have trade-in agreements covering our tractors to mitigate the impact of depressed market values. A combination of higher initial prices of new equipment and lower resale values for used equipment could materially and adversely affect our business, results of operations, and financial condition.

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**Seasonality and the impact of weather can affect our profitability.**

Our tractor productivity generally decreases during the winter season because inclement weather impedes operations and some shippers reduce their shipments. At the same time, operating expenses generally increase, with fuel efficiency declining because of engine idling and harsh weather creating higher accident frequency, increased claims, and more equipment repairs.

**We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future regulations could have a materially adverse effect on our business.**

The United States Department of Transportation ( DOT ) and various state and local agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety, and insurance requirements. We also may become subject to new or more restrictive regulations relating to fuel emissions, drivers' hours-of-service, and ergonomics. Our company drivers and independent contractors also must comply with the safety and fitness regulations promulgated by the DOT, including those relating to drug and alcohol testing and hours-of-service. The DOT adopted revised hours-of-service regulations on April 28, 2003. Although the regulations have been adopted, carriers are not required to comply until January 4, 2004. This change could reduce the potential or practical amount of time that drivers can spend driving, if we are unable to limit their other on-duty activities. These changes could adversely affect our profitability if shippers are unwilling to assist in managing the drivers' non-driving activities, such as loading, unloading, and waiting or pay higher rates to facilitate our compliance with these regulations.

**The engines used in our newer tractors are subject to new emissions control regulations, which may substantially increase our operating expenses.**

The Environmental Protection Agency ( EPA ) recently adopted new emissions control regulations, which require progressive reductions in exhaust emissions from diesel engines through 2007, for engines manufactured in October 2002, and thereafter. The new regulations decrease the amount of emissions that can be released by truck engines and affect tractors produced after the effective date of the regulations. Compliance with such regulations has increased the cost of our new tractors and could substantially impair equipment productivity, lower fuel mileage, and increase our operating expenses. Some manufacturers have significantly increased new equipment prices, in part to meet new engine design requirements imposed, effective October 1, 2002, by the EPA, and eliminated or sharply reduced the price of repurchase commitments. These adverse effects combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values that will be realized from the disposition of these vehicles could increase our costs or otherwise adversely affect our business or operations.

**We own a forty-five percent (45%) equity interest in MW Logistics, LLC ( MWL ), a third-party provider of logistics services to the transportation industry and a certified minority owned business. We are co-defendants with MWL in a lawsuit relating to, have an equity interest in, and provide revolving loans to, MWL, and if we are held liable as a result of the pending litigation, or MWL fails to fulfill its obligations to us, our financial condition could be adversely affected.**

We own a 45% equity interest in MWL, for which we paid \$500,000 in 2001. MWL is a third-party provider of logistics services to the transportation industry and a certified minority owned business. We account for our investment in MWL under the equity method. As a result of recording losses from this investment over time, our investment has been reduced to zero. In April 2002, we, together with Mitchell Ward, Randy Bowman, and MWL, were named as defendants in an adversary proceeding in the United States Bankruptcy Court for the Eastern District of Texas. The proceeding was instituted by the interim trustee of the bankruptcy estate of Mitchell Ward Trucking, Inc. The complaint alleges, among other things, that Messrs. Ward and Bowman breached their fiduciary duties to the debtor by diverting business opportunities of the debtor to MWL, and that we conspired with the other defendants and tortiously interfered with existing and prospective contractual relations of the debtor. The bankruptcy trustee has requested judgment against all defendants, seeking, among other things, the transfer of each defendant's

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ownership interest in MWL to the debtor's estate, an accounting of any proceeds the defendants have received from their MWL ownership and additional costs, expenses and actual and exemplary damages. Although we believe that the claims asserted against us in this proceeding are without merit, and we intend to vigorously defend this matter, we could incur material expenses in the defense and resolution of this proceeding. Any expenses that we incur in defending or resolving this matter, even if not material to our overall financial condition, could adversely affect our results of operations and financial condition in the period recorded.

We received \$6.0 million of our revenues from MWL during the six months ended June 30, 2003, making MWL our fifth largest customer. In 2002 and 2001, we received \$6.3 million and \$1.5 million, respectively, of our revenues from transportation services arranged by MWL. Freight that we transport for MWL includes shipments by Coors, General Mills, and Procter & Gamble. If MWL is unwilling or unable to continue providing business to us, our business, results of operations, and financial condition could be materially and adversely affected. We also had a trade receivable in the amount of \$1.5 million from MWL at June 30, 2003. In addition, we have committed to provide revolving loans to MWL in the maximum outstanding amount of \$1.25 million and as of June 30, 2003, MWL owed us \$118,000 under this credit arrangement. Although MWL is in default under certain of its covenants in the loan agreement, we have waived such defaults and we have informed MWL that we intend to keep this credit arrangement available to it until at least January 1, 2004. If MWL is unwilling or unable to fulfill its obligations to us under the terms of these arrangements, our business, results of operations, and financial condition could be materially and adversely affected.

**We have not made any acquisitions, and if we do so in the future, we may not be successful.**

We have not made any acquisitions subsequent to our initial public offering. However, from time-to-time acquisition opportunities are presented to us that we consider. Any acquisitions we undertake could involve the dilutive issuance of equity securities and/or incurring indebtedness. In addition, acquisitions involve numerous risks, including difficulties in assimilating the acquired company's operations, the diversion of our management's attention from other business concerns, risks of entering into markets in which we have had no or only limited direct experience, and the potential loss of customers, key employees, and drivers of the acquired company, all of which could have a materially adverse effect on our business and operating results. These risks may be even greater than with other companies because of our lack of acquisition experience.

**Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.**

We are subject to various environmental laws and regulations dealing with the hauling and handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, and discharge and retention of stormwater. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination have occurred. We also maintain bulk fuel storage and fuel islands at our headquarters, as well as at all of our terminals. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, or if we are found to be in violation of applicable laws or regulations, we could be subject to liabilities that could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

**We have outstanding fixed interest rate borrowings that carry above market interest rates and substantial prepayment penalties.**

At June 30, 2003, we had outstanding approximately \$31.4 million in unsecured notes with Prudential Insurance Company of America (Prudential). The Prudential notes carry interest rate risk. Our approximately \$21.4 million in Series A Unsecured Notes bear interest at 6.78% per annum and our



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approximately \$10.0 million in Series B Unsecured Notes bear interest at 8.57% per annum. Amounts borrowed under these notes are prepayable only if we are willing to incur substantial penalties. Although we have no present intention to prepay these notes, our future earnings may be reduced if we do so. In addition, if we do not prepay these notes, our future earnings will be affected by the high interest rates.

### **Risks Related to Our Common Stock and this Offering**

#### **Our stock price is volatile, which could cause you to lose a significant portion of your investment.**

The market price of our common stock could be subject to significant fluctuations in response to certain factors, such as variations in our anticipated or actual results of operations, the operating results of other companies in the transportation industry, changes in conditions affecting the economy generally, including incidents of armed conflict or terrorism, analyst reports, general trends in the industry, sales of common stock by insiders, investor perceptions of us and the trucking industry, as well as other factors unrelated to our operating results. Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. In addition, the stock market in general, and the Nasdaq National Market in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to our operating performance or that of other trucking companies. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

#### **The Marten family will continue to control a large portion of our stock and will continue to have substantial control over us following this offering, which could limit your ability to influence the outcome of key transactions, including changes of control.**

Randolph L. Marten is our Chairman, President, and principal stockholder, and beneficially owns approximately 44.2% of our outstanding common stock before this offering and will continue to beneficially own approximately 27.9% of our outstanding common stock after this offering (25.9% if the over-allotment option is exercised in full). In addition, Christine K. Marten beneficially owns approximately 14.0% of our outstanding common stock before this offering and will continue to beneficially own approximately 8.5% of our outstanding common stock after this offering (7.2% if the over-allotment option is exercised in full). Ms. Marten is one of our directors, a significant stockholder, and the sister of Mr. Marten. Accordingly, the Marten family has been able to control and, following the offering, will continue to be able to influence decisions requiring stockholder approval, including election of our Board of Directors, the adoption or extension of anti-takeover provisions, mergers, and other business combinations. This concentration of ownership could limit the price that some investors might be willing to pay in the future for our common stock, and could allow the Marten family to prevent or delay a change of control of our company, which other stockholders may favor. The interests of the Marten family may conflict with the interests of other holders of common stock and they may take actions affecting us with which you disagree.

#### **Shares eligible for public sale after this offering could adversely affect our stock price.**

The market price of our common stock could decline as a result of sales by our existing stockholders after this offering or the perception that these sales could occur. Following the offering, members of the Marten family will beneficially own 36.4% of our common stock (33.1% if the over-allotment option is exercised in full). Sales by existing stockholders also might make it difficult for us to sell equity securities in the future at a time and price that we deem appropriate. All of the shares sold in this offering will be freely tradeable, other than those shares sold in this offering to any of our affiliates. Of the 8,908,342 shares of our common stock to be outstanding after completion of this offering, 3,155,324 shares will be subject to the lock-up agreements described in Underwriting. Vested options with respect to an additional 411,375 shares will also be subject to such lock-up agreements. Holders of our common stock subject to lockup agreements cannot sell or otherwise dispose of any shares during the 90-day period following the date of this prospectus without the consent of Stephens Inc., which has advised us that it has no present intention to release any shares subject to the lockup agreements.

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**Provisions of our charter documents and Delaware law could discourage a takeover or change in control that you may consider favorable or the removal of our current management.**

Our Amended and Restated Certificate of Incorporation and Bylaws contain certain provisions that could discourage, delay, or prevent a change in control of our company, even if such a change would be beneficial to our stockholders. These provisions include: authorizing the issuance of blank check preferred stock that could be issued under a stockholder rights plan or otherwise, by our board of directors to increase the number of outstanding shares in order to delay or prevent a takeover attempt; a prohibition on cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates; and restrictions on who may call a special meeting of our stockholders. In addition, provisions of Delaware law could delay or make more difficult a merger or tender offer involving us. These provisions of Delaware law prohibit a publicly held Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless particular conditions are met. The provisions of our charter and Delaware law could have anti-takeover effects with respect to transactions not approved in advance by our board of directors, such as discouraging takeover attempts that might result in a premium over the market price of our common stock.

**Our former independent public accountant, Arthur Andersen LLP, has been found guilty of a federal obstruction of justice charge, and you may be unable to exercise effective remedies against it in any legal action.**

Our former independent public accountant, Arthur Andersen LLP, provided us with auditing services for fiscal periods through December 31, 2001, including issuing an audit report with respect to our audited financial statements for fiscal periods through December 31, 2001, set forth in this prospectus and incorporated by reference herein. On June 15, 2002, a jury in Houston, Texas found Arthur Andersen LLP guilty of a federal obstruction of justice charge arising from the Federal Government's investigation of Enron Corp. On August 31, 2002, Arthur Andersen LLP ceased practicing before the United States Securities and Exchange Commission (the SEC).

Arthur Andersen LLP has not reissued its audit report with respect to our audited financial statements for fiscal periods through December 31, 2001, set forth in this prospectus. Furthermore, we are unable to obtain Arthur Andersen LLP's consent to include such financial statements in this prospectus or to incorporate by reference in this prospectus its audit report included in our Annual Report on Form 10-K for the year ended December 31, 2001, or for prior fiscal years. Under these circumstances, Rule 437a under the Securities Act of 1933 (the Securities Act) permits us to dispense with the requirement to file Arthur Andersen LLP's consent. As a result, you may not have an effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission with respect to our audited financial statements for fiscal periods through December 31, 2001, that are set forth or incorporated by reference in this prospectus, or any other filing we may make with the SEC, including, with respect to any offering registered under the Securities Act, any claim under Section 11 of the Securities Act. In addition, even if you were able to assert such a claim, as a result of its conviction and other lawsuits, Arthur Andersen LLP may fail or otherwise have insufficient assets to satisfy claims made by investors or by us that might arise under federal securities laws or otherwise relating to any alleged material misstatement or omission with respect to our audited financial statements for fiscal periods through December 31, 2001.

In addition, in connection with any future capital markets transaction in which we are required to include financial statements that were audited by Arthur Andersen LLP, as a result of the foregoing, investors may elect not to participate in any such offering or, in the alternative, may require us to obtain a new audit with respect to previously audited financial statements. Consequently, our financial costs may increase or we may miss attractive capital market opportunities.

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**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This prospectus contains these types of statements, which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We make these statements directly in this prospectus and in the documents filed with the SEC that are incorporated by reference in this prospectus.

Words such as anticipates, estimates, expects, projects, intends, plans, believes, and words or terms of similar substance used in connection with any discussion of future operating results or financial performance identify forward-looking statements. All forward-looking statements reflect our management's present expectation of future events and are subject to a number of important factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The factors listed in the Risk Factors section of this prospectus, as well as any cautionary language in this prospectus, provide examples of these risks and uncertainties.

You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this prospectus or the date of the document incorporated by reference, in this prospectus. We are under no obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act).

**USE OF PROCEEDS**

We estimate that the net proceeds to us in this offering after deducting underwriting discounts and other estimated expenses will be approximately \$ million assuming a public offering price of \$ per share. We expect to use our net proceeds as follows:

to repay the entire outstanding balance of our revolving credit facility maturing in April 2006, which was \$19.4 million at June 30, 2003; and

the balance for general corporate purposes, including the purchase of tractors and trailers.

Our revolving credit facility bears interest based on either the London Interbank Offered Rate, or LIBOR, or the agent bank's Prime Rate, in each case plus an applicable margin. At June 30, 2003, the effective interest rate was approximately 2.8% per annum. Since June 30, 2002, we have used borrowings under our revolving credit facility primarily to fund the purchase of tractors and trailers and for general corporate purposes. We intend to invest our net proceeds from this offering in short-term, interest-bearing securities until the proceeds are used as described above.

We will not receive any proceeds from the sale of common stock by the selling stockholders.

**Table of Contents****DIVIDEND POLICY**

On June 30, 2003, our Board of Directors approved a three-for-two split of the our common stock effected in the form of a fifty percent (50%) stock dividend for all stockholders of record as of July 21, 2003. A total of 2,144,447 common shares were issued in this transaction on July 24, 2003. The effects of this stock dividend and our previous stock dividend on January 6, 1998, have been adjusted retroactively in the stockholders' equity accounts and in all share and per share data in our financial statements, related notes, and supplemental data.

We have not paid a cash dividend on our common stock since we became publicly traded in September 1986, and we do not expect to make or declare any cash dividends in the foreseeable future. We currently intend to continue to retain earnings to finance the growth of our business and reduce our indebtedness. Our ability to pay cash dividends is currently limited by restrictions contained in our revolving credit facility. Our revolving credit facility prohibits us from paying, in any fiscal year, dividends in excess of 25% of our net income from the prior fiscal year. Future payments of cash dividends will depend on our financial condition, results of operations, capital commitments, restrictions under then-existing agreements, and other factors our Board of Directors deems relevant.

**COMMON STOCK PRICE RANGE**

Our common stock is listed on the Nasdaq National Market under the symbol MRTN. On \_\_\_\_\_, 2003, the closing price of our common stock was \$ \_\_\_\_\_. The table below shows the range of high and low bid prices on the Nasdaq National Market for the periods indicated:

	Common Stock Price	
	High	Low
<b>Year ending December 31, 2003</b>		
Third Quarter (through July 23, 2003)	\$20.85	\$17.67
Second Quarter	17.93	11.13
First Quarter	13.03	10.40
<b>Year ended December 31, 2002</b>		
Fourth Quarter	\$12.63	\$ 9.00
Third Quarter	14.14	11.17
Second Quarter	25.34	10.53
First Quarter	12.12	11.00
<b>Year ended December 31, 2001</b>		
Fourth Quarter	\$11.97	\$ 8.00
Third Quarter	12.14	6.67
Second Quarter	11.00	8.00
First Quarter	10.00	7.50

On July 22, 2003, we had 254 stockholders of record. On July 18, 2003, we had 743 beneficial stockholders.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of June 30, 2003, on:

an actual basis; and

an as adjusted basis, giving effect to our sale of 2,475,000 shares of our common stock in this offering, at an assumed public offering price of \$ per share, and the application of our estimated net proceeds as set forth in Use of Proceeds.

The following table should be read together with the financial statements and the related notes included elsewhere in this prospectus.

	<b>June 30, 2003</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	(in thousands)	
Cash and cash equivalents	\$	\$
Current maturities of long-term debt	\$ 5,000	\$
Long-term debt, less current maturities	\$ 45,829	\$
Stockholders' equity:		
Common stock, \$0.01 par value; 23,000,000 shares authorized; 6,433,342 shares issued and outstanding; 8,908,342 shares issued and outstanding, as adjusted(1)	64	
Preferred stock, \$0.01 par value; 2,000,000 shares authorized; zero shares issued and outstanding; zero shares issued and outstanding, as adjusted(1)		
Additional paid-in capital	11,573	
Retained earnings	73,269	
Total stockholders' equity	84,906	
Total capitalization	\$ 135,735	\$

- (1) On June 30, 2003, we had 10,000,000 shares of common stock authorized, and no shares of preferred stock authorized or outstanding. We have filed a proxy statement with the SEC relating to a special meeting of stockholders to adopt an Amended and Restated Certificate of Incorporation that increases our authorized capital stock to the amounts reflected. See Description of Capital Stock.

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**SELECTED FINANCIAL AND OPERATING DATA**  
(in thousands, except per share data, operating data, and percentages)

Our selected financial data as of and for the fiscal years ended December 31, 1998, through December 31, 2002, under the captions Statements of Operations Data and Balance Sheet Data are derived from our audited financial statements. Our annual financial statements were audited by KPMG LLP in 2002 and by Arthur Andersen LLP in the prior years. The selected statements of operations data and balance sheet data as of and for the six months ended June 30, 2002, and 2003, have been derived from our unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals that we consider necessary for a fair presentation of our financial position and our results of operations for these periods. Data for interim periods are not necessarily indicative of the results to be expected for a full year. You should read this selected financial and operating data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes and other financial information included or incorporated by reference in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
						(unaudited)	
<b>Statements of Operations Data:</b>							
Operating revenue	\$ 193,648	\$ 219,200	\$ 260,797	\$ 282,764	\$ 293,096	\$ 142,029	\$ 163,527
Operating expenses (income):							
Salaries, wages, and benefits	58,798	64,123	75,076	86,220	89,941	44,670	48,958
Purchased transportation	46,833	57,637	61,096	61,508	67,359	32,248	35,817
Fuel and fuel taxes	23,328	26,962	41,880	45,356	43,339	19,837	27,719
Supplies and maintenance	15,633	16,808	18,849	22,537	21,792	10,508	12,089
Depreciation	18,724	20,622	25,154	26,989	27,706	13,658	14,724
Operating taxes and licenses	3,809	4,467	4,953	5,184	5,136	2,416	2,771
Insurance and claims	3,681	4,630	5,883	10,337	14,870	6,787	7,418
Communications and utilities	2,524	2,667	2,938	3,121	3,002	1,462	1,594
Loss (gain) on disposition of revenue equipment	(935)	(2,067)	(742)	(1,149)	26	(73)	(156)
Other	4,908	5,665	7,019	7,554	8,064	3,511	3,894
Total operating expenses	177,303	201,514	242,106	267,657	281,235	135,024	154,828
Operating income	16,345	17,686	18,691	15,107	11,861	7,005	8,699
Other expenses (income):							
Interest expense	3,964	4,042	6,242	5,114	3,479	1,840	1,532
Interest income	(243)	(220)	(338)	(513)	(1,252)	(528)	(791)
	3,721	3,822	5,904	4,601	2,227	1,312	741
Income before income taxes	12,624	13,864	12,787	10,506	9,634	5,693	7,958
Provision for income taxes	5,050	5,407	4,859	3,992	3,661	2,163	3,024
Net income	\$ 7,574	\$ 8,457	\$ 7,928	\$ 6,514	\$ 5,973	\$ 3,530	\$ 4,934
Basic earnings per common share(1)	\$ 1.13	\$ 1.28	\$ 1.25	\$ 1.04	\$ 0.94	\$ 0.56	\$ 0.77
Diluted earnings per common share(1)	\$ 1.12	\$ 1.28	\$ 1.25	\$ 1.02	\$ 0.92	\$ 0.54	\$ 0.75

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Weighted average common shares outstanding:							
Basic shares outstanding(1)	6,717	6,582	6,323	6,273	6,353	6,344	6,388
Diluted shares outstanding(1)	6,786	6,597	6,342	6,356	6,527	6,512	6,610

	At December 31,					June 30, 2003	
	1998	1999	2000	2001	2002	Actual	As Adjusted(2)
	(unaudited)						
<b>Balance Sheet Data:</b>							
Cash and cash equivalents	\$ 1,116	\$	\$	\$ 1,990	\$	\$	\$
Total assets	156,709	185,919	212,073	210,293	216,018		