

COVENANT TRANSPORT INC
Form 8-K
March 06, 2007

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
February 28, 2007

COVENANT TRANSPORT, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---|-----------------------------|--------------------------------------|
| Nevada | 000-24960 | 88-0320154 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| | |
|---|------------|
| 400 Birmingham Hwy., Chattanooga, TN | 37419 |
| (Address of principal executive offices) | (Zip Code) |

(423) 821-1212
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17
☐ CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17
[] CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On February 28, 2007, the Compensation Committee of the Board of Directors (the “Committee”) of Covenant Transport, Inc., a Nevada corporation (the “Company”), approved the key terms of the Company’s 2007 Bonus Program (the “Program”), which was approved under the Company’s 2006 Omnibus Incentive Plan (the “Plan”). As set forth in the Plan, which was approved by the Company’s stockholders at the 2006 annual meeting of stockholders, the Committee may choose from a range of defined performance measures. The Committee approved operating income and operating ratio targets (the “Performance Targets”) as the basis for bonuses to be paid pursuant to the Program for each of the following service offerings (or combination of service offerings) and subsidiaries (each, a “Business Unit”) and on a consolidated basis: Expedited, Dedicated, Covenant Regional/Over the Road, the total Covenant division (prior three service offerings), Southern Refrigerated Transport, Inc., Star Transportation, Inc., and Covenant Transport Solutions, Inc. The Performance Targets are generally consistent with the Company’s goal to improve its consolidated operating ratio by 100 to 200 basis points in 2007 versus 2006, although the Performance Targets for some Business Units require significantly greater improvement and the Performance Targets for some Business Units allow for a decrease in performance versus 2006.

Under the Program and consistent with the objectives of the Plan, certain employees, including the Company’s named executive officers, may receive bonuses upon satisfaction of the Performance Targets established for 2007. Bonuses awarded pursuant to the Program will be determined by a formula established by the Committee that is tied to achievement of one or both of the Performance Targets. The formula established by the Committee utilizes incremental levels of achievement of the Performance Targets, subject to upward or downward adjustment in defined circumstances. The applicable percentage of the Performance Target that is achieved is then multiplied by the employee’s target bonus to determine the employee’s bonus.

The following chart highlights the method by which the bonus payments to the Company’s named executive officers would be calculated should the Company meet 100% of the Performance Targets for 2007:

| <u>Named executive officer</u> | Target bonus as a percentage (%) of <u>base salary</u> ⁽¹⁾ | <u>Basis of Performance Targets</u> ⁽²⁾ |
|--|--|--|
| David R. Parker, Chairman, President, and Chief Executive Officer | 50% | Consolidated |
| Michael W. Miller, Executive Vice President—Procurement and Corporate Operations Manager | 50% | Consolidated |
| Joey B. Hogan, Executive Vice President and Chief Financial Officer | 50% | Consolidated |
| L.D. “Micky” Miller, III, Executive Vice President—Sales and Marketing | 50% | Consolidated |
| Tony Smith, | 50% | |

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President of Southern Refrigerated Transport,
Inc.

Southern Refrigerated
Transport, Inc.

- (1) Bonuses payable for 2007 (if any) will vary depending on the extent to which actual performance meets, exceeds, or falls short of the Performance Targets. Bonuses payable for the named executive officers can range from 15% to 130% of the employee's target bonus.
- (2) Performance Targets are tied to the achievement of operating income and operating ratio goals. Performance Targets for senior executive officers and most other participants with corporate-wide responsibility are tied to operating income and operating ratio goals calculated on a consolidated basis. Performance Targets for Business Unit managers and other participants dedicated primarily to a single Business Unit are tied to operating income and operating ratio goals for the Business Unit.
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COVENANT TRANSPORT, INC.

Date: March 6, 2007

By: /s/ Joey B. Hogan
Joey B. Hogan
Executive Vice President and Chief
Financial Officer