

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 08/14/00 for the Period Ending 06/30/00

Address	14507 FRONTIER ROAD OMAHA, NE 68138
Telephone	4028956640
CIK	0000793074
Symbol	WERN
SIC Code	4213 - Trucking, Except Local
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

WERNER ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 8/14/2000 For Period Ending 6/30/2000

Address	14507 FRONTIER ROAD P O BOX 45308 OMAHA, Nebraska 68145
Telephone	402-895-6640
CIK	0000793074
Industry	Trucking
Sector	Transportation
Fiscal Year	12/31

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarter ended Commission file number
June 30, 2000 0-14690

WERNER ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA
(State or other jurisdiction of
incorporation or organization)

47-0648386
(I.R.S. Employer Identification No.)

**14507 FRONTIER ROAD
POST OFFICE BOX 45308
OMAHA, NEBRASKA 68145-0308 (402) 895-6640**
(Address of principal (Zip Code) (Registrant's telephone number)
executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

As of July 31, 2000, 47,065,733 shares of the registrant's common stock, par value \$.01 per share, were outstanding.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The interim consolidated financial statements contained herein reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the financial condition and results of operations for the periods presented. They have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

Operating results for the three-month and six-month periods ended June 30, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. In the opinion of management, the information set forth in the accompanying consolidated condensed balance sheets is fairly stated in all material respects in relation to the consolidated balance sheets from which it has been derived.

These interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended June 30	
	2000	1999
	(Unaudited)	
Operating revenues	\$ 307,242	\$ 260,646
Operating expenses:		
Salaries, wages and benefits	107,540	95,246
Fuel	31,839	18,211
Supplies and maintenance	26,327	21,025
Taxes and licenses	22,186	19,838
Insurance and claims	8,224	7,881
Depreciation	26,794	24,656
Rent and purchased transportation	59,338	43,856
Communications and utilities	3,475	3,411
Other	(899)	(3,169)
Total operating expenses	284,824	230,955
Operating income	22,418	29,691
Other expense (income):		
Interest expense	1,978	1,645
Interest income	(625)	(343)
Other	235	40
Total other expense	1,588	1,342
Income before income taxes	20,830	28,349
Income taxes	7,915	10,773
Net income	\$ 12,915	\$ 17,576
Average common shares outstanding	47,061	47,374
Basic earnings per share	\$.27	\$.37
Diluted shares outstanding	47,304	47,627
Diluted earnings per share	\$.27	\$.37
Dividends declared per share	\$.025	\$.025

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Six Months Ended June 30	
	2000	1999
	(Unaudited)	
Operating revenues	\$ 598,621	\$ 501,626
Operating expenses:		
Salaries, wages and benefits	210,852	184,567
Fuel	63,048	32,219
Supplies and maintenance	51,639	41,163
Taxes and licenses	43,648	39,604
Insurance and claims	15,204	17,271
Depreciation	53,115	48,191
Rent and purchased transportation	116,365	86,183
Communications and utilities	7,161	6,510
Other	(3,364)	(5,016)
Total operating expenses	557,668	450,692
Operating income	40,953	50,934
Other expense (income):		
Interest expense	4,213	2,843
Interest income	(1,072)	(673)
Other	340	57
Total other expense	3,481	2,227
Income before income taxes	37,472	48,707
Income taxes	14,239	18,509
Net income	\$ 23,233	\$ 30,198
Average common shares outstanding	47,077	47,351
Basic earnings per share	\$.49	\$.64
Diluted shares outstanding	47,277	47,599
Diluted earnings per share	\$.49	\$.63
Dividends declared per share	\$.050	\$.050

WERNER ENTERPRISES, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)	June 30	December 31
	2000	1999
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,700	\$ 15,368
Accounts receivable, net	133,810	127,211
Other receivables	12,166	11,217
Prepaid taxes, licenses and permits	7,027	12,423
Other current assets	25,327	22,608
Total current assets	196,030	188,827
Property and equipment	974,616	970,609
Less - accumulated depreciation	280,240	262,557
Property and equipment, net	694,376	708,052
Other assets	3,000	-
	\$ 893,406	\$ 896,879
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 28,145	\$ 35,686
Short-term debt	-	25,000
Insurance and claims accruals	32,805	32,993
Accrued payroll	14,298	11,846
Other current liabilities	22,548	15,681
Total current liabilities	97,796	121,206
Long-term debt	115,000	120,000
Insurance, claims and other long-term accruals	30,301	30,301
Deferred income taxes	136,408	130,600
Stockholders' equity	513,901	494,772
	\$ 893,406	\$ 896,879

WERNER ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30	
	2000	1999
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 23,233	\$ 30,198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	53,115	48,191
Deferred income taxes	5,808	7,550
Gain on disposal of operating equipment	(3,999)	(5,625)
Equity in loss of unconsolidated affiliate	120	-
Tax benefit from exercise of stock options	65	399
Insurance claims and other long-term accruals	-	500
Changes in certain working capital items:		
Accounts receivable, net	(6,599)	(26,508)
Prepaid expenses and other current assets	1,728	3,114
Accounts payable	(7,541)	(11,076)
Other current liabilities	9,151	16,392
Net cash provided by operating activities	75,081	63,135
Cash flows from investing activities:		
Additions to property and equipment	(81,859)	(133,382)
Proceeds from sales of property and equipment	44,013	35,953
Investment in unconsolidated affiliate	(750)	-
Proceeds from collection of notes receivable	36	-
Net cash used in investing activities	(38,560)	(97,429)
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	-	30,000
Repayments of short-term debt	(25,000)	-
Repayments of long-term debt	(5,000)	-
Dividends on common stock	(2,356)	(2,366)
Repurchases of common stock	(2,135)	-
Stock options exercised	302	1,278
Net cash provided by (used in) financing activities	(34,189)	28,912
Net increase (decrease) in cash and cash equivalents	2,332	(5,382)
Cash and cash equivalents, beginning of period	15,368	15,913
Cash and cash equivalents, end of period	\$ 17,700	\$ 10,531
	=====	
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 4,165	\$ 2,979
Income taxes	\$ 1,797	\$ 3,947
Supplemental schedule of non-cash investing activities:		
Notes receivable issued upon sale of revenue equipment	\$ 2,406	\$ -

WERNER ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Other Assets

Effective June 30, 2000, the Company contributed its non-asset based logistics business to Transplace.com, LLC (TPC), in exchange for an equity interest in TPC of approximately 15%. TPC is a joint venture of six large transportation companies. Accordingly, the Company is accounting for its investment in TPC using the equity method. At June 30, 2000, other assets include a \$750,000 investment in TPC less the Company's 15% equity in loss of unconsolidated affiliate of \$120,000. In July 2000, the Company made an additional investment in TPC of \$4,250,000 which represents the remainder of its initial investment in TPC.

(2) Long-Term Debt

Long-term debt consists of the following (in thousands):

	June 30 2000	December 31 1999
	-----	-----
Notes payable to banks under committed credit facilities	\$ 65,000	\$ 95,000
6.55% Series A Senior Notes, due November 2002	20,000	20,000
6.02% Series B Senior Notes, due November 2002	10,000	10,000
5.52% Series C Senior Notes, due December 2003	20,000	20,000
	-----	-----
	115,000	145,000
Less short-term debt	-	(25,000)
	-----	-----
Long-term debt	\$ 115,000	\$ 120,000
	=====	=====

The notes payable to banks under committed credit facilities bear variable interest (7.1% at June 30, 2000) based on the London Interbank Offered Rate (LIBOR) and mature at various dates from September 2001 to May 2003. The Company has an additional \$45 million of long-term credit facilities with banks which bear variable interest based on LIBOR, on which no borrowings were outstanding at June 30, 2000.

(3) Commitments

As of June 30, 2000, the Company has commitments for capital expenditures of approximately \$99 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report contains forward-looking statements which are based on information currently available to the Company's management. Actual results could differ materially from those anticipated in forward-looking statements as a result of a number of factors, including, but not limited to, those discussed in Item 7, "Management's Discussion and Analysis of Results of Operations and Financial Condition", of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

Financial Condition:

During the six months ended June 30, 2000, the Company generated cash flow from operations of \$75.1 million. The cash flow from operations enabled the Company to make net property additions, primarily revenue equipment, of \$37.8 million, repay \$30.0 million of debt, repurchase common stock of \$2.1 million, and pay common stock dividends of \$2.4 million. Based on the Company's strong financial position, management foresees no significant barriers to obtaining sufficient financing, if necessary, to continue with its growth plans.

The Company's debt to equity ratio at June 30, 2000 was 22.4%, compared with 29.3% at December 31, 1999. The Company's debt to total capitalization ratio (total capitalization equals total debt plus total stockholders' equity) was 18.3% at June 30, 2000 compared to 22.7% at December 31, 1999.

Results of Operations:

The following table sets forth the percentage relationship of income and expense items to operating revenues for the periods indicated.

	Percentage of Operating Revenues			
	Three Months Ended		Six Months Ended	
	June 30 2000	1999	June 30 2000	1999
Operating revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries, wages and benefits	35.0	36.5	35.2	36.8
Fuel	10.4	7.0	10.5	6.4
Supplies and maintenance	8.6	8.1	8.6	8.2
Taxes and licenses	7.2	7.6	7.3	7.9
Insurance and claims	2.7	3.0	2.5	3.4
Depreciation	8.7	9.5	8.9	9.6
Rent and purchased transportation	19.3	16.8	19.4	17.2
Communications and utilities	1.1	1.3	1.2	1.3
Other	(0.3)	(1.2)	(0.6)	(1.0)
Total operating expenses	92.7	88.6	93.2	89.8
Operating income	7.3	11.4	6.8	10.2
Net interest expense and other	0.5	0.5	0.6	0.5
Income before income taxes	6.8	10.9	6.3	9.7
Income taxes	2.6	4.1	2.4	3.7
Net income	4.2%	6.7%	3.9%	6.0%

Three Months Ended June 30, 2000 and 1999

Operating revenues increased 17.9% for the three months ended June 30, 2000, compared to the same period of the prior year, due in part to an 8.5% increase in the average number of tractors in service. Average tractors in service increased from 6,701 in second quarter 1999 to 7,271 in second quarter 2000. During the past quarter, the Company focused its efforts more on obtaining rate increases and improving fuel surcharge reimbursements than on growth. As a result, revenue per mile, excluding fuel surcharges, increased 2.4% and revenue per mile, including fuel surcharges, increased 6.7% compared to second quarter of 1999. Excluding fuel surcharge revenues, trucking revenues increased 11% for the three months ended June 30, 2000 compared to the same period of the prior year. A \$7.8 million increase (61% increase) in revenues from logistics and other non-trucking transportation services also contributed to the overall increase in operating revenues. This increase in revenue was due to an increase in business with existing logistics customers, as well as the startup of new logistics customers. On July 1, 2000, the Company transferred logistics business accounting for approximately \$12 million of operating revenues for the three months ended June 30, 2000, to Transplace.com. See discussion of Transplace.com below.

Operating expenses, expressed as a percentage of operating revenues, were 92.7% for the three months ended June 30, 2000, compared to 88.6% for the three months ended June 30, 1999. The Company's increase in logistics and other non-trucking transportation services, and an increase in owner-operator miles as a percentage of total miles (18.9% in second quarter 2000 compared to 17.9% in second quarter 1999), contributed to a shift in costs to the rent and purchased transportation expense category from several other expense categories, as described on the following pages. Owner-operators are independent contractors who supply their own tractor and driver, and are responsible for their operating expenses including fuel, supplies and maintenance, and fuel taxes.

Werner is one of six large transportation companies that merged their logistics business units into a commonly owned, Internet-based logistics company, Transplace.com. On July 13, 2000, Transplace.com announced that operations commenced as scheduled on July 1, 2000. All six founding carriers completed the conversion of their logistics businesses effective on that date. This transaction was effected by Werner and each of the five other founding carriers contributing their transportation logistics business, related intangible assets, and \$5 million of cash. Therefore, the revenues and expenses for Werner's logistics business will no longer be shown in the Company's income statements as operating revenues and operating expenses (primarily rent and purchased transportation expense), respectively, beginning with third quarter 2000. Werner will account for its approximate 15% investment in Transplace.com using the equity method of accounting. Thus, Werner will accrue its percentage share of the earnings of Transplace.com in its income statement as a non-operating item. Werner's logistics business, which will be transferred to Transplace.com, accounted for approximately 4% of total revenues in second quarter 2000.

Salaries, wages and benefits decreased from 36.5 to 35.0% of revenues due primarily to the increase in logistics and other non-trucking revenues and more owner-operator miles as a percentage of total miles. At times, there have been shortages of drivers in the trucking industry, particularly the medium-to-long haul segment. The Company anticipates that the competition for qualified drivers will continue to be high, and cannot predict whether it will experience shortages in the future. If such a shortage was to occur and increases in driver pay rates became necessary to attract and retain drivers, the Company's results of operations would be negatively impacted to the extent that corresponding freight rate increases were not obtained.

Fuel increased from 7.0% to 10.4% of revenues due mainly to significantly higher average fuel prices during the quarter compared to the same quarter of the prior year. The average cost of fuel, excluding fuel taxes, was 66% higher in second quarter 2000 compared to second quarter 1999. The increase was partially offset by increases in non-trucking revenues and owner-operator miles. The Company's customer fuel surcharge reimbursement programs recovered approximately 80% of the increased fuel cost during second quarter 2000. A portion of the fuel expense increase was not recovered during second quarter 2000 due to several factors, including: the fuel price levels which determine when fuel surcharges are collected, unreimbursed empty miles between freight shipments, unreimbursed out-of-route miles caused in part by driver home time needs, and the unreimbursed costs of truck idling. Management has focused its efforts on improving the amount and percentage of fuel surcharge reimbursement. The Company cannot predict whether higher fuel price levels will continue or the extent to which fuel surcharges could be collected from customers to offset such increases. If fuel prices remain at elevated levels, the Company's operating results for 2000 and beyond will be adversely impacted to the extent the higher costs are not recovered from customers.

Supplies and maintenance increased from 8.1% to 8.6% of revenues primarily due to higher tractor and trailer maintenance costs, partially offset by the increase in logistics and other non-trucking revenues and more owner-operator miles. Taxes and licenses decreased from 7.6% to 7.2% of revenues due in part to the increase in logistics and other non-trucking revenues and more owner-operator miles. Insurance and claims decreased from 3.0% to 2.7% of revenues due to fewer major accidents and more logistics and other non-trucking revenues during the second quarter of 2000 compared to the same quarter last year.

Depreciation decreased from 9.5% to 8.7% of revenues due to increases in non-trucking revenues and owner-operator tractors as a percentage of total tractors and leased tractors. Rent and purchased transportation increased from 16.8% to 19.3% of revenues due primarily to the Company's increase in logistics and other non-trucking transportation services, increase in owner-operator miles as a percentage of total miles, reimbursements to owner-operators for the higher cost of fuel, and rent expense associated with tractors under operating leases. Other operating expenses changed from (1.2)% to (0.3)% of revenues due to a decrease in the number of used trucks sold by the Company and the decrease in the average gain per truck during second quarter 2000 compared to the second quarter 1999. This was due to increased inventories of new and used trucks in the marketplace and other factors that weakened the used truck market. The Company cannot predict whether the current state of the used truck market will continue. If used truck prices remain at current levels, the Company's operating results for 2000 may be adversely impacted in relation to the comparable periods of 1999.

Six Months Ended June 30, 2000 and 1999

Operating revenues increased by 19.3% for the six months ended June 30, 2000, compared to the same period of the previous year, primarily due to a 10.3% increase in the average number of tractors. Revenue per mile, excluding fuel surcharges, increased 2.4% due primarily to rate increases. A \$11.3 million increase in revenues from logistics and other non-trucking transportation services also contributed to the overall increase in operating revenues.

Operating expenses, expressed as a percentage of operating revenues, were 93.2% for the six months ended June 30, 2000, compared to 89.8% for the same period of the previous year. The increase in logistics and other non-trucking transportation services, and an increase in owner-operator miles as a percentage of total miles (19.2% in 2000 compared to 17.4% in 1999), resulted in a shift in costs to the rent and purchased transportation expense category from several other expense categories.

Salaries, wages and benefits decreased from 36.8% to 35.2% of revenues, primarily due to the increase in logistics and other non-trucking transportation revenues and more owner-operator miles as a percentage of total miles. Fuel increased from 6.4% to 10.5% revenues due mainly to higher fuel prices, on average, during the six months ended June 30, 2000, compared to the same period of 1999. Supplies and maintenance increased from 8.2% to 8.6% of revenues due primarily to higher tractor and trailer maintenance costs, partially offset by the increase in logistics and other non-trucking revenues and the increased percentage of owner-operator miles. Taxes and licenses decreased from 7.9% to 7.3% of revenues due primarily to the increase in logistics and other non-trucking revenues. Insurance and claims decreased from 3.4% to 2.5% of revenues due to favorable claims experience, a decreased frequency of property damage and other claims and the increase in logistics and other non-trucking revenues during the six months ended June 30, 2000. Rent and purchased transportation increased from 17.2% to 19.4% of revenues due to the increase in logistics and other non-trucking transportation services and the increase in owner-operator miles as a percentage of total miles. Depreciation decreased from 9.6% to 8.9% of revenues due to the increase in logistics and other non-trucking revenue, more owner-operator tractors as a percentage of total tractors, leased tractors and a decrease in the percentage of open trucks. Other operating expenses changed from (1.0)% to (0.6)% of revenues due to a weaker used truck market during the six months ended June 30, 2000, which reduced the average amount of gain per truck sold and the amount of trucks sold.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in interest rates and commodity prices.

Interest Rate Risk

The Company had \$65 million of variable rate debt at June 30, 2000. The interest rates on the variable rate debt are based on the London Interbank Offered Rate (LIBOR). Assuming this level of borrowings, a hypothetical one-percentage point increase in the LIBOR interest rate would increase the Company's annual interest expense by \$650,000.

Commodity Price Risk

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, and other market factors. Historically, the Company has been able to recover a portion of short-term fuel price increases from customers in the form of fuel surcharges. As of June 30, 2000, the Company has implemented customer fuel surcharges with a majority of its revenue base to offset a portion of the higher fuel cost per gallon. The Company cannot predict whether high fuel price levels will continue in the future or the extent to which fuel surcharges can be collected to offset such increases. As of June 30, 2000, the Company had no derivative financial instruments to reduce its exposure to fuel price fluctuations.

PART II

OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of Werner Enterprises, Inc. was held on May 9, 2000 for the purpose of electing three directors for three-year terms and voting on a proposed amendment to the Company's Stock Option Plan. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, and there was no solicitation in opposition to management's nominees. Each of management's nominees for director as listed in the Proxy Statement was elected. Of the 47,042,035 shares entitled to vote, stockholders representing 45,160,100 shares (96.0%) were present in person or by proxy. The voting tabulation was as follows:

	Shares Voted "FOR"	Shares Voted "ABSTAIN"
	-----	-----
Clarence L. Werner	38,889,688	6,270,412
Irving B. Epstein	41,345,942	3,814,158
Jeffrey G. Doll	42,685,869	2,474,231

The stockholders also approved the amendment to the Stock Option Plan to increase the maximum number of shares that may be optioned or sold under the Plan by 5,000,000 to a total of 8,750,000 shares. The voting tabulation was as follows:

	Shares Voted "FOR"	Shares Voted "AGAINST"	Shares Voted "ABSTAIN"
	-----	-----	-----
Stock Option Plan Amendment	31,981,803	10,530,590	20,594

Item 6. Exhibits and Reports on Form 8-K.**(a) Exhibits**

Exhibit Number -----	Description -----	Incorporated by Reference to -----
2.1	Initial Subscription Agreement of Transplace.com LLC, dated April 19, 2000	Exhibit 2.1 to the Company's report on Form 8-K filed July 17, 2000
2.2	Operating Agreement of Transplace.com LLC, dated April 19, 2000	Exhibit 2.2 to the Company's report on Form 8-K filed July 17, 2000
10	Second Amended and Restated Stock Option Plan	Filed herewith
11	Statement Re: Computation of Per Share Earnings	Filed herewith
27	June 30, 2000 Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K.

(i) A report on Form 8-K, filed April 17, 2000, regarding a news release on April 14, 2000, announcing the Company's operating revenues and earnings for the first quarter ended March 31, 2000.

(ii) A report on Form 8-K, filed May 19, 2000, regarding a news release on May 18, 2000, announcing that higher fuel prices and a weak market for the sale of used trucks are affecting the Company's second quarter 2000 earnings.

SIGNATURES

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 thereunto duly authorized.

WERNER ENTERPRISES, INC.

Date: August 14, 2000

By: /s/ John J. Steele

John J. Steele
Vice President, Treasurer and
Chief Financial Officer

Date: August 14, 2000

By: /s/ James L. Johnson

James L. Johnson
Vice President, Controller and
Corporate Secretary

WERNER ENTERPRISES, INC.

**SECOND AMENDED AND RESTATED
STOCK OPTION PLAN**

1. Purpose. The purpose of the Werner Enterprises, Inc. (the "Company") Stock Option Plan (the "Plan") is to advance the interests of the Company and its shareholders by attracting and retaining those individuals whose skill and initiative enhance the Company's continued success, growth and profitability. This Plan is a nonqualified stock option plan, with stock appreciation rights. This Plan authorizes the grant of nonqualified stock options and stock appreciation rights in order to help attract and retain key employees, by providing them with participatory rights in the future success and growth of the Company, without necessarily requiring a financial outlay by these employees to ensure their participation in the Plan benefits.

2. Definitions. The following words shall have the following meaning:

(a) "Company" shall mean Werner Enterprises, Inc., a Nebraska corporation.

(b) "Board of Directors" shall mean the Board of Directors of the Company.

(c) "Committee" shall mean the Option Committee, which is appointed by the Board of Directors, and which shall be composed of three or more members of the Board of Directors, and none of whom, for one year prior to his or her appointment to the committee, has been granted or awarded any equity security, including any derivative security such as an Option or Stock Appreciation Right, of the Company pursuant to this Plan or any other plan of the Company.

(d) "Common Stock" shall mean the common stock of the Company, par value \$.01 per share.

(e) "Option" shall mean a right to purchase Common Stock, granted pursuant to the Plan.

(f) "Option Price" shall mean the purchase price for Common Stock under an Option, as determined in Section 6 below.

(g) "Plan" shall mean this Werner Enterprises, Inc. Stock Option Plan.

(h) "Participant" shall mean an employee of the Company (or any of its subsidiaries) to whom an Option is granted under the Plan.

(i) "Stock Appreciation Right" shall mean a right to receive cash or stock, granted pursuant to Section 8 below.

3. Stock To Be Optioned. Subject to the provisions of Section 13 of the Plan, the maximum number of shares of Common Stock that may be optioned or sold under the Plan is 8,750,000 (1) shares. Such shares may be treasury, or authorized but unissued, shares of Common Stock of the Company.

4. Administration. The Plan shall be administered by the Committee. Two members of the Committee shall constitute a quorum for the transaction of business. The Committee is granted the authority to determine the recipients of the Options and the Stock Appreciation Rights, the number of shares subject to such Options and the corresponding Stock Appreciation Rights, the date on which these Options and Stock Appreciation Rights are to be granted and are exercisable, whether or not such Options and Stock Appreciation Rights may be exercisable in installments, and any other terms of the Options and Stock Appreciation Rights consistent with the terms of this Plan. Options for no more than 250,000 shares in the aggregate may be granted to one person, and Options may be granted at any time during the Plan's duration. The interpretation and construction of any provision of the Plan by the Committee shall be final, unless otherwise determined by a majority of the entire Board of Directors. No member of the Board of Directors or the Committee shall be liable for any action or determination made by him in good faith.

5. Eligibility. The Committee may grant options to any management employee (including an employee who is a director and/or an officer of the Company and its subsidiaries). Options may be awarded by the Committee at any time and may include or exclude new or previous Participants as the Committee shall determine. Options granted at different times need not contain similar provisions.

6. Option Price. The purchase price of Common Stock under each Option shall be 100 percent of the fair market value of the Common Stock on the date the Option is granted, but in no event less than the par value of the Common Stock. If the Common Stock is traded in a public trading market, the fair market value will be the last reported sales price on the date preceding the date of determination. If there is no active public trading market for the Common Stock, the fair market value shall be determined in good faith by the Committee. In addition, the Plan allows, at the discretion of the Committee, the surrender of an Option and its subsequent regrant. The regranting of the Option may allow for lower-priced shares (as then valued) to be granted or for a lesser number of shares than originally intended to be issued. However, as with the originally issued option shares, the price to the Participant may not be less than the fair market value of the regranting optioned shares, as determined at the time of regrant.

7. Terms and Conditions of Options. Options granted pursuant to this Plan shall comply with and be subject to the following terms and conditions:

(a) Time and Method of Payment. The Option Price shall be paid in full in cash at the time an Option is exercised under the Plan. Exercise of an Option without

(1) This number reflects increases due to stock splits in September 1992, August 1996, and May 1998 and amendment to the Plan approved February 8, 2000, which increased the maximum number of Common Shares that may be optioned or sold by 5,000,000 shares.

concurrent payment in full in cash shall be invalid and of no effect. Upon the exercise of an Option and The payment of the full Option Price, the Participant shall be entitled to the issuance of a stock certificate evidencing his ownership of such Common Stock and, as of that date, the Participant shall have all the rights of a shareholder. No adjustment will be made for dividends or other rights for which the record date is prior to the date the Participant is entitled to the issuance of a stock certificate.

(b) Number of Shares. Each Option shall state the total number of shares of Common Stock to which it pertains. The number of shares to which a Participant is entitled under an Option shall be reduced by the number of Stock Appreciation Rights (described in Section 8 below) related to the Option that have been previously exercised by the Participant.

(c) Option Period and Limitations on Exercise of Options. The Committee may in its discretion provide that an Option may become exercisable only after the expiration of a period of time specified in the Option agreement. Except as provided in the Option agreement, Options shall not be exercisable until the expiration of six months from the date the Option is granted, and any Option may be exercised in whole or in part. No Option may be exercised after the expiration of ten years and one day from the date it is granted. Unless otherwise noted in the Option agreement, no Option may be exercised for a fractional share of Common Stock.

8. Terms and Conditions of Stock Appreciation Rights. The Committee may grant Stock Appreciation Rights at the same time as Participants are awarded Options under the Plan. Such Stock Appreciation Rights shall be evidenced by agreements which shall comply with, and be subject to, the following terms and conditions:

(a) Grant. Each Stock Appreciation Right shall relate to a specific Option under the Plan and shall be awarded to a Participant concurrently with the grant of such Option. The number of Stock Appreciation Rights granted to a Participant may be equal to the number of shares that the Participant is entitled to receive pursuant to the related Option. The number of Stock Appreciation Rights held by a Participant shall be the number of Stock Appreciation Rights granted reduced by:

- (1) the number of Stock Appreciation Rights exercised for Common Stock or cash pursuant to the Stock Appreciation Rights agreement;
- (2) the number of shares of Common Stock purchased by such Participant pursuant to the related Option.

(b) Manner of Exercise. A Participant shall exercise Stock Appreciation Rights by giving written notice of such exercise to the Company. The date on which such written notice is received by the Company shall be the exercise date for the Stock Appreciation Rights.

(c) Appreciation Available. Each Stock Appreciation

Right shall entitle a Participant to the excess of the fair market value of a share of Common Stock on the exercise date over the Option Price of the related Option.

(d) Payment of Appreciation. In the discretion of the Committee, the appreciation available to a Participant from an exercise of Stock Appreciation Rights may be paid to the Participant either in cash or Common Stock. If paid in cash, the amount thereof shall be the amount of appreciation available (see (d) above). If paid in Common Stock, the number of shares that shall be issued pursuant to the exercise of Stock Appreciation Rights shall be determined by dividing the amount of appreciation by the fair market value of a share of Common Stock on the exercise date of the Stock Appreciation Rights; provided, however, that no fractional shares shall be issued upon the exercise of Stock Appreciation Rights.

(e) Limitations Upon Exercise of Stock Appreciation Rights. If a Participant exercises a Stock Appreciation Right for cash, the Option to which the Stock Appreciation Right relates shall expire. Stock Appreciation Rights may be exercised only at such times and by such persons as may exercise Options under the Plan. Adjustment to the number of shares in the Plan and the price per share pursuant to Section 13 below shall also be made to any Stock Appreciation Rights held by each Participant.

9. Termination of Employment. A Participant's Options and Stock Appreciation Rights will immediately terminate and his or her right to exercise Options and Stock Appreciation Rights will immediately terminate upon the involuntary termination by the Company of the Participant's employment with the Company or a subsidiary of the Company. If a Participant's employment with the Company or a subsidiary of the Company is voluntarily terminated by the Participant, the Participant may exercise his or her Options or Stock Appreciation Rights that are otherwise exercisable pursuant to this Plan on the date of such termination for up to and including one hundred and eighty (180) days after such termination of his or her employment, but in no event shall any Option or Stock Appreciation Right be exercisable more than ten years and one day from the date it was granted. The Committee has the right to cancel an Option or Stock Appreciation Right during such 180 day period if the Participant engages in employment or activities contrary, in the opinion of the Committee, to the best interests of the Company. The Committee shall also determine in each case whether a termination of employment (including a termination due to disability) shall be considered voluntary or involuntary. In addition, the Committee shall determine, subject to applicable law, whether a leave of absence or similar circumstance shall constitute a termination of employment and the date upon which a termination resulting therefrom became effective. Any such determination of the Committee shall be final and conclusive, unless overruled by the entire Board of Directors at its next regular or special meeting. A Participant's right to exercise Options or Stock Appreciation Rights after his or her death are governed by Section 10 of this Plan.

10. Rights in Event of Death. If a Participant dies while employed by the Company, or within one hundred and eighty (180) days after having retired or voluntarily terminated his or her employment, and at the time of death had unexercised Options or Stock Appreciation Rights, the executors or administrators, or legatees or heirs, of his estate shall have the right to exercise such Options and Stock Appreciation Rights within one year of the

Participant's death to the extent that such deceased Participant was entitled to exercise the Options and Stock Appreciation Rights on the date of his death; provided, however, that in no event shall the Options or Stock Appreciation Rights be exercisable more than ten years and one day from the date they were granted. As a condition to any such exercise, the Committee may require any such executor, administrator, legatee or heir seeking to exercise such Options or Stock Appreciation Rights to provide evidence satisfactory to the Committee, in its sole discretion, of his or her authority to exercise such Options or Stock Appreciation Rights on behalf of the Participant's estate.

11. No Obligation To Exercise Option of Stock Appreciation Rights. The granting of an Option or Stock Appreciation Rights shall impose no obligation upon the Participant to exercise such Option or Stock Appreciation Rights.

12. Nonassignability. Options and Stock Appreciation Rights shall not be transferable other than by will or by the laws of descent and distribution and during a Participant's lifetime shall be exercisable only by such Participant.

13. Effect of Change in Stock Subject to the Plan. The aggregate number of shares of Common Stock available for Options under the Plan, the shares subject to any Option, the price per share, and the number of related Stock Appreciation Rights shall all be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock subsequent to the effective date of the Plan resulting from (1) a subdivision or consolidation of shares or any other capital adjustment, (2) the payment of a stock dividend or (3) other increase or decrease in such shares effected without receipt of consideration by the Company. If the Company shall be the surviving corporation in any merger or consolidation, any Option or Stock Appreciation Rights shall pertain, apply and relate to the securities to which a holder of the number of shares of Common Stock subject to the Option would have been entitled after the merger or consolidation. Upon dissolution or liquidation of the Company, or upon a merger or consolidation in which the Company is not the surviving corporation, all outstanding Options and Stock Appreciation Rights under the Plan shall terminate; provided, however, that each Participant shall have the right, immediately prior to such dissolution or liquidation, or such merger or consolidation, to exercise such Options and Stock Appreciation Rights in whole or in part, but only those Options and Stock Appreciation Rights exercisable on the date of the dissolution, liquidation, merger or consolidation.

14. Amendment The Board of Directors, by resolution, may terminate, amend or revise the Plan with respect to any shares as to which Options have not been granted. Neither the Board of Directors nor the Committee may, without the consent of the holder of an Option, alter or impair any Options or Stock Appreciation Rights previously granted pursuant to the Plan, except as authorized herein.

15. Agreement and Representation of Employees. As a condition to the exercise of a portion of any Options or Stock Appreciation Rights, the Company may require the person exercising such Options or Stock Appreciation Rights to represent and warrant at the time of such exercise that any shares of Common Stock acquired by exercise are being acquired only for investment and without any present intention to sell or distribute such shares, if, in the opinion of counsel for the Company, such a representation is required under the Securities

Act of 1933 or any other applicable law, regulation or rule of any governmental agency.

16. Reservation of Shares of Common Stock. The Company, during the term of the Plan, will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan. The inability of the Company to obtain from any regulatory body having jurisdiction the authority deemed necessary by legal counsel for the Company for the lawful issuance and sale of its Common Stock hereunder shall relieve the Company of any liability in respect of the failure to issue or sell Common Stock as to which the requisite authority has not been obtained.

17. Effective Date of Plan. The Plan shall be effective as of June 9, 1987.

18. Termination Date of Plan. This Plan may be terminated by the Board of Directors, in its sole discretion, and no Options or Stock Appreciation Rights shall be granted pursuant to this Plan after such termination. Termination of this Plan shall not affect any Options or Stock Appreciation Rights granted during the term of this Plan.

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

(in thousands, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net income	\$ 12,915	\$ 17,576	\$ 23,233	\$ 30,198
Average common shares outstanding	47,061	47,374	47,077	47,351
Common stock equivalents (1)	243	253	200	248
Diluted shares outstanding	47,304	47,627	47,277	47,599
Basic earnings per share	\$.27	\$.37	\$.49	\$.64
Diluted earnings per share	\$.27	\$.37	\$.49	\$.63

(1) Common stock equivalents represent the dilutive effect of outstanding stock options for all periods presented.

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	JUN 30 2000
CASH	17,700
SECURITIES	0
RECEIVABLES	133,810
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	196,030
PP&E	974,616
DEPRECIATION	280,240
TOTAL ASSETS	893,406
CURRENT LIABILITIES	97,796
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	483
OTHER SE	513,418
TOTAL LIABILITY AND EQUITY	893,406
SALES	598,621
TOTAL REVENUES	598,621
CGS	0
TOTAL COSTS	557,668
OTHER EXPENSES	(732)
LOSS PROVISION	0
INTEREST EXPENSE	4,213
INCOME PRETAX	37,472
INCOME TAX	14,239
INCOME CONTINUING	23,233
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	23,233
EPS BASIC	.49
EPS DILUTED	.49

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