

SCS TRANSPORTATION INC

Form DEF 14A

March 10, 2006

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

SCS Transportation, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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3) Filing Party:

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held April 20, 2006**

To Our Shareholders:

We cordially invite you to attend the 2006 annual meeting of shareholders of SCS Transportation, Inc. The meeting will take place at the Marriott Country Club Plaza, 4445 Main Street, Kansas City, MO 64111 on April 20, 2006, at 10:00 a.m. local time. We look forward to your attendance either in person or by proxy.

The purpose of the meeting is to:

1. Elect three directors, each for a term of three years;
2. Ratify the appointment of KPMG LLP as SCS Transportation's independent auditors for fiscal year 2006; and
3. Transact any other business that may properly come before the meeting and any postponement or adjournment of the meeting.

Only shareholders of record at the close of business on February 21, 2006 may vote at the meeting or any postponements or adjournments of the meeting.

By order of the Board of Directors,

James J. Bellinghausen  
Secretary  
March 10, 2006

**Please complete, date, sign and return the accompanying proxy card or vote electronically via the Internet or by telephone. The enclosed return envelope requires no additional postage if mailed in either the United States or Canada.**

**If you are a registered shareholder, you may elect to have next year's proxy statement and annual report made available to you via the Internet. We strongly encourage you to enroll in this service. It is a cost-effective way for us to send you proxy materials and annual reports.**

**Your vote is very important. Please vote whether or not you plan to attend the meeting.**

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**SCS Transportation, Inc.  
4435 Main Street, Suite 930  
Kansas City, MO 64111**

## **2006 PROXY STATEMENT**

The Board of Directors of SCS Transportation, Inc. ( SCS Transportation or the Company ) is furnishing you this proxy statement in connection with the solicitation of proxies on its behalf for the 2006 annual meeting of shareholders. The meeting will take place at the Marriott Country Club Plaza, 4445 Main Street, Kansas City, MO 64111 on April 20, 2006, at 10:00 a.m. local time. At the meeting, shareholders will vote on the election of three directors, the ratification of the appointment of KPMG LLP as SCS Transportation s independent auditors for fiscal year 2006, and will transact any other business that may properly come before the meeting although we know of no other business to be presented.

By submitting your proxy (either by signing and returning the enclosed proxy card or by voting electronically on the Internet or by telephone), you authorize Douglas W. Rockel, a director of SCS Transportation, John J. Holland, a director of SCS Transportation, and James J. Bellinghausen, SCS Transportation s Vice President Finance, Chief Financial Officer and Secretary, to represent you and vote your shares at the meeting in accordance with your instructions. They also may vote your shares to adjourn the meeting and will be authorized to vote your shares at any postponements or adjournments of the meeting.

SCS Transportation s Annual Report to Shareholders for the fiscal year ended December 31, 2005, which includes SCS Transportation s audited annual financial statements, accompanies this proxy statement. Although the Annual Report is being distributed with this proxy statement, it does not constitute a part of the proxy solicitation materials and is not incorporated by reference into this proxy statement.

We are first sending this proxy statement, form of proxy and accompanying materials to shareholders on or about March 10, 2006.

***YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY SUBMIT YOUR PROXY EITHER IN THE ENCLOSED ENVELOPE, VIA THE INTERNET OR BY TELEPHONE.***

### **INFORMATION ABOUT THE ANNUAL MEETING**

#### **What is the purpose of the annual meeting?**

At the annual meeting, the shareholders will be asked to:

1. Elect three directors, each for a term of three years; and
2. Ratify the appointment of KPMG LLP as SCS Transportation s independent auditors for fiscal year 2006.

Shareholders also will transact any other business that may properly come before the meeting. Members of SCS Transportation s management team and a representative of KPMG LLP, SCS Transportation s independent auditors, will be present at the meeting to respond to appropriate questions from shareholders.

#### **Who is entitled to vote?**

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The record date for the meeting is February 21, 2006. Only shareholders of record at the close of business on that date are entitled to vote at the meeting. The only class of stock entitled to be voted at the meeting is SCS Transportation's common stock. Each outstanding share of common stock is entitled to one vote for all matters before the meeting. At the close of business on the record date there were 14,632,162 shares of SCS Transportation common stock outstanding.

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**Am I entitled to vote if my shares are held in street name ?**

If your shares are held by a bank or brokerage firm, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, these proxy materials are being forwarded to you by your bank or brokerage firm (the record holder), along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given.

As the beneficial owner of shares, you are invited to attend the annual meeting. If you are a beneficial owner, however, you may not vote your shares in person at the meeting unless you obtain a proxy form from the record holder of your shares.

**How many shares must be present to hold the meeting?**

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

**What if a quorum is not present at the meeting?**

If a quorum is not present at the scheduled time of the meeting, the shareholders who are represented may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

**How do I vote?**

1. *You May Vote by Mail.* If you properly complete and sign the accompanying proxy card and return it in the enclosed envelope, it will be voted in accordance with your instructions. The enclosed envelope requires no additional postage if mailed in either the United States or Canada.

2. *You May Vote by Telephone or on the Internet.* If you are a registered shareholder (that is, if you hold your stock directly and not in street name), you may vote by telephone or on the Internet by following the instructions included on the proxy card. If you vote by telephone or on the Internet, you do not have to mail in your proxy card. Internet and telephone voting are available 24 hours a day. Votes submitted through the Internet or by telephone must be received by 11:59 p.m. Eastern time on April 19, 2006.

If your shares are held in street name, you still may be able to vote your shares electronically by telephone or on the Internet. A large number of banks and brokerage firms participate in a program provided through ADP Investor Communications Services that offers telephone and Internet voting options. If your shares are held in an account at a bank or brokerage firm that participates in the ADP program, you may vote those shares electronically by telephone or on the Internet by following the instructions set forth on the voting form provided to you.

**NOTE: If you are a registered shareholder, you may elect to have next year's proxy statement and annual report made available to you via the Internet. We strongly encourage you to enroll in this service. It is a cost-effective way for us to send you proxy materials and annual reports.**

3. *You May Vote in Person at the Meeting.* If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. Additionally, we will pass out written ballots to registered shareholders who wish to vote in person at the meeting. Beneficial owners of shares held in street name who wish to vote at the meeting will need to obtain a proxy form from their record holder.

**Can I change my vote after I submit my proxy?**

Yes, you may revoke your proxy and change your vote:

by signing another proxy with a later date;

by voting by telephone or on the Internet (your latest telephone or Internet vote is counted); or

if you are a registered shareholder, by giving written notice of such revocation to the Secretary of SCS Transportation prior to or at the meeting or by voting in person at the meeting.

Your attendance at the meeting itself will not revoke your proxy unless you give written notice of revocation to the Secretary before your proxy is voted or you vote in person at the meeting.

**Who will count the votes?**

ADP Investor Communication Services will tabulate and certify the votes. A representative of ADP Investor Communication Services will serve as an inspector of election.

**How does the Board of Directors recommend I vote on the proposals?**

Your Board recommends that you vote:

FOR the election of the three nominees to the Board of Directors; and

FOR the ratification of KPMG LLP as SCS Transportation's independent auditors.

**What if I do not specify how my shares are to be voted?**

If you submit a proxy but do not indicate any voting instructions, your shares will be voted:

FOR the election of the three nominees to the Board of Directors; and

FOR the ratification of KPMG LLP as SCS Transportation's independent auditors.

**Will any other business be conducted at the meeting?**

We know of no other business that will be presented at the meeting. If any other matter properly comes before the shareholders for a vote at the meeting, however, the proxy holders will vote your shares in accordance with their best judgment.

**How many votes are required to elect the director nominees?**

The affirmative vote of a majority of the votes cast at the meeting is required to elect the three nominees as directors. This means that the three nominees will be elected if they receive the affirmative vote of a majority of shares present at the meeting in person or by proxy and entitled to vote. If you vote "Withheld" with respect to one or more nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for purposes of determining whether there is a quorum.



**What happens if a nominee is unable to stand for election?**

If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority.

**How many votes are required to ratify the appointment of SCS Transportation's independent auditors?**

The ratification of the appointment of KPMG LLP as SCS Transportation's independent auditors requires the affirmative vote of a majority of the shares present at the meeting in person or by proxy and entitled to vote.

**How will abstentions be treated?**

Abstentions will be treated as shares present for quorum purposes and entitled to vote, so they will have the same practical effect as votes against a proposal.

**How will broker non-votes be treated?**

Broker non-votes will be treated as shares present for quorum purposes, but not entitled to vote, so they will not affect the outcome of any proposal.

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

**Current Nominees**

The Board of Directors currently consists of eight directors divided into three classes (Class I, Class II and Class III). Directors in each class are elected to serve for three-year terms that expire in successive years. The terms of the Class I directors will expire at the upcoming annual meeting. The Board of Directors has nominated Herbert A. Trucksess, III, James A. Olson and Jeffrey C. Ward for election as Class I directors for three-year terms expiring at the annual meeting of shareholders to be held in 2009 and until their successors are elected and qualified. Mr. Trucksess, Mr. Olson and Mr. Ward currently serve as Class I directors. Mr. Ward was elected to the Board in connection with a settlement agreement between the Company and the Ramius Group (as hereinafter defined) dated March 2, 2006. Pursuant to the settlement agreement, the Company agreed to nominate Mr. Ward for election at the 2006 annual meeting, and to solicit proxies for his election. The Ramius Group agreed to vote for each of the nominees for election to the Board at the 2006 annual meeting.

Each nominee has consented to being named in this proxy statement and has agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority.

The affirmative vote of a majority of the votes cast at the meeting is required to elect the three nominees as directors. This means that the three nominees will be elected if they receive the affirmative vote of a majority of shares present at the meeting in person or by proxy and entitled to vote.

**YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE THREE NOMINEES.**

The following table sets forth, with respect to each nominee, the nominee's name, age, principal occupation and employment during the past five years, the year in which the nominee first became a director of SCS Transportation and directorships held in other public companies.

**NOMINEES FOR ELECTION AS  
CLASS I DIRECTORS FOR A THREE-YEAR  
TERM EXPIRING AT THE 2009 ANNUAL MEETING**

<b>Director, Year First Elected as Director</b>	<b>Age</b>	<b>Principal Occupation, Business and Directorships</b>
Herbert A. Trucksess, III, 2000	56	Mr. Trucksess is Chairman of the Board of Directors, President and Chief Executive Officer of SCS Transportation. He was named President and Chief Executive Officer of the Yellow Regional Transportation Group (now SCS Transportation, Inc.) in February 2000.
James A. Olson, 2002	63	Mr. Olson is the Chief Financial Officer of Plaza Belmont LLC, a private equity fund. He retired in March 1999 from Ernst & Young LLP after 32 years. Mr. Olson is a member of the Board of Trustees of Entertainment Properties Trust, a publicly-traded real estate investment trust, and a director of American Century Mutual Funds.
Jeffrey C. Ward, 2006	47	Mr. Ward is a Vice President at A.T. Kearney, Inc., a global management consulting firm, where he is responsible for consulting assignments with a focus on the North American freight market. Mr. Ward joined A.T. Kearney, Inc. in 1991.

**Continuing Directors**

The terms of SCS Transportation's two Class II directors expire at the annual meeting of shareholders to be held in 2007. The terms of SCS Transportation's three Class III directors expire at the annual meeting of shareholders to be held in 2008. The following tables set forth, with respect to each Class II and Class III director, his or her name, age, principal occupation and employment during the past five years, the year in which he or she first became a director of SCS Transportation and directorships held in other public companies.

**CLASS II DIRECTORS CONTINUING IN OFFICE  
WHOSE TERMS EXPIRE AT THE 2007 ANNUAL MEETING**

<b>Director, Year First Elected as Director</b>	<b>Age</b>	<b>Principal Occupation, Business and Directorships</b>
John J. Holland, 2002	56	Mr. Holland was the President and Chief Executive Officer and a director of Butler Manufacturing Company, a publicly-traded manufacturer of prefabricated buildings, from July 1999 and Chairman of the Board of Directors of Butler from November 2001 to October 2004. Prior to that he held various other positions at Butler. Mr. Holland is a

Douglas W. Rockel, 2002

- member of the Board of Directors of Cooper Tire and Rubber Company.
- 49 Mr. Rockel has been President, Chief Executive Officer and Chairman of the Board of Directors of Roots, Inc., a private commercial real estate development and investment company since August 2001. Prior to that he was a Senior Vice President with ABN Amro Securities (formerly ING Barings) from February 1997 to July 2001.

**CLASS III DIRECTORS CONTINUING IN OFFICE  
WHOSE TERMS EXPIRE AT THE 2008 ANNUAL MEETING**

<b>Director, Year First Elected as Director</b>	<b>Age</b>	<b>Principal Occupation, Business and Directorships</b>
Linda J. French, 2004	58	Ms. French is retired from her position as assistant professor of business administration at William Jewell College in Liberty, Missouri, where she served from 1997 to August 2001. Prior to joining the William Jewell faculty, Ms. French was a partner at the law firm of Blackwell Sanders Peper Martin and an executive officer of Payless Cashways, Inc.
William F. Martin, Jr., 2004	58	Mr. Martin retired from Yellow Corporation, the former parent company of SCS Transportation, Inc., now known as YRC Worldwide Inc., in 2002, after 25 years of service. He had been senior vice president of legal, general counsel and corporate secretary.
Bjorn E. Olsson, 2005	60	Mr. Olsson served on the Resident Management Team at George K. Baum & Company, an investment bank, from September 2001 to September 2004. Prior to that time Mr. Olsson was President and Chief Executive Officer/Chief Operating Officer of Harmon Industries, Inc., a publicly-traded supplier of signal and train control systems to the transportation industry, from August 1990 to November 2000.

**CORPORATE GOVERNANCE**

**THE BOARD, BOARD MEETINGS AND COMMITTEES**

The system of governance practices followed by the Company is memorialized in the charters of the three standing committees of the Board of Directors (the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee) and in the Company's Corporate Governance Guidelines. The charters and Corporate Governance Guidelines are intended to provide the Board with the necessary authority and practices to review and evaluate the Company's business and to make decisions independent of the influence of the Company's management. The Corporate Governance Guidelines establish guidelines for the Board with respect to Board meetings, Board composition and selection, director responsibility, director access to management and independent advisors, and non-employee director compensation.

The Corporate Governance Guidelines and committee charters are reviewed periodically and updated as necessary to reflect evolving governance practices and changes in regulatory requirements. The Corporate Governance Guidelines are reviewed annually and were most recently modified by the Board effective December 7, 2005. The Audit Committee charter, included as Exhibit A, was most recently modified by the Board in July 2005. We have also adopted a code of business conduct and ethics for our executive officers. The Corporate Governance Guidelines, the code of business conduct and ethics and each of the Board's committee charters are available free of charge on the Company's website ([www.scstransportation.com](http://www.scstransportation.com)).

**Lead Independent Director**

The Board of Directors includes a Lead Independent Director.

The Lead Independent Director is elected annually by the non-employee directors. Douglas W. Rockel has served as the Lead Independent Director since 2004. The primary responsibilities of the Lead Independent Director are to:

set jointly with the Chairman of the Board the schedule for Board meetings and provide input to the Chairman concerning the agenda for Board meetings;

advise the Chairman as to the quality, quantity and timeliness of the flow of information to the non-employee directors;

coordinate, develop the agenda for, chair and moderate meetings of non-employee directors, and generally act as principal liaison between the non-employee directors and the Chairman;

provide input to the Compensation Committee concerning the Chief Executive Officer's performance; and

provide input to the Nominating and Governance Committee regarding the appointment of chairs and members of the various committees.

### **Meetings**

The Board of Directors held ten meetings in 2005. Each director attended at least 75 percent of the meetings convened by the Board and the applicable committees during such director's service on the Board.

Executive sessions of non-employee directors are held as part of each regularly scheduled meeting of the Board. The sessions are chaired by the Lead Independent Director. Any non-employee director can request that an additional executive session be scheduled.

### **Committees**

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Current Committee memberships are as follows:

<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Governance Committee</b>
James A. Olson, Chairman John J. Holland Bjorn E. Olsson	Linda J. French, Chairperson Bjorn E. Olsson Douglas W. Rockel	John J. Holland, Chairman Linda J. French Douglas W. Rockel

#### **Audit Committee**

The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee held seven meetings in 2005. The functions of the Audit Committee are described in the Audit Committee charter and include the following:

review the adequacy and quality of SCS Transportation's accounting and internal control systems;

review SCS Transportation's financial reporting process on behalf of the Board of Directors;

oversee the entire audit function, both internal and independent, including the selection of the independent auditors;

review and assess SCS Transportation's compliance with legal requirements and codes of conduct; and

provide an effective communication link between the auditors (internal and independent) and the Board of Directors.

Each member of the Audit Committee meets the independence and experience requirements for audit committee members as established by The Nasdaq Stock Market. The Board of Directors has determined that Mr. Olson, Mr. Holland, and Mr. Olsson are audit committee financial experts, as defined by applicable rules of the Securities and Exchange Commission.

**Compensation Committee**

The Compensation Committee, which held four meetings in 2005, performs the following functions:

determines the salaries, bonuses, perquisites and other remuneration and terms and conditions of employment of the executive officers of SCS Transportation;



supervises the administration of SCS Transportation's incentive compensation and equity-based compensation plans; and

makes recommendations to the Board of Directors with respect to SCS Transportation's compensation policies.

Each member of the Compensation Committee meets the definition of an independent director as established by The Nasdaq Stock Market.

### **Nominating and Governance Committee**

The Nominating and Governance Committee held four meetings in 2005. The functions of the Nominating and Governance Committee are described in the Nominating and Governance Committee charter and include the following:

review the size and composition of the Board and make recommendations to the Board as appropriate;

review criteria for election to the Board and recommend candidates for Board membership;

review the structure and composition of Board committees and make recommendations to the Board as appropriate; and

develop and oversee an annual self-evaluation process for the Board and its committees.

Each member of the Nominating and Governance Committee meets the definition of an independent director as established by The Nasdaq Stock Market.

## **DIRECTORS' COMPENSATION**

Non-employee (outside) directors receive:

An annual retainer of \$20,000 (Chairpersons of the Nominating and Governance Committee and the Compensation Committee receive an additional annual fee of \$5,000, the chairperson of the Audit Committee receives an additional annual fee of \$10,000, and the Lead Independent Director receives an additional annual fee of \$10,000);

\$1,500 for each Board meeting attended in person and \$750 for participation in each telephonic Board meeting; and

\$1,000 for each committee meeting attended in person and \$500 for participation in each telephonic committee meeting.

Non-employee directors are reimbursed for travel and other out-of-pocket incidental expenses related to meetings, and for spousal travel to certain meetings. Pursuant to the Amended and Restated SCS Transportation, Inc. 2003 Omnibus Incentive Plan, at least 50 percent of the annual retainer for each non-employee director and at least 50 percent of the annual fee paid to each Committee chairperson and Lead Independent Director is paid in SCS Transportation common stock, rather than cash, with the value of such stock based on the fair market value of SCS Transportation common stock at the date of the award. In addition, pursuant to the Amended and Restated SCS Transportation, Inc. 2003 Omnibus Incentive Plan, non-employee directors receive an annual award of shares of the Company's common stock

not to exceed 3,000 shares, with the actual number of shares determined annually by the Compensation Committee with the award made on the third business day following the annual meeting of shareholders. In 2005, each non-employee director received an award of 1,200 shares. The Compensation Committee has determined that each non-employee director will receive an award of 1,010 shares in 2006. Mr. Ward received an award of 215 shares upon joining the Board in March 2006.

Under the Directors' Deferred Fee Plan, non-employee directors may defer all or a portion of annual fees earned, which deferrals are converted into units equivalent to the value of Company common stock. Upon the directors' termination, death or disability, accumulated deferrals are distributed in the form of Company common stock.

The Board of Directors has adopted a guideline for stock ownership for non-employee directors that provides that each non-employee director retain so long as they serve on the Board any annual fees paid in stock and shall retain in stock all after-tax proceeds from the exercise of any stock options. In addition, directors are to retain any stock otherwise acquired so long as they serve on the Board. The Board believes significant stock ownership by non-employee directors further aligns their interests with the interests of SCS Transportation's shareholders.

## **CONSIDERATION OF DIRECTOR NOMINEES**

### **Director Qualifications**

The Corporate Governance Guidelines include director qualification standards, which provide as follows:

A majority of the members of the Board of Directors must qualify as independent directors in accordance with the rules of The Nasdaq Stock Market;

No member of the Board of Directors should serve on the Board of Directors of more than three other public companies;

No person may stand for election as a director of the Company after reaching age 70; and

No director shall serve as a director, officer or employee of a competitor of the Company.

While the selection of qualified directors is a complex, subjective process that requires consideration of many intangible factors, the Corporate Governance Guidelines provide that directors and candidates for director generally should, at a minimum, meet the following criteria:

Directors and candidates should have high personal and professional ethics, integrity, values and character and be committed to representing the interests of the Company and its shareholders;

Directors and candidates should have experience and a successful track record at senior policy-making levels in business, government, technology, accounting, law and/or administration;

Directors and candidates should have sufficient time to devote to the affairs of the Company and to enhance their knowledge of the Company's business, operations and industry; and

Directors and candidates should have expertise or a breadth of knowledge about issues affecting the Company that is useful to the Company and complementary to the background and experience of other Board members.

### **Procedures for Recommendations and Nominations by Shareholders**

The Nominating and Governance Committee has adopted policies concerning the process for the consideration of director candidates by shareholders. The Nominating and Governance Committee will consider director candidates submitted by shareholders of SCS Transportation. Any shareholder wishing to submit a candidate for consideration should send the following information to the Secretary of the Company, SCS Transportation, Inc., 4435 Main Street, Suite 930, Kansas City, MO 64111:

The name and address of the shareholder submitting the candidate as it appears on the Company's books; the number and class of shares owned beneficially and of record by such shareholder and the length of period held; and proof of ownership of such shares;

Name, age and address of the candidate;

A detailed resume describing, among other things, the candidate's educational background, occupation, employment history, and material outside commitments (e.g., memberships on other boards and committees, charitable foundations, etc.);

Any information relating to such candidate that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to the Securities Exchange Act of 1934 and rules adopted thereunder;

A description of any arrangements or understandings between the recommending shareholder and such candidate;

A supporting statement which describes the candidate's reasons for seeking election to the Board of Directors, and documents his or her ability to satisfy the director qualifications described in SCS Transportation's Corporate Governance Guidelines; and

A signed statement from the candidate, confirming his or her willingness to serve on the Board of Directors.

The Secretary of SCS Transportation will promptly forward such materials to the Nominating and Governance Committee Chair and the Chairman of the Board of SCS Transportation. The Secretary will also maintain copies of such materials for future reference by the Committee when filling Board positions.

If a vacancy arises or the Board decides to expand its membership, the Nominating and Governance Committee will seek recommendations of potential candidates from a variety of sources (including incumbent directors, shareholders, the Corporation's management and third party search firms). At that time, the Nominating and Governance Committee also will consider potential candidates submitted by shareholders in accordance with the procedures described above. The Nominating and Governance Committee then evaluates each potential candidate's educational background, employment history, outside commitments and other relevant factors to determine whether he or she is potentially qualified to serve on the Board. The Committee seeks to identify and recruit the best available candidates, and it intends to evaluate qualified shareholder candidates on the same basis as those submitted by other sources.

After completing this process, the Nominating and Governance Committee will determine whether one or more candidates are sufficiently qualified to warrant further investigation. If the process yields one or more desirable candidates, the Committee will rank them by order of preference, depending on their respective qualifications and SCS Transportation's needs. The Nominating and Governance Committee Chair, or another director designated by the Nominating and Governance Committee Chair, will then contact the desired candidate(s) to evaluate their potential interest and to set up interviews with the full Committee. All such interviews are held in person, and include only the candidate and the Nominating and Governance Committee members. Based upon interview results, the candidate's qualifications and appropriate background checks, the Nominating and Governance Committee then decides whether it will recommend the candidate's nomination to the full Board.

Separate procedures apply if a shareholder wishes to submit a director candidate at the Company's annual meeting that is not approved by the Nominating and Governance Committee or the Board of Directors. Pursuant to Section 2.07(a) of the Amended and Restated By-Laws of the Company, for nominations to be properly brought before an annual meeting pursuant to clause (C) of paragraph (a)(i) of Section 2.07 of the By-Laws, the shareholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a shareholder's notice must be delivered or mailed to and received at the principal executive offices of the Company not later than the close of business on the 90th calendar day nor earlier than the 120th calendar day prior to the anniversary date of the first mailing of the Company's proxy statement for the immediately preceding year's annual meeting. Such shareholder's notice shall set forth the following items:

As to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of

directors in an election contest, or is otherwise required, in each case pursuant to the Securities Exchange Act of 1934 and the rules promulgated thereunder;

As to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made:

The name and address of such shareholder and of such beneficial owner as they appear on the Company's books;

The class and number of shares of the Company which are owned beneficially and of record by such shareholder and such beneficial owner;

A representation that the shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination; and

A representation whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends to (i) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to elect the nominee and/or (ii) otherwise solicit proxies from shareholders in support of such nomination.

The foregoing summary is qualified in its entirety by reference to the Company's By-Laws, which have been filed with the Securities and Exchange Commission and copies of which are available from the Company.

### **SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Board of Directors has adopted the following procedures for shareholders to send communications to the Board or individual directors of the Company:

Shareholders seeking to communicate with the Board of Directors should submit their written comments to the Secretary of the Company, SCS Transportation, Inc., 4435 Main Street, Suite 930, Kansas City, MO 64111. The Secretary of the Company will forward all such communications (excluding routine advertisements and business solicitations and communications which the Secretary of the Company, in his or her sole discretion, deems to be a security risk or for harassment purposes) to each member of the Board of Directors, or if applicable, to the individual director(s) named in the correspondence. Subject to the following, the Chairman of the Board and the Lead Independent Director will receive copies of all shareholder communications, including those addressed to individual directors, unless such communications address allegations of misconduct or mismanagement on the part of the Chairman. In such event, the Secretary of the Company will first consult with and receive the approval of the Lead Independent Director before disclosing or otherwise discussing the communication with the Chairman.

The Company reserves the right to screen materials sent to its directors for potential security risks and/or harassment purposes, and the Company also reserves the right to verify ownership status before forwarding shareholder communications to the Board of Directors.

The Secretary of the Company will determine the appropriate timing for forwarding shareholder communications to the directors. The Secretary will consider each communication to determine whether it should be forwarded promptly or compiled and sent with other communications and other Board materials in advance of the next scheduled Board meeting.

Shareholders also have an opportunity to communicate with the Board of Directors at the Company's annual meeting of shareholders. The Company's Corporate Governance Guidelines provide that absent unusual circumstances, directors are expected to attend all annual meetings of shareholders. In attendance at the Company's 2005 annual meeting of shareholders were Herbert A. Trucksess, III, Linda J. French, John J. Holland, William F. Martin, Jr., James A. Olson and Douglas W. Rockel.





**STOCK OWNERSHIP****Directors and Executive Officers**

The following table sets forth the amount of SCS Transportation's common stock beneficially owned by each director, each executive officer named in the Summary Compensation Table on page 18 and all directors and executive officers as a group, as of January 31, 2006. Unless otherwise indicated, beneficial ownership is direct and the person indicated has sole voting and investment power.

Name of Beneficial Owner	Common Stock Beneficially Owned			Percent of Class(3)	Share Units Held Under Deferral Plans(4)
	Shares Beneficially Owned(1)	Rights to Acquire Beneficial Ownership(2)	Total		
Herbert A. Trucksess, III	200,606	366,658	567,264	3.81%	
Linda J. French	800		800	*	1,983
John J. Holland	1,079	12,500	13,579	*	3,607
William F. Martin, Jr.	200		200	*	1,826
James A. Olson	1,037	12,500	13,537	*	4,132
Bjorn E. Olsson				*	2,139
Douglas W. Rockel	2,075	12,500	14,575	*	4,132
Richard D. O Dell		93,082	93,082	*	30,239
David H. Gorman		9,350	9,350	*	
James J. Bellinghausen	10,110	32,266	42,376	*	3,824
David J. Letke	2,550	5,570	8,120	*	