

PAM TRANSPORTATION SERVICES INC  
Form 10-Q  
November 08, 2011

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-15057

P.A.M. TRANSPORTATION SERVICES, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

71-0633135  
(I.R.S. Employer Identification  
no.)

297 West Henri De Tonti, Tontitown, Arkansas 72770  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (479) 361-9111

N/A

(Former name, former address and former fiscal year, if changed  
since last report)

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 the filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting  
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

| Class                         | Outstanding at October 20, 2011 |
|-------------------------------|---------------------------------|
| Common Stock, \$.01 Par Value | 8,918,607                       |

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P.A.M. TRANSPORTATION SERVICES, INC.  
Form 10-Q  
For The Quarter Ended September 30, 2011  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(unaudited)

(in thousands, except share and per share data)

|   | September<br>30,<br>2011 | December<br>31,<br>2010 |
|---|--------------------------|-------------------------|
| <b>ASSETS</b>   |                          |                         |
| Current assets:   |                          |                         |
| Cash and cash equivalents   | \$833                    | \$13,774                |
| Accounts receivable-net:  |                          |                         |
| Trade   | 51,008                   | 48,193                  |
| Other   | 2,419                    | 3,607                   |
| Inventories   | 1,106                    | 832                     |
| Prepaid expenses and deposits   | 8,820                    | 9,518                   |
| Marketable equity securities  | 17,782                   | 18,273                  |
| Income taxes refundable   | 291                      | 2,356                   |
| Total current assets  | 82,259                   | 96,553                  |
| Property and equipment:   |                          |                         |
| Land  | 4,924                    | 4,924                   |
| Structures and improvements   | 13,913                   | 13,667                  |
| Revenue equipment   | 299,069                  | 284,196                 |
| Office furniture and equipment  | 8,841                    | 8,298                   |
| Total property and equipment  | 326,747                  | 311,085                 |
| Accumulated depreciation  | (157,027 )               | (145,708 )              |
| Net property and equipment  | 169,720                  | 165,377                 |
| Other assets  | 2,410                    | 2,410                   |
| <b>TOTAL ASSETS</b>   | <b>\$254,389</b>         | <b>\$264,340</b>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                 |                          |                         |
| Current liabilities:  |                          |                         |
| Accounts payable  | \$29,185                 | \$17,092                |
| Accrued expenses and other liabilities                                      | 12,078                   | 9,497                   |
| Current maturities of long-term debt  | 14,577                   | 23,410                  |
| Deferred income taxes-current   | 491                      | 1,146                   |
| Total current liabilities   | 56,331                   | 51,145                  |
| Long-term debt-less current portion   | 14,028                   | 17,201                  |
| Deferred income taxes-less current portion                                  | 46,020                   | 48,046                  |
| Total liabilities   | 116,379                  | 116,392                 |
| <b>SHAREHOLDERS' EQUITY</b>   |                          |                         |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued | -                        | -                       |

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|  |                  |                  |
|--|------------------|------------------|
| Common stock, \$.01 par value, 40,000,000 shares authorized; 11,377,207 and 11,373,207 shares issued; 8,918,607 and 9,414,607 shares outstanding at September 30, 2011 and December 31, 2010, respectively | 114              | 114              |
| Additional paid-in capital   | 77,999           | 77,837           |
| Accumulated other comprehensive income   | 3,047            | 4,406            |
| Treasury stock, at cost; 2,458,600 and 1,958,600 shares at September 30, 2011 and December 31, 2010, respectively  | (34,878 )        | (29,127 )        |
| Retained earnings  | 91,728           | 94,718           |
| Total shareholders' equity   | 138,010          | 147,948          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$254,389</b> | <b>\$264,340</b> |

See notes to condensed consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations  
(unaudited)  
(in thousands, except per share data)

|  | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
|  | 2011                                | 2010            | 2011                               | 2010            |
| <b>OPERATING REVENUES:</b>                             |                                     |                 |                                    |                 |
| Revenue, before fuel surcharge                         | \$70,616                            | \$74,798        | \$213,220                          | \$217,097       |
| Fuel surcharge   | 18,322                              | 11,908          | 56,635                             | 36,694          |
| Total operating revenues                               | 88,938                              | 86,706          | 269,855                            | 253,791         |
| <b>OPERATING EXPENSES AND COSTS:</b>                   |                                     |                 |                                    |                 |
| Salaries, wages and benefits                           | 30,276                              | 27,776          | 88,490                             | 81,746          |
| Fuel expense   | 30,965                              | 23,312          | 96,366                             | 72,304          |
| Rent and purchased transportation                      | 5,869                               | 15,241          | 16,680                             | 37,563          |
| Depreciation   | 8,071                               | 6,957           | 24,745                             | 19,999          |
| Operating supplies and expenses                        | 10,364                              | 7,852           | 28,848                             | 21,943          |
| Operating taxes and licenses                           | 1,189                               | 1,293           | 3,712                              | 3,614           |
| Insurance and claims                                   | 3,113                               | 3,219           | 9,826                              | 9,652           |
| Communications and utilities                           | 555                                 | 686             | 1,905                              | 2,055           |
| Other  | 1,228                               | 1,321           | 4,161                              | 3,605           |
| Loss (gain) on disposition of equipment                | 4                                   | (472 )          | 31                                 | (501 )          |
| Total operating expenses and costs                     | 91,634                              | 87,185          | 274,764                            | 251,980         |
| <b>OPERATING (LOSS) INCOME</b>                         | <b>(2,696 )</b>                     | <b>(479 )</b>   | <b>(4,909 )</b>                    | <b>1,811</b>    |
| <b>NON-OPERATING INCOME</b>                            | <b>173</b>                          | <b>271</b>      | <b>1,325</b>                       | <b>659</b>      |
| <b>INTEREST EXPENSE</b>                                | <b>(375 )</b>                       | <b>(591 )</b>   | <b>(1,357 )</b>                    | <b>(1,698 )</b> |
| <b>(LOSS) INCOME BEFORE INCOME TAXES</b>               | <b>(2,898 )</b>                     | <b>(799 )</b>   | <b>(4,941 )</b>                    | <b>772</b>      |
| <b>FEDERAL AND STATE INCOME TAX (BENEFIT) EXPENSE:</b> |                                     |                 |                                    |                 |
| Current  | -                                   | (2,108 )        | -                                  | 57              |
| Deferred   | (1,194 )                            | 1,800           | (1,951 )                           | 260             |
| Total federal and state income tax (benefit) expense   | (1,194 )                            | (308 )          | (1,951 )                           | 317             |
| <b>NET (LOSS) INCOME</b>                               | <b>\$(1,704 )</b>                   | <b>\$(491 )</b> | <b>\$(2,990 )</b>                  | <b>\$455</b>    |
| <b>(LOSS) INCOME PER COMMON SHARE:</b>                 |                                     |                 |                                    |                 |
| Basic  | \$(0.19 )                           | \$(0.05 )       | \$(0.33 )                          | \$0.05          |
| Diluted  | \$(0.19 )                           | \$(0.05 )       | \$(0.33 )                          | \$0.05          |
| <b>AVERAGE COMMON SHARES OUTSTANDING:</b>              |                                     |                 |                                    |                 |
| Basic  | 8,941                               | 9,415           | 9,142                              | 9,415           |

|         |       |       |       |       |
|---------|-------|-------|-------|-------|
| Diluted | 8,941 | 9,415 | 9,142 | 9,419 |
|---------|-------|-------|-------|-------|

See notes to condensed consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
(unaudited)  
(in thousands)

|  | Nine Months Ended<br>September 30, |              |
|--|------------------------------------|--------------|
|  | 2011                               | 2010         |
| <b>OPERATING ACTIVITIES:</b>   |                                    |              |
| Net (loss) income  | \$(2,990 )                         | \$455        |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                                    |              |
| Depreciation   | 24,745                             | 19,999       |
| Bad debt recovery  | (37 )                              | (9 )         |
| Stock compensation-net of excess tax benefits  | 147                                | 118          |
| Provision for deferred income taxes  | (1,951 )                           | 260          |
| Reclassification of unrealized loss on marketable equity securities                      | 223                                | 60           |
| Gain on sale or reclass of marketable equity securities                                  | (726 )                             | (315 )       |
| Loss (gain) on sale or disposal of equipment   | 31                                 | (501 )       |
| Changes in operating assets and liabilities:   |                                    |              |
| Accounts receivable  | (2,101 )                           | (9,008 )     |
| Prepaid expenses, inventories, and other assets  | 424                                | (3,443 )     |
| Income taxes refundable  | 2,065                              | (2,061 )     |
| Trade accounts payable   | 12,473                             | 7,650        |
| Accrued expenses and other liabilities   | 2,553                              | 386          |
| Net cash provided by operating activities  | 34,856                             | 13,591       |
| <b>INVESTING ACTIVITIES:</b>   |                                    |              |
| Purchases of property and equipment  | (35,168 )                          | (19,885 )    |
| Proceeds from disposition of equipment   | 5,647                              | 9,166        |
| Change in restricted cash  | 510                                | (1,872 )     |
| Purchases of marketable equity securities, net of return of capital                      | (2,039 )                           | (1,545 )     |
| Sales of marketable equity securities  | 966                                | 622          |
| Net cash used in investing activities  | (30,084 )                          | (13,514 )    |
| <b>FINANCING ACTIVITIES:</b>   |                                    |              |
| Borrowings under line of credit  | 244,761                            | 271,078      |
| Repayments under line of credit  | (244,761 )                         | (271,078 )   |
| Borrowings of long-term debt   | 8,199                              | 15,047       |
| Repayments of long-term debt   | (20,205 )                          | (8,629 )     |
| Borrowings under margin account  | 1,440                              | -            |
| Repayments under margin account  | (1,411 )                           | -            |
| Repurchases of common stock  | (5,751 )                           | -            |
| Exercise of stock options  | 15                                 | 4            |
| Net cash (used in) provided by financing activities                                      | (17,713 )                          | 6,422        |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                              | <b>(12,941 )</b>                   | <b>6,499</b> |
| <b>CASH AND CASH EQUIVALENTS-Beginning of period</b>                                     | <b>13,774</b>                      | <b>9,870</b> |

|   |       |          |
|---|-------|----------|
| CASH AND CASH EQUIVALENTS-End of period | \$833 | \$16,369 |
|---|-------|----------|

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION-

Cash paid during the period for:

|              |         |         |
|--------------|---------|---------|
| Interest     | \$1,393 | \$1,692 |
| Income taxes | \$75    | \$2,280 |

NONCASH INVESTING AND FINANCING ACTIVITIES-

|  |         |     |
|--|---------|-----|
| Purchases of property and equipment included in accounts payable | \$2,123 | \$6 |
|--|---------|-----|

See notes to condensed consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Shareholders' Equity  
(unaudited)  
(in thousands)

|  | Common Stock<br>Shares / Amount | Additional<br>Paid-In<br>Capital | Other<br>Comprehensive<br>Income<br>(Loss) | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury<br>Stock | Retained<br>Earnings | Total      |
|--|---------------------------------|----------------------------------|--|---|-------------------|----------------------|------------|
| Balance at<br>December 31, 2010                                | 9,414                           | \$ 114                           | \$ 77,837                                  | \$ 4,406  | \$(29,127)        | \$94,718             | \$ 147,948 |
| Components of comprehensive income:                            |                                 |                                  |  |   |                   |                      |            |
| Net loss   |                                 |                                  | \$ (2,990 )                                |   |                   | (2,990 )             | (2,990 )   |
| Other comprehensive income:                                    |                                 |                                  |  |   |                   |                      |            |
| Other comprehensive income (loss), net of tax                  |                                 |                                  | (1,359 )                                   | (1,359 )  |                   |                      | (1,359 )   |
| Total comprehensive income                                     |                                 |                                  | \$ (4,349 )                                |   |                   |                      |            |
| Exercise of stock options-shares issued including tax benefits |                                 |                                  |  |   |                   |                      |            |
|  | 4                               | 15                               |  |   |                   |                      | 15         |
| Treasury stock repurchases                                     |                                 |                                  |  |   |                   |                      |            |
|  | (500 )                          |                                  |  |   | (5,751 )          |                      | (5,751 )   |
| Share-based compensation                                       |                                 |                                  |  |   |                   |                      |            |
|  |                                 | 147                              |  |   |                   |                      | 147        |
| Balance at<br>September 30, 2011                               | 8,918                           | \$ 114                           | \$ 77,999                                  | \$ 3,047  | \$(34,878)        | \$91,728             | \$ 138,010 |

See notes to condensed consolidated financial statements.

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P.A.M. TRANSPORTATION SERVICES, INC. AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements (unaudited)  
September 30, 2011

**NOTE A: BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included. The consolidated balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the nine-month period ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and the footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2010.

**NOTE B: RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"). ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity and also requires presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. ASU 2011-05 is effective for fiscal years and interim periods beginning after December 15, 2011, and is not expected to have a material effect on the Company's financial condition or results of operations, though it will change the presentation of comprehensive income in the Company's consolidated financial statements.

**NOTE C: MARKETABLE EQUITY SECURITIES**

The Company accounts for its marketable securities in accordance with ASC Topic 320, Investments-Debt and Equity Securities. ASC Topic 320 requires companies to classify their investments as trading, available-for-sale or held-to-maturity. The Company's investments in marketable securities are classified as either trading or available-for-sale and consist of equity securities. Management determines the appropriate classification of these securities at the time of purchase and re-evaluates such designation as of each balance sheet date. The cost of securities sold is based on the specific identification method and interest and dividends on securities are included in non-operating income.

Marketable equity securities classified as available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, included as a component of accumulated other comprehensive income in shareholders' equity. Realized gains and losses, declines in value judged to be other-than-temporary on available-for-sale securities, and increases or decreases in value on trading securities, if any, are included in the determination of net income. A quarterly evaluation is performed in order to judge whether declines in value below cost should be considered temporary and when losses are deemed to be other-than-temporary. Several factors are considered in this evaluation process including the severity and duration of the decline in value, the financial condition and near-term outlook for the specific issuer and the Company's ability to hold the securities.

For the quarter ended September 30, 2011, the evaluation resulted in an impairment charge of approximately \$30,000 in the Company's non-operating income (expense) in its statement of operations. For the quarter ended September 30, 2010, the Company determined that an impairment charge was not necessary.

For the nine-month period ended September 30, 2011, the evaluation resulted in an impairment charge of approximately \$223,000 in the Company's non-operating income (expense) in its statement of operations. For the nine-month period ended September 30, 2010, the evaluation resulted in an impairment charge of approximately \$60,000 in the Company's non-operating income (expense) in its statement of operations.

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The following table sets forth cost, market value and unrealized gain/(loss) on equity securities classified as available-for-sale and equity securities classified as trading as of September 30, 2011 and December 31, 2010.

|                                      | September<br>30, 2011 | December<br>31, 2010 |
|--------------------------------------|-----------------------|----------------------|
|                                      | (in thousands)        |                      |
| <b>Available-for-sale securities</b> |                       |                      |
| Fair market value                    | \$ 17,662             | \$ 18,101            |
| Cost                                 | 12,626                | 11,000               |
| Unrealized gain                      | \$5,036               | \$7,101              |
| <b>Trading securities</b>            |                       |                      |
| Fair market value                    | \$ 120                | \$ 172               |
| Cost                                 | 157                   | 157                  |
| Unrealized (loss) gain               | \$(37)                | \$15                 |
| <b>Total</b>                         |                       |                      |
| Fair market value                    | \$ 17,782             | \$ 18,273            |
| Cost                                 | 12,783                | 11,157               |
| Unrealized gain                      | \$4,999               | \$7,116              |

The following table sets forth the gross unrealized gains and losses on the Company's marketable securities that are classified as available-for-sale as of September 30, 2011 and December 31, 2010.

|                                       | September<br>30, 2011 | December<br>31, 2010 |
|---------------------------------------|-----------------------|----------------------|
|                                       | (in thousands)        |                      |
| <b>Available-for-sale securities:</b> |                       |                      |
| Gross unrealized gains                | \$5,833               | \$7,333              |
| Gross unrealized losses               | (797)                 | (232)                |
| Total unrealized gains (losses)       | \$5,036               | \$7,101              |

As of September 30, 2011 and December 31, 2010, the total net unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$3,047,000 and \$4,406,000, respectively.

As of September 30, 2011, the Company's marketable securities that are classified as trading had gross recognized losses of approximately \$37,000 and had no gross recognized gains. The following table shows recognized gains (losses) in market value for securities classified as trading during the first nine months of 2011 and 2010.

|   | September 30,<br>2011 | September 30,<br>2010 |
|---|-----------------------|-----------------------|
|   | (in thousands)        |                       |
| <b>Trading securities</b>                     |                       |                       |
| Recognized gain (loss) at beginning of period | \$ 14                 | \$ 63                 |
| Recognized gain (loss) at end of period       | (37)                  | 63                    |
| Change in net recognized (loss) gain          | \$(51)                | \$ -                  |

|  |          |      |
|--|----------|------|
| Change in net recognized gain (loss), net of taxes | \$ (31 ) | \$ - |
|--|----------|------|

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The following table shows the Company's realized gains during the first nine months of 2011 and 2010 on certain securities which were held as available-for-sale.

|                              | September<br>30, 2011 | September<br>30, 2010 |
|------------------------------|-----------------------|-----------------------|
|                              | (in thousands)        |                       |
| Realized gains               |                       |                       |
| Sales proceeds               | \$966                 | \$622                 |
| Cost of securities sold      | 189                   | 308                   |
| Realized gains               | \$777                 | \$314                 |
| Realized gains, net of taxes | \$470                 | \$190                 |

The following table shows the Company's investments' approximate gross unrealized losses and fair value of those securities in a loss position at September 30, 2011 and December 31, 2010. These investments consist of equity securities. As of September 30, 2011 and December 31, 2010 there were no investments that had been in a continuous unrealized loss position for twelve months or longer.

|   | September 30, 2011 |                      | December 31, 2010 |                      |
|---|--------------------|----------------------|-------------------|----------------------|
|   | Fair<br>Value      | Unrealized<br>Losses | Fair<br>Value     | Unrealized<br>Losses |
| Equity securities –<br>Available-for-sale | \$4,079            | \$797                | \$1,745           | \$232                |
| Equity securities – Trading               | 120                | 37                   | -                 | -                    |
| Totals                                    | \$4,199            | \$834                | \$1,745           | \$232                |

The market value of the Company's equity securities are used as collateral against any outstanding margin account borrowings. As of September 30, 2011, the Company had outstanding borrowings of approximately \$28,000 under its margin account which were used for the purchase of marketable equity securities and as a source of short-term liquidity.

#### NOTE D: STOCK BASED COMPENSATION

The Company maintains a stock option plan under which incentive stock options and nonqualified stock options may be granted. On March 2, 2006, the Company's Board of Director's adopted, and shareholders later approved, the 2006 Stock Option Plan (the "2006 Plan"). Under the 2006 Plan 750,000 shares are reserved for the issuance of stock options to directors, officers, key employees, and others. The option exercise price under the 2006 Plan is the fair market value of the stock on the date the option is granted. The fair market value is determined by the average of the highest and lowest sales prices for a share of the Company's common stock, on its primary exchange, on the same date that the option is granted.

Outstanding incentive stock options at September 30, 2011, must be exercised within either five or ten years from the date of grant and vest in increments of 20% each year. Outstanding nonqualified stock options at September 30, 2011, must be exercised within either five or ten years from the date of grant.

During the first nine months of 2011, options for 16,000 shares were issued under the 2006 Plan at an option exercise price of \$11.75 per share, and at September 30, 2011, 540,000 shares were available for granting future options.

In November 2010, the Company granted to certain key employees, 50,000 nonqualified stock options and 64,000 performance-based variable nonqualified stock options. The exercise price for these awards was fixed at the grant date and was equal to the fair market value of the stock on that date. The nonqualified stock options vest in increments of 20% each year. The performance-based nonqualified stock options may be earned in four quarterly installments and one annual installment with vesting to occur in increments of 20% each year for any options earned. As of September 30, 2011, 4,500 performance-based nonqualified options have been earned and 9,844 performance-based nonqualified options have been cancelled as the performance criteria for the first and third quarter of 2011 were not met. In order to meet the performance criteria, certain quarterly and annual “operating ratio” results must be achieved. The number of performance-based nonqualified options earned and/or vested each fiscal year will not be known until the date the quarterly performance criteria is measured. As of September 30, 2011, none of the options for shares have vested under this combined 114,000 share option grant.

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The total grant date fair value of options vested during the first nine months of 2011 was approximately \$98,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the first nine months of 2011 was approximately \$147,000 and includes approximately \$98,000 recognized as a result of the annual grant of 2,000 shares to each non-employee director during the first quarter of 2011. The recognition of stock-based compensation expense increased diluted and basic loss per common share by approximately \$0.01 during the nine months ending September 30, 2011 but did not have a recognizable impact on diluted or basic loss per share reported for the third quarter ending September 30, 2011. As of September 30, 2011, the Company had stock-based compensation plans with total unvested stock-based compensation expense, excluding stock-based compensation related to the performance-based variable nonqualified stock option grant, of approximately \$264,000 which is being amortized on a straight-line basis over the remaining vesting period. As a result, the Company expects to recognize approximately \$16,000 in additional compensation expense related to unvested option awards during the remainder of 2011 and to recognize approximately \$63,000 in additional compensation expense related to unvested option awards during each of the years 2012 through 2014 and \$59,000 during 2015. Stock-based compensation expense recognized during the first nine months of 2011 related to the grant of performance-based variable nonqualified stock options was approximately \$1,000 which was based on estimated performance criteria for 2011.

The total grant date fair value of options vested during the first nine months of 2010 was approximately \$118,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the first nine months of 2010 was approximately \$118,000 which resulted from the annual grant of an option for 2,000 shares to each non-employee director during the first quarter of 2010. The recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.01 during the nine months ending September 30, 2010 but did not have a recognizable impact on diluted or basic loss per share reported for the third quarter ending September 30, 2010. As of September 30, 2010, the Company did not have any stock-based compensation plans with unrecognized stock-based compensation expense.

The weighted average grant date fair value of options granted during the first nine months of 2011 and 2010 was \$6.14 per share and \$7.38 per share, respectively.

The fair value of the Company's employee stock options was estimated at the date of grant using a Black-Scholes-Merton ("BSM") option-pricing model using the following assumptions:

|                       | Nine Months Ended<br>September 30, |           |
|-----------------------|------------------------------------|-----------|
|                       | 2011                               | 2010      |
| Dividend yield        | 0%                                 | 0%        |
| Volatility            | 65.81%                             | 64.31%    |
| Risk-free rate        | 1.79%                              | 1.80%     |
| Expected life         | 4.3 years                          | 4.3 years |
| Fair value of options | \$6.14                             | \$7.38    |

The Company has never paid any cash dividends on its common stock and we do not anticipate paying any cash dividends in the foreseeable future. The estimated volatility is based on the historical volatility of our stock. The risk free rate for the periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life of the options was calculated based on the historical exercise behavior.

Information related to option activity for the nine months ended September 30, 2011 is as follows:

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|                                   | Shares<br>Under<br>Options | Weighted-Average<br>Exercise Price<br><br>(per share) | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term<br>(in years) | Aggregate<br>Intrinsic<br>Value* |
|-----------------------------------|----------------------------|---|--|----------------------------------|
| Outstanding-beginning of year     | 251,500                    | \$15.86   |  |                                  |
| Granted                           | 16,000                     | 11.75   |  |                                  |
| Exercised                         | (4,000)                    | 3.84  |  |                                  |
| Cancelled/forfeited/expired       | (23,844)                   | 20.33   |  |                                  |
| Outstanding at September 30, 2011 | 239,656                    | \$15.34   | 5.0  | \$42,980                         |
| Exercisable at September 30, 2011 | 135,500                    | \$18.50   | 1.7  | \$42,980                         |

\* The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. The per share market value of our common stock, as determined by the closing price on September 30, 2011, was \$9.98.

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The number, weighted average exercise price and weighted average remaining contractual life of options outstanding as of September 30, 2011 and the number and weighted average exercise price of options exercisable as of September 30, 2011 are as follows:

| Exercise Price | Shares Under Outstanding Options | Weighted-Average Remaining Contractual Term (in years) | Shares Under Exercisable Options |
|----------------|----------------------------------|--|----------------------------------|
| \$3.84         | 7,000                            | 2.4  | 7,000                            |
| \$11.22        | 104,156                          | 9.2  | -                                |
| \$11.75        | 16,000                           | 4.4  | 16,000                           |
| \$14.32        | 16,000                           | 3.4  | 16,000                           |
| \$14.98        | 16,000                           | 1.4  | 16,000                           |
| \$19.88        | 12,500                           | 1.0  | 12,500                           |
| \$22.92        | 14,000                           | 0.4  | 14,000                           |
| \$23.22        | 54,000                           | 0.9  | 54,000                           |
|                | 239,656                          | 5.0  | 135,500                          |

Cash received from option exercises totaled approximately \$15,000 and \$4,000 during the nine months ended September 30, 2011 and September 30, 2010, respectively. The Company issues new shares upon option exercise.

#### NOTE E: SEGMENT INFORMATION

The Company follows the guidance provided by ASC Topic 280, Segment Reporting, in its identification of operating segments. The Company has determined that it has a total of two operating segments whose primary operations can be characterized as either Truckload Services or Brokerage and Logistics Services, however in accordance with the aggregation criteria provided by FASB ASC Topic 280, the Company has determined that the operations of the two operating segments can be aggregated into a single reporting segment, motor carrier operations. Truckload Services revenues and Brokerage and Logistics Services revenues, each before fuel surcharges, were as follows:

|  | Three Months Ended September 30,       |       | 2010     |       | Nine Months Ended September 30, |       | 2010      |       |
|--|--|-------|----------|-------|---------------------------------|-------|-----------|-------|
|  | 2011                                   |       | 2010     |       | 2011                            |       | 2010      |       |
|  | Amount                                 | %     | Amount   | %     | Amount                          | %     | Amount    | %     |
|  | (in thousands, except percentage data) |       |          |       |                                 |       |           |       |
| Truckload Services revenue               | \$66,349                               | 94.0  | \$60,297 | 80.6  | \$199,802                       | 93.7  | \$181,090 | 83.4  |
| Brokerage and Logistics Services revenue | 4,267                                  | 6.0   | 14,501   | 19.4  | 13,418                          | 6.3   | 36,007    | 16.6  |
| Total revenues                           | \$70,616                               | 100.0 | \$74,798 | 100.0 | \$213,220                       | 100.0 | \$217,097 | 100.0 |

#### NOTE F: TREASURY STOCK

The Company accounts for Treasury stock using the cost method and as of September 30, 2011, 2,458,600 shares were held in the treasury at an aggregate cost of approximately \$34,878,000. During the nine months ending September 30, 2011, the Company repurchased 500,000 shares of its common stock at an aggregate cost of approximately \$5,751,000.

## NOTE G: COMPREHENSIVE INCOME

Comprehensive income is comprised of net income plus or minus market value adjustments related to our marketable securities. The components of comprehensive income are as follows:

|  | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |        |
|--|-------------------------------------|----------|------------------------------------|--------|
|  | 2011                                | 2010     | 2011                               | 2010   |
|  | (in thousands)                      |          |                                    |        |
| Net (loss) income  | \$(1,704 )                          | \$(491 ) | \$(2,990 )                         | \$455  |
| Other comprehensive (loss) income:   |                                     |          |                                    |        |
| Reclassification adjustment for realized gains on marketable securities included in net income, net of income taxes    | -                                   | -        | (484 )                             | (189 ) |
| Reclassification adjustment for unrealized losses on marketable securities included in net income, net of income taxes | 18                                  | -        | 140                                | 37     |
| Change in fair value of marketable securities, net of income taxes   | (1,615 )                            | 1,041    | (1,015 )                           | 615    |
| Total comprehensive (loss) income  | \$(3,301 )                          | \$550    | \$(4,349 )                         | \$918  |

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**NOTE H: EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by adjusting the weighted average number of shares of common stock outstanding by common stock equivalents attributable to dilutive stock options. The computation of diluted earnings (loss) per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect on earnings (loss) per share.

The following table sets forth the computation of basic and diluted earnings (loss) per share:

|  | Three Months Ended<br>September 30,   |           | Nine Months Ended<br>September 30, |        |
|--|---------------------------------------|-----------|------------------------------------|--------|
|  | 2011                                  | 2010      | 2011                               | 2010   |
|  | (in thousands, except per share data) |           |                                    |        |
| Net (loss) income                                  | \$(1,704 )                            | \$(491 )  | \$(2,990 )                         | \$455  |
| Basic weighted average common shares outstanding   | 8,941                                 | 9,415     | 9,142                              | 9,415  |
| Dilutive effect of common stock equivalents        | -                                     | -         | -                                  | 4      |
| Diluted weighted average common shares outstanding | 8,941                                 | 9,415     | 9,142                              | 9,419  |
| Basic (loss) earnings per share                    | \$(0.19 )                             | \$(0.05 ) | \$(0.33 )                          | \$0.05 |
| Diluted (loss) earnings per share                  | \$(0.19 )                             | \$(0.05 ) | \$(0.33 )                          | \$0.05 |

Options to purchase 239,656 and 126,500 shares of common stock were outstanding at September 30, 2011 and 2010, respectively, but were not included in the computation of diluted earnings per share because to do so would have an anti-dilutive effect.

**NOTE I: INCOME TAXES**

The Company and its subsidiaries are subject to U.S. and Canadian federal income tax laws as well as the income tax laws of multiple state jurisdictions. The major tax jurisdictions in which we operate generally provide for a deficiency assessment statute of limitation period of three years and as a result, the Company's tax years 2007 and forward remain open to examination in those jurisdictions.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities, based on the technical merits of the position. As of September 30, 2011, an adjustment to the Company's consolidated financial statements for uncertain tax positions has not been required as management believes that the Company's tax positions taken in income tax returns filed or to be filed are supported by clear and unambiguous income tax laws. The Company recognizes interest and penalties related to uncertain income tax positions, if any, in income tax expense. During the nine months ended September 30, 2011, the Company has not recognized or accrued any interest or penalties related to uncertain income tax positions.

**NOTE J: FAIR VALUE OF FINANCIAL INSTRUMENTS**

Our financial instruments consist of cash and cash equivalents, marketable equity securities, accounts receivable, trade accounts payable, and borrowings.

The Company adopted guidance effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. This guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date and also establishes a fair value hierarchy which requires an

entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

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Level 2 Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity.

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The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

At September 30, 2011, the following items are measured at fair value on a recurring basis:

|                              | Total    | Level 1<br>(in thousands) | Level 2 | Level 3 |
|------------------------------|----------|---------------------------|---------|---------|
| Marketable equity securities | \$17,782 | \$17,782                  | -       | -       |

The Company's investments in marketable securities are recorded at fair value based on quoted market prices. The carrying value of other financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities.

The carrying amount for the line of credit approximates fair value because the line of credit interest rate is adjusted frequently.

For long-term debt other than the lines of credit, the fair values are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value and estimated fair value of this other long-term debt at September 30, 2011 was as follows:

|                | Carrying<br>Value<br>(in thousands) | Estimated<br>Fair Value<br>(in thousands) |
|----------------|-------------------------------------|---|
| Long-term debt | \$28,605                            | \$29,064                                  |

The Company has not elected the fair value option for any of its financial instruments.

#### NOTE K: PROPERTY AND EQUIPMENT

During the first quarter of 2011, management decreased the estimated useful lives and adjusted the salvage values of a certain group of trucks which are expected to be traded during the year for newer model trucks. These changes resulted in additional depreciation expense of approximately \$3,200,000 during the first nine months of 2011. This additional depreciation expense increased the Company's net loss by approximately \$1,940,000 (\$0.21 per diluted share).

#### NOTE L: NOTES PAYABLE AND LONG-TERM DEBT

During the first nine months of 2011, the Company's subsidiaries entered into installment obligations totaling approximately \$8.2 million for the purpose of purchasing revenue equipment. These obligations are each payable in 36 monthly installments at a weighted average interest rate of 2.90%.

#### NOTE M: SUBSEQUENT EVENTS

Subsequent events have been evaluated for recognition and disclosure through the date these financial statements were filed with the Securities and Exchange Commission.

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

**FORWARD-LOOKING INFORMATION**

Certain information included in this Quarterly Report on Form 10-Q constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may relate to expected future financial and operating results or events, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, excess capacity in the trucking industry; surplus inventories; recessionary economic cycles and downturns in customers' business cycles; increases or rapid fluctuations in fuel prices, interest rates, fuel taxes, tolls, license and registration fees; the resale value of the Company's used equipment and the price of new equipment; increases in compensation for and difficulty in attracting and retaining qualified drivers and owner-operators; increases in insurance premiums and deductible amounts relating to accident, cargo, workers' compensation, health, and other claims; unanticipated increases in the number or amount of claims for which the Company is self insured; inability of the Company to continue to secure acceptable financing arrangements; seasonal factors such as harsh weather conditions that increase operating costs; competition from trucking, rail, and intermodal competitors including reductions in rates resulting from competitive bidding; the ability to identify acceptable acquisition candidates, consummate acquisitions, and integrate acquired operations; a significant reduction in or termination of the Company's trucking service by a key customer; and other factors, including risk factors, included from time to time in filings made by the Company with the Securities and Exchange Commission ("SEC"). The Company undertakes no obligation to update or clarify forward-looking statements, whether as a result of new information, future events or otherwise.

**CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to adopt accounting policies and make significant judgments and estimates that impact the amounts reported in our consolidated financial statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenue, expenses, and associated disclosures of contingent assets and liabilities are affected by judgments and estimates. In many cases, there are alternative assumptions, policies, or estimation techniques that could be used. Management evaluates its assumptions, policies, and estimates on an ongoing basis, utilizing historical experience, and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates and assumptions, and it is possible that materially different amounts would be reported using differing estimates or assumptions. Management considers our critical accounting policies to be those that require more significant judgments and estimates when we prepare our consolidated financial statements. Our critical accounting policies include the following:

Accounts receivable and allowance for doubtful accounts. Accounts receivable are presented in the Company's consolidated financial statements net of an allowance for estimated uncollectible amounts. Management estimates this allowance based upon an evaluation of the aging of our customer receivables and historical write-offs, as well as other trends and factors surrounding the credit risk of specific customers. The Company continually updates the history it uses to make these estimates so as to reflect the most recent trends, factors and other information available. In order to gather information regarding these trends and factors, the Company also performs ongoing credit evaluations of its customers. Customer receivables are considered to be past due when payment has not been received by the invoice due date. Write-offs occur when we determine an account to be uncollectible and could differ from the allowance estimate as a result of a number of factors, including unanticipated changes in the overall economic environment or factors and risks surrounding a particular customer. Management believes its methodology for estimating the allowance for doubtful accounts to be reliable however, additional allowances may be required if the financial condition of our customers were to deteriorate, and could have a material effect on the Company's consolidated financial statements.

Depreciation of trucks and trailers. Depreciation of trucks and trailers is calculated by the straight-line method over the assets estimated useful life, which range from three to 12 years, down to an estimated salvage value at the end of the assets estimated useful life. Management must use its judgment in the selection of estimated useful lives and salvage values for purposes of this calculation. In some cases, the Company has agreements in place with certain manufacturers whereby salvage values are guaranteed. In other cases, where salvage values are not guaranteed, estimates of salvage value are based on the expected market values of equipment at the time of disposal.

The depreciation of trucks and trailers over their estimated useful lives and the determination of any salvage value also require management to make judgments about future events. Therefore, the Company's management periodically evaluates whether changes to estimated useful lives or salvage values are necessary to ensure these estimates accurately reflect the economic reality of the assets. This periodic evaluation may result in changes in the estimated lives and/or salvage values used by the Company to depreciate its assets, which can affect the amount of periodic depreciation expense recognized and, ultimately, the gain or loss on the disposal of an asset. Future changes in our estimated useful life or salvage value estimates, or fluctuations in market value that is not reflected in current estimates, could have a material effect on the Company's consolidated financial statements.

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Impairment of long-lived assets. Long-lived assets are reviewed for impairment in accordance with Topic ASC 360 – Property, Plant, and Equipment. This authoritative guidance provides that whenever there are certain significant events or changes in circumstances the value of long-lived assets or groups of assets must be tested to determine if their value can be recovered from their future cash flows. In the event that undiscounted cash flows expected to be generated by the asset are less than the carrying amount, the asset or group of assets must be evaluated for impairment. Impairment exists if the carrying value of the asset exceeds its fair value. In light of the sustained general economic downturn in the United States and world economies, the decline in the Company's market capitalization and the net operating losses of the Company in recent periods, triggering events and changes in circumstances have occurred which require management to test the Company's long-lived assets for recoverability each reporting period.

Significantly all of the Company's cash flows from operations are generated by trucks and trailers, and as such, the cost of other long-lived assets are funded by those operations. Therefore, management tests for the recoverability of all of the Company's long-lived assets as a single group at the entity level and examines the forecasted future cash flows generated by trucks and trailers, including their eventual disposition, to determine if those cash flows exceed the carrying value of the long-lived assets. As of September 30, 2011, the projected cash flows expected to be generated from long-lived assets exceeded their carrying value. As such, no impairment indicators existed and no impairment losses were recorded during the period. The forecasted cash flows were estimated using assumptions about future operations. To the extent that facts and circumstances change in the future, our estimates of future cash flows may also change either positively or negatively.

Claims accruals. The Company is self-insured for health and workers' compensation benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred, but not reported (IBNR) claims. IBNR claims are estimated using historical lag information and other data either provided by outside claims administrators or developed internally. Actual claims payments may differ from management's estimates as a result of a number of factors, including evaluation of severity, increases in legal or medical costs, and other case-specific factors. The actual claims payments are charged against the Company's recorded accrued claims liabilities and have been reasonable with respect to the estimates of the liabilities made under the Company's methodology. However, the estimation process is generally subjective, and to the extent that future actual results materially differ from original estimates made by management, adjustments to recorded accruals may be necessary which could have a material effect on the Company's consolidated financial statements. Based upon our 2010 health and workers' compensation expenses, a 10% increase in both claims incurred and claims incurred but not reported, would increase our annual health and workers' compensation expenses by \$0.7 million.

Revenue recognition. Revenue is recognized in full upon completion of delivery to the receiver's location. For freight in transit at the end of a reporting period, the Company recognizes revenue prorata based on relative transit time completed as a portion of the estimated total transit time. Expenses are recognized as incurred.

Income Taxes. The Company's deferred tax assets and liabilities represent items that will result in taxable income or a tax deduction in future years for which the Company has already recorded the related tax expense or benefit in its consolidated statements of operations. Deferred tax accounts arise as a result of timing differences between when items are recognized in the Company's consolidated financial statements compared to when they are recognized in the Company's tax returns. In establishing the Company's deferred income tax assets and liabilities, management makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When it is more likely that all or some portion of specific deferred income tax assets will not be realized, a valuation allowance must be established for the amount of deferred income tax assets that are determined not to be realizable. A valuation allowance for deferred income tax assets has not been deemed to be necessary. Significant management judgment is

required as it relates to future taxable income, future capital gains, tax settlements, valuation allowances, and the Company's ability to utilize tax loss and credit carryforwards.

Management believes that future tax consequences have been adequately provided for based on the current facts and circumstances and current tax law. However, should current circumstances change or the Company's tax positions be challenged, different outcomes could result which could have a material effect on the Company's consolidated financial statements.

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**BUSINESS OVERVIEW**

The Company's administrative headquarters are in Tontitown, Arkansas. From this location we manage operations conducted through wholly owned subsidiaries based in various locations around the United States, Mexico, and Canada. The operations of these subsidiaries can generally be classified into either truckload services or brokerage and logistics services. Truckload services include those transportation services in which we utilize company owned trucks or owner-operator owned trucks. Brokerage and logistics services consist of services such as transportation scheduling, routing, mode selection, transloading and other value added services related to the transportation of freight which may or may not involve the usage of company owned or owner-operator owned equipment. Both our truckload operations and our brokerage/logistics operations have similar economic characteristics and are impacted by virtually the same economic factors as discussed elsewhere in this Report. All of the Company's operations are in the motor carrier segment.

For both operations, substantially all of our revenue is generated by transporting freight for customers and is predominantly affected by the rates per mile received from our customers, equipment utilization, and our percentage of non-compensated miles. These aspects of our business are carefully managed and efforts are continuously underway to achieve favorable results. For the three and nine month periods ended September 30, 2011, truckload services revenues, excluding fuel surcharges, represented 94.0% and 93.7%, respectively, of total revenues, excluding fuel surcharges, with remaining revenues, excluding fuel surcharges, being generated from brokerage and logistics services. For the three and nine month periods ended September 30, 2010, truckload services revenues, excluding fuel surcharges, represented 80.6% and 83.4%, respectively, of total revenues, excluding fuel surcharges, with remaining revenues, excluding fuel surcharges, being generated from brokerage and logistics services. The comparative percentage increase in the truckload services component of revenues, excluding fuel surcharges, resulted primarily from the closing of a brokerage office located in New Jersey during the third quarter of 2010.

The main factors that impact our profitability on the expense side are costs incurred in transporting freight for our customers. Currently our most challenging costs include fuel, driver recruitment, training, wage and benefit costs, independent broker costs (which we record as purchased transportation), insurance, and maintenance and capital equipment costs.

In discussing our results of operations we use revenue, before fuel surcharge, (and fuel expense, net of surcharge), because management believes that eliminating the impact of this sometimes volatile source of revenue allows a more consistent basis for comparing our results of operations from period to period. During the three and nine months ending September 30, 2011, approximately \$18.3 million and \$56.6 million, respectively, of the Company's total revenue was generated from fuel surcharges. During the three and nine months ending September 30, 2010 approximately \$11.9 million and \$36.7 million, respectively, of the Company's total revenue was generated from fuel surcharges. We may also discuss certain changes in our expenses as a percentage of revenue, before fuel surcharge, rather than absolute dollar changes. We do this because we believe the high variable cost nature of certain expenses makes a comparison of changes in expenses as a percentage of revenue more meaningful than absolute dollar changes.

**RESULTS OF OPERATIONS – TRUCKLOAD SERVICES**

The following table sets forth, for truckload services, the percentage relationship of expense items to operating revenues, before fuel surcharges, for the periods indicated. Fuel costs are shown net of fuel surcharges.

| Three Months Ended |      | Nine Months Ended |      |
|--------------------|------|-------------------|------|
| September 30,      |      | September 30,     |      |
| 2011               | 2010 | 2011              | 2010 |
| (percentages)      |      |                   |      |

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|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Operating revenues, before fuel surcharge | 100.0  | 100.0  | 100.0  | 100.0  |
| Operating expenses:                       |        |        |        |        |
| Salaries, wages and benefits              | 45.5   | 45.1   | 44.2   | 44.2   |
| Fuel expense, net of fuel surcharge       | 19.1   | 18.9   | 19.9   | 19.7   |
| Rent and purchased transportation         | 2.7    | 2.7    | 1.9    | 2.3    |
| Depreciation                              | 12.2   | 11.5   | 12.4   | 11.0   |
| Operating supplies and expenses           | 15.6   | 13.0   | 14.4   | 12.1   |
| Operating taxes and license               | 1.8    | 2.1    | 1.9    | 2.0    |
| Insurance and claims                      | 4.7    | 5.3    | 4.9    | 5.3    |
| Communications and utilities              | 0.8    | 1.1    | 0.9    | 1.1    |
| Other                                     | 1.8    | 2.0    | 2.1    | 1.8    |
| Total operating expenses                  | 104.2  | 101.7  | 102.6  | 99.5   |
| Operating (loss) income                   | (4.2 ) | (1.7 ) | (2.6 ) | 0.5    |
| Non-operating income                      | 0.3    | 0.4    | 0.7    | 0.3    |
| Interest expense                          | (0.6 ) | (0.9 ) | (0.7 ) | (0.8 ) |
| Loss before income taxes                  | (4.5 ) | (2.2 ) | (2.6 ) | 0.0    |

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THREE MONTHS ENDED SEPTEMBER 30, 2011 VS. THREE MONTHS ENDED SEPTEMBER 30, 2010

During the third quarter of 2011, truckload services revenue, before fuel surcharges, increased 10.0% to \$66.3 million as compared to \$60.3 million during the third quarter of 2010. The increase was primarily due to an increase in the average rate charged to customers for our truckload services and an increase in the number of miles traveled. The average rate charged per total mile during the third quarter of 2011 increased to \$1.38 as compared to an average rate of \$1.28 during the third quarter of 2010. The number of miles traveled increased from 47.1 million miles during the third quarter of 2010 to 48.2 million miles during the third quarter of 2011 and resulted from an increase in the average number of trucks utilized in operations from 1,745 trucks during the third quarter of 2010 to 1,775 during the third quarter of 2011.

Salaries, wages and benefits increased from 45.1% of revenues, before fuel surcharges, in the third quarter of 2010 to 45.5% of revenues, before fuel surcharges, during the third quarter of 2011. The increase relates primarily to an increase in driver lease expense, which is a component of salaries, wages and benefits, as the average number of owner operators under contract increased from 28 during the third quarter of 2010 to 47 during the third quarter of 2011. Also contributing to the increase was the settlement of a claim for an amount more than the estimated reserve under the Company's self-insured workers' compensation plan.

Fuel expense, net of fuel surcharge, increased from 18.9% of revenues, before fuel surcharges, during the third quarter of 2010 to 19.1% of revenues, before fuel surcharges, during the third quarter of 2011, which, on a dollar basis, represented an increase from \$11.4 million during the third quarter of 2010 to \$12.6 million during the third quarter of 2011. The increase was primarily related to an increase in the average surcharge-adjusted fuel price paid per gallon of diesel fuel from \$1.31 during the third quarter of 2010 to \$1.45 during the third quarter of 2011. Fuel surcharge collections vary from period to period as they are generally based on changes in fuel prices from period to period so that during periods of rising fuel prices fuel surcharge collections increase while fuel surcharge collections decrease during periods of falling fuel prices.

Depreciation increased from 11.5% of revenues, before fuel surcharges, during the third quarter of 2010 to 12.2% of revenues, before fuel surcharges, during the third quarter of 2011. The increase relates primarily to changes made during the first quarter of 2011 to the expected lives and salvage values of our trucks. During the first quarter of 2011, management decreased the estimated useful lives of a certain group of trucks after agreements were made with equipment manufacturers to purchase new trucks in order to begin decreasing the average age of our truck fleet. The salvage values of these trucks were also adjusted accordingly. These changes resulted in an increase of approximately \$1.0 million in additional truck depreciation expense to be recognized during each quarter of 2011.

Operating supplies and expenses increased from 13.0% of revenues, before fuel surcharges, during the third quarter of 2010 to 15.6% of revenues, before fuel surcharges, during the third quarter of 2011. The increase relates primarily to an increase in equipment maintenance costs as the Company extended the use of its existing fleet of trucks and trailers in 2010. Also contributing to the increase was an increase in amounts paid to driver training schools for the periods compared as competition for qualified drivers increased at the same time as increased regulations have forced some drivers to exit the profession.

Operating taxes and licenses decreased from 2.1% of revenues, before fuel surcharges, during the third quarter of 2010 to 1.8% of revenues, before fuel surcharges, during the third quarter of 2011. The decrease, as a percentage of revenue, relates to the interaction of expenses with fixed-cost characteristics, such as registration fees, with an increase in revenues for the periods compared.

Insurance and claims decreased from 5.3% of revenues, before fuel surcharges, during the third quarter of 2010 to 4.7% of revenues, before fuel surcharges, during the third quarter of 2011. The decrease relates primarily to a decrease in auto liability and physical claims experienced during the third quarter of 2011 as compared to the third quarter of 2010. Also contributing to the percentage decrease was the interaction of insurance premiums, based on a factor other than revenue, with increased revenues. Insurance premiums based on a mileage basis, such as auto liability premiums, and on a value basis, such as physical damage premiums, decreased as a percentage of revenues as a result of higher revenues for the periods compared.

Other expenses decreased from 2.0% of revenues, before fuel surcharges, during the third quarter of 2010 to 1.8% of revenues, before fuel surcharges, during the third quarter of 2011. The decrease relates primarily to a decrease in amounts expensed for uncollectible revenue and for other supplies and expenses.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased from 101.7% for the third quarter 2010 to 104.2% for the third quarter of 2011.

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## NINE MONTHS ENDED SEPTEMBER 30, 2011 VS. NINE MONTHS ENDED SEPTEMBER 30, 2010

During the first nine months of 2011, truckload services revenue, before fuel surcharges, increased 10.3% to \$199.8 million as compared to \$181.1 million during the first nine months of 2010. The increase was primarily due to an increase in the average rate charged to customers for our truckload services, an increase in the number of miles traveled, and an increase in the number of work days during the period. The average rate charged per total mile during the first nine months of 2011 increased to \$1.36 as compared to an average rate of \$1.25 during the first nine months of 2010. The number of miles traveled increased from 145.3 million miles during the first nine months of 2010 to 147.2 million miles during the first nine months of 2011 and resulted from an increase in the average number of trucks utilized in operations from 1,743 trucks during the first nine months of 2010 to 1,766 during the first nine months of 2011. Work days, which typically represent weekdays (excluding major holidays), increased to 191 days during the first nine months of 2011 from 190 days during the first nine months of 2010.

Salaries, wages and benefits remained at 44.2% of revenues, before fuel surcharges, for each of the periods compared as those costs with fixed cost characteristics, such as general and administration wages, marketing wages, and maintenance wages, partially offset increases in variable wage costs, such as driver wages. Using a dollar comparison, salaries, wages and benefits increased from \$80.0 million during the first nine months of 2010 to \$88.2 million during the first nine months of 2011. The dollar-based increase relates primarily to the rescission of a pay rate reduction plan, an increase in driver wages, an increase in driver lease expense, an increase in maintenance wages, and an increase in workers' compensation expense. Rescission of the 5% pay rate reduction plan, which had been in effect during the first seven months of 2010 but not anytime during 2011, had the effect of increasing comparative salaries and wages by 5% following the rescission date in August 2010. Driver wages increased as the number of company driver compensated miles increased from 145.3 million miles during the first nine months of 2010 to 147.2 million miles during the first nine months of 2011. Driver lease expense, which is a component of salaries, wages and benefits, increased as the average number of owner-operators under contract increased from 29 during the first nine months of 2010 to 40 during the first nine months of 2011. Maintenance wages increased due to an increase in the number of maintenance employees in response to additional regulatory compliance related to the Federal Motor Carrier Safety Administration's "Compliance, Safety, Accountability" initiative implemented in late 2010 and also in response to the aging of our equipment. Worker's compensation expense increased for the periods compared due to the settlement of a claim for an amount more than the estimated reserve under the Company's self-insured workers' compensation plan.

Fuel expense, net of fuel surcharge, increased from 19.7% of revenues, before fuel surcharges, during the first nine months of 2010 to 19.9% of revenues, before fuel surcharges, during the first nine months of 2011. The increase was primarily related to an increase in the average surcharge-adjusted fuel price paid per gallon of diesel fuel from \$1.32 during the first nine months of 2010 to \$1.47 during the first nine months of 2011. Fuel surcharge collections vary from period to period as they are generally based on changes in fuel prices from period to period so that during periods of rising fuel prices fuel surcharge collections increase while fuel surcharge collections decrease during periods of declining fuel prices.

Rent and purchased transportation decreased from 2.3% of revenues, before fuel surcharges, during the first nine months of 2010 to 1.9% of revenues, before fuel surcharges, during the first nine months of 2011. The decrease relates primarily to a decrease in amounts paid to third-party transportation companies for intermodal services as management continued to focus on its core business and placed less emphasis on the Company's intermodal service offering.

Depreciation increased from 11.0% of revenues, before fuel surcharges, during the first nine months of 2010 to 12.4% of revenues, before fuel surcharges, during the first nine months of 2011. The increase relates primarily to revenue equipment acquisitions during the first nine months of 2011 and to revisions made during January 2011 and April

2011 to the expected lives and salvage values of our trucks in response to a change in the Company's trade replacement cycle for trucks from five years to three years. The change in the replacement cycle resulted in additional truck depreciation expense of approximately \$4.3 million for the first nine months of 2011 as compared to the first nine months of 2010.

Operating supplies and expenses increased from 12.1% of revenues, before fuel surcharges, during the first nine months of 2010 to 14.4% of revenues, before fuel surcharges, during the first nine months of 2011. The increase relates primarily to an increase in equipment maintenance costs as the Company extended the life of its existing fleet of trucks and trailers in 2010. Also contributing to the increase was an increase in amounts paid to driver training schools for the periods compared as competition for qualified drivers has increased at the same time as increased regulations have forced some drivers to exit the profession.

Insurance and claims decreased from 5.3% of revenues, before fuel surcharges, during the first nine months of 2010 to 4.9% of revenues, before fuel surcharges, during the first nine months of 2011. The decrease, as a percentage of revenue, relates to the interaction of insurance premiums, based on a factor other than revenue, with increased revenues. Insurance premiums based on a mileage basis, such as auto liability premiums, and on a value basis, such as physical damage premiums, decreased as a percentage of revenues as a result of higher revenues for the periods compared.

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Other expenses increased from 1.8% of revenues, before fuel surcharges, during the first nine months of 2010 to 2.1% of revenues, before fuel surcharges, during the first nine months of 2011. The increase relates primarily to an increase in amounts expensed for advertising, cargo insurance claims, and professional services.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased from 99.5% for the first nine months 2010 to 102.6% for the first nine months of 2011.

#### RESULTS OF OPERATIONS – LOGISTICS AND BROKERAGE SERVICES

The following table sets forth, for logistics and brokerage services, the percentage relationship of expense items to operating revenues, before fuel surcharges, for the periods indicated. Brokerage service operations occur specifically in certain divisions; however, brokerage operations occur throughout the Company in similar operations having substantially similar economic characteristics. Rent and purchased transportation, which includes costs paid to third party carriers, are shown net of fuel surcharges.

|   | Three Months Ended    |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2011 | September 30,<br>2010 | September 30,<br>2011 | September 30,<br>2010 |
|   | (percentages)         |                       |                       |                       |
| Operating revenues, before fuel surcharge | 100.0                 | 100.0                 | 100.0                 | 100.0                 |
| <b>Operating expenses:</b>                |                       |                       |                       |                       |
| Salaries, wages and benefits              | 1.2                   | 4.0                   | 2.1                   | 4.7                   |
| Rent and purchased transportation         | 96.5                  | 94.3                  | 95.2                  | 92.8                  |
| Operating supplies and expenses           | 0.0                   | 0.1                   | 0.1                   | 0.1                   |
| Insurance and claims                      | 0.0                   | 0.1                   | 0.0                   | 0.1                   |
| Communications and utilities              | 0.1                   | 0.2                   | 0.2                   | 0.3                   |
| Other                                     | 0.1                   | 0.7                   | 0.3                   | 0.7                   |
| Gain on sale or disposal of property      | 0.0                   | (3.1 )                | 0.0                   | (1.3 )                |
| Total operating expenses                  | 97.9                  | 96.3                  | 97.9                  | 97.4                  |
| Operating income                          | 2.1                   | 3.7                   | 2.1                   | 2.6                   |
| Non-operating income                      | 0.0                   | 0.3                   | 0.1                   | 0.3                   |
| Interest expense                          | (0.1 )                | (0.6 )                | (0.2 )                | (0.7 )                |
| Income before income taxes                | 2.0                   | 3.4                   | 2.0                   | 2.2                   |

#### THREE MONTHS ENDED SEPTEMBER 30, 2011 VS. THREE MONTHS ENDED SEPTEMBER 30, 2010

During the third quarter of 2011, logistics and brokerage services revenue, before fuel surcharges, decreased 70.6% to \$4.3 million as compared to \$14.5 million during the third quarter of 2010. The decrease relates to a decrease in the number of loads brokered during the third quarter of 2011 as compared to the third quarter of 2010. The decrease in the number of loads resulted primarily from the closing of a brokerage office located in New Jersey during the third quarter of 2010.

Rent and purchased transportation increased from 94.3% of revenues, before fuel surcharges, during the third quarter of 2010 to 96.5% of revenues, before fuel surcharges during the third quarter of 2011. The increase relates to an increase in amounts charged by third party logistics and brokerage service providers.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased from 96.3% for the third quarter of 2010 to

97.9% for the third quarter of 2011.

NINE MONTHS ENDED SEPTEMBER 30, 2011 VS. NINE MONTHS ENDED SEPTEMBER 30, 2010

During the first nine months of 2011, logistics and brokerage services revenue, before fuel surcharges, decreased 62.7% to \$13.4 million as compared to \$36.0 million during the first nine months of 2010. The decrease relates to a decrease in the number of loads brokered during the first nine months of 2011 as compared to the first nine months of 2010. The decrease in the number of loads resulted primarily from the closing of a brokerage office located in New Jersey during the third quarter of 2010.

Rent and purchased transportation increased from 92.8% of revenues, before fuel surcharges, during the first nine months of 2010 to 95.2% of revenues, before fuel surcharges during the first nine months of 2011. The increase relates to an increase in amounts charged by third party logistics and brokerage service providers.

The logistics and brokerage services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, increased from 97.4% for the first nine months of 2010 to 97.9% for the first nine months of 2011.

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## RESULTS OF OPERATIONS – COMBINED SERVICES

### THREE MONTHS ENDED SEPTEMBER 30, 2011 VS. THREE MONTHS ENDED SEPTEMBER 30, 2010

Net loss for all divisions was approximately \$1.7 million, or 2.4% of revenues, before fuel surcharge for the third quarter of 2011 as compared to net loss of \$0.5 million or 0.7% of revenues, before fuel surcharge for the third quarter of 2010. The decrease in income resulted in an increase in diluted loss per share to \$0.19 for the third quarter of 2011 from a diluted loss per share of \$0.05 for the third quarter of 2010.

### NINE MONTHS ENDED SEPTEMBER 30, 2011 VS. NINE MONTHS ENDED SEPTEMBER 30, 2010

Net loss for all divisions was approximately \$3.0 million, or 1.4% of revenues, before fuel surcharge for the first nine months of 2011 as compared to net income of \$0.5 million or 0.2% of revenues, before fuel surcharge for the first nine months of 2010. The decrease in income resulted in a diluted loss per share of \$0.33 for the first nine months of 2011 as compared to diluted earnings per share of \$0.05 for the first nine months of 2010.

## LIQUIDITY AND CAPITAL RESOURCES

The growth of our business has required, and will continue to require, a significant investment in new revenue equipment. Our primary sources of liquidity have been funds provided by operations, proceeds from the sales of revenue equipment, issuances of equity securities, borrowings under our line of credit, installment note agreements, and borrowings under our investment margin account.

During the first nine months of 2011, we generated \$34.9 million in cash from operating activities. Investing activities used \$30.1 million in cash in the first nine months of 2011. Financing activities used \$17.7 million in cash in the first nine months of 2011.

Our primary use of funds is for the purchase of revenue equipment. We typically use installment notes, our existing line of credit on an interim basis, proceeds from the sale or trade of equipment, and cash flows from operations to finance capital expenditures and repay long-term debt. During the first nine months of 2011, we utilized cash on hand, installment notes, and our lines of credit to finance revenue equipment purchases of approximately \$32.3 million.

Occasionally, we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 12 to 48 months. During the first nine months of 2011, the Company's subsidiary, P.A.M. Transport, Inc. entered into installment obligations totaling approximately \$8.1 million for the purpose of purchasing revenue equipment. These obligations are payable in 36 monthly installments at interest rates ranging from 2.85% to 2.92%.

During the remainder of 2011, we expect to purchase 300 new trucks and 100 new trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$29.0 million. Management believes we will be able to finance our near term needs for working capital over the next twelve months, as well as any planned capital expenditures during such period, with cash balances, cash flows from operations, and borrowings believed to be available from financing sources. We will continue to have significant capital requirements over the long-term, which may require us to incur debt or seek additional equity capital. The availability of additional capital will depend upon prevailing market conditions, the market price of our common stock and several other factors over which we have limited control, as well as our financial condition and results of operations. Nevertheless, based on our recent operating results, current cash position, anticipated future cash flows, and sources of financing that we expect will be available to us, we do not expect that we will experience any significant liquidity constraints in the foreseeable future.

During the first nine months of 2011 we maintained a \$30.0 million revolving line of credit. Amounts outstanding under the line of credit bear interest at LIBOR (determined as of the first day of each month) plus 1.95% (2.17% at September 30, 2011), are secured by our accounts receivable and mature on May 31, 2012; however, the Company has the intent and ability to extend the terms of this line of credit for an additional one year period until May 31, 2013. At September 30, 2011 outstanding advances on the line of credit were approximately \$1.1 million, consisting entirely of letters of credit, with availability to borrow \$28.9 million.

Cash and cash equivalents decreased from \$13.8 million at December 31, 2010 to \$0.8 million at September 30, 2011. The decrease relates primarily to purchases of revenue equipment made during the first nine months of 2011 utilizing cash on hand and cash flows from operations.

Trade accounts receivable increased from \$48.2 million at December 31, 2010 to \$51.0 million at September 30, 2011. The increase relates to a general increase in revenue, which flows through the accounts receivable account.

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Prepaid expenses and deposits decreased from \$9.5 million at December 31, 2010 to \$8.8 million at September 30, 2011. The decrease relates to the amortization of prepaid tractor and trailer license fees and auto liability insurance premiums. During late 2010, approximately \$2.6 million of the 2011 license fees and approximately \$1.0 million of the 2011 insurance premiums were paid in advance. These prepaid expenses will continue to be amortized to expense through the remainder of the year.

Income taxes refundable decreased from \$2.4 million at December 31, 2010 to \$0.3 million at September 30, 2011. The decrease relates to a \$2.1 million income tax quick refund claim filed and received during the first nine months of 2011.

Revenue equipment, which generally consists of trucks, trailers, and revenue equipment accessories such as Qualcomm™ satellite tracking units, increased from \$284.2 million at December 31, 2010 to \$299.1 million at September 30, 2011. The increase relates to the purchase of new trucks to replace older trucks which have not yet been retired or are otherwise in the process of being traded or sold. Also contributing to the increase was the purchase of new trailers during the first nine months of 2011 without corresponding trailer retirements as the Company intends to increase its trailer fleet size.

Accounts payable increased from \$17.1 million at December 31, 2010 to \$29.2 million at September 30, 2011. The increase was primarily related to an increase in amounts reclassified to accounts payable as bank drafts outstanding and amounts accrued for the purchase of repairs, insurance, and fuel.

Accrued expenses and other liabilities increased from \$9.5 million at December 31, 2010 to \$12.1 million at September 30, 2011. The increase was related to an increase in amounts accrued at the end of the period for employee wages and benefits which can vary significantly throughout the year depending on many factors, including the timing of the actual date employees are paid in relation to the last day of the reporting period.

Current maturities of long term-debt and long-term debt fluctuations are reviewed on an aggregate basis as the classification of amounts in each category are typically affected merely by the passage of time. Current maturities of long-term debt and long-term debt, on an aggregate basis, decreased from \$40.6 million at December 31, 2010 to \$28.6 million at September 30, 2011. The decrease was related to the principal portion of scheduled installment note payments made during the first nine months of 2011 net of additional borrowing over the same time period.

Treasury stock increased from \$29.1 million at December 31, 2010 to \$34.9 million at September 30, 2011. The increase was related to the repurchase of 500,000 shares of the Company's common stock under its stock repurchase program during the first nine months of 2011.

#### NEW ACCOUNTING PRONOUNCEMENTS

See Note B to the condensed consolidated financial statements for a description of the most recent accounting pronouncements and their impact, if any, on the Company.

#### Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our primary market risk exposures include equity price risk, interest rate risk, commodity price risk (the price paid to obtain diesel fuel for our trucks), and foreign currency exchange rate risk. The potential adverse impact of these risks and the general strategies we employ to manage such risks are discussed below.

The following sensitivity analyses do not consider the effects that an adverse change may have on the overall economy nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results of changes in prices or rates may differ materially from the hypothetical results described below.

Equity Price Risk

We hold certain actively traded marketable equity securities which subjects the Company to fluctuations in the fair market value of its investment portfolio based on the current market price of such securities. The recorded value of marketable equity securities decreased to \$17.8 million at September 30, 2011 from \$18.3 million at December 31, 2010. The decrease during the first nine months of 2011 includes additional purchases of \$2.1 million, sales of \$0.2 million, return of capital proceeds of \$0.1 million, and a decrease in the fair market value of \$2.3 million. A 10% decrease in the market price of our marketable equity securities would cause a corresponding 10% decrease in the carrying amounts of these securities, or approximately \$1.8 million. For additional information with respect to the marketable equity securities, see Note C to our condensed consolidated financial statements.

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#### Interest Rate Risk

Our line of credit bears interest at a floating rate equal to LIBOR plus a fixed percentage. Accordingly, changes in LIBOR, which are effected by changes in interest rates, will affect the interest rate on, and therefore our costs under, the line of credit. Assuming \$1.0 million of variable rate debt was outstanding, a hypothetical 100 basis point increase in LIBOR for a one year period would result in approximately \$10,000 of additional interest expense.

#### Commodity Price Risk

Prices and availability of all petroleum products are subject to political, economic, and market factors that are generally outside of our control. Accordingly, the price and availability of diesel fuel, as well as other petroleum products, can be unpredictable. Because our operations are dependent upon diesel fuel, significant increases in diesel fuel costs could materially and adversely affect our results of operations and financial condition. Based upon our 2010 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$9.8 million.

#### Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate risk related to the activities of our branch office located in Mexico. Currently, we do not hedge our exchange rate exposure through any currency forward contracts, currency options, or currency interest rate swaps as all of our revenues, and substantially all of our expenses and capital expenditures, are transacted in U.S. dollars. However, certain operating expenditures and capital purchases related to our Mexico branch office are incurred in or exposed to fluctuations in the exchange rate between the U.S. dollar and the Mexican peso. Based on 2010 expenditures denominated in pesos, a 10% increase in the exchange rate would increase our annual operating expenses by \$1,000.

#### Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2011, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal controls over financial reporting. We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings.

The nature of our business routinely results in litigation, primarily involving claims for personal injuries and property damage incurred in the transportation of freight. We believe that all such routine litigation is adequately covered by insurance and that adverse results in one or more of those cases would not have a material adverse effect on our financial condition.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On November 24, 2010, the Company announced that its Board of Directors had authorized the Company to repurchase up to 500,000 shares of its common stock during the twelve month period following the announcement. The following table summarizes the Company's common stock repurchases during the third quarter of 2011 made pursuant to this authorization. No shares were purchased during the quarter other than through this program, and all purchases were made by or on behalf of the Company and not by any "affiliated purchaser".

## Issuer Purchases of Equity Securities

| Period               | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number of shares that may yet be purchased under the plans or programs |
|----------------------|----------------------------------|------------------------------|--|--|
| July 1-31, 2011      | 16,000                           | \$9.90                       | 16,000   | 28,850   |
| August 1-31, 2011    | 18,912                           | 9.84                         | 18,912   | 9,938  |
| September 1-30, 2011 | 9,938                            | 10.48                        | 9,938  | -  |
| Total                | 44,850                           | \$10.00                      | 44,850   |  |

## Item 6. Exhibits.

| Exhibit Number | Exhibit Description  |
|----------------|--|
| 3.1            | Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q filed on May 15, 2002.) |
| 3.2            | Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 of the Company's Form 8-K filed on December 11, 2007.)                  |
| <u>31.1</u>    | Rule 13a-14(a) Certification of Principal Executive Officer  |
| <u>31.2</u>    | Rule 13a-14(a) Certification of Principal Financial Officer  |
| <u>32.1</u>    | Certifications of Chief Executive Officer and Chief Financial Officer  |
| 101.INS        | XBRL Instance Document   |
| 101.SCH        | XBRL Taxonomy Extension Schema Document  |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB        | XBRL Taxonomy Extension Labels Linkbase Document   |

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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.

P.A.M. TRANSPORTATION SERVICES, INC.

Dated: November 7, 2011

By: /s/ Daniel H. Cushman  
Daniel H. Cushman  
President and Chief Executive Officer  
(principal executive officer)

Dated: November 7, 2011

By: /s/ Lance K. Stewart  
Lance K. Stewart  
Vice President-Finance, Chief Financial  
Officer, Secretary and Treasurer  
(principal accounting and financial officer)

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P.A.M. TRANSPORTATION SERVICES, INC.  
Index to Exhibits to Form 10-Q

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| <u>31.1</u>    | Rule 13a-14(a) Certification of Principal Executive Officer  |
| <u>31.2</u>    | Rule 13a-14(a) Certification of Principal Financial Officer  |
| <u>32.1</u>    | Certifications of Chief Executive Officer and Chief Financial Officer  |
| 101.INS        | XBRL Instance Document   |
| 101.SCH        | XBRL Taxonomy Extension Schema Document  |
| 101.CAL        | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF        | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB        | XBRL Taxonomy Extension Labels Linkbase Document   |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document   |