

PAM TRANSPORTATION SERVICES INC

Form 10-Q

November 05, 2015

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2015

**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.)

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

|   |                           |
|---|---------------------------|
| Large accelerated filer                       | Accelerated filer         |
| Non-accelerated filer                         |                           |
| (Do not check if a smaller reporting company) | 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 27, 2015 |
|-------------------------------|---------------------------------|
| Common Stock, \$.01 Par Value | 7,114,761                       |

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P.A.M. TRANSPORTATION SERVICES, INC.

Form 10-Q

For The Quarter Ended September 30, 2015

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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)

|  | <b>September<br/>30,<br/>2015</b> | <b>December<br/>31,<br/>2014</b> |
|--|-----------------------------------|----------------------------------|
| <b>ASSETS</b>  |                                   |                                  |
| Current assets:  |                                   |                                  |
| Cash and cash equivalents                                  | \$ 1,171                          | \$ 27,649                        |
| Accounts receivable-net:                                   |                                   |                                  |
| Trade, less allowance of \$2,037 and \$1,611, respectively | 55,189                            | 52,983                           |
| Other  | 6,665                             | 11,469                           |
| Inventories  | 1,745                             | 1,306                            |
| Prepaid expenses and deposits                              | 6,676                             | 10,110                           |
| Marketable equity securities                               | 24,952                            | 24,895                           |
| Income taxes refundable                                    | 1,826                             | 507                              |
| Total current assets                                       | 98,224                            | 128,919                          |
| Property and equipment:                                    |                                   |                                  |
| Land   | 5,224                             | 4,924                            |
| Structures and improvements                                | 16,795                            | 16,165                           |
| Revenue equipment  | 322,992                           | 279,079                          |
| Office furniture and equipment                             | 9,772                             | 9,257                            |
| Total property and equipment                               | 354,783                           | 309,425                          |
| Accumulated depreciation                                   | (105,079 )                        | (116,178 )                       |
| Net property and equipment                                 | 249,704                           | 193,247                          |
| Other assets   | 2,447                             | 2,439                            |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>TOTAL ASSETS</b>  | <b>\$ 350,375</b> | <b>\$ 324,605</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                   |                   |
| Current liabilities:   |                   |                   |
| Accounts payable   | \$ 32,837         | \$ 41,695         |
| Accrued expenses and other liabilities   | 30,788            | 27,517            |
| Current maturities of long-term debt   | 39,037            | 42,908            |
| Deferred income taxes-current  | 2,676             | 2,951             |
| Total current liabilities  | 105,338           | 115,071           |
| Long-term debt-less current portion  | 79,650            | 52,293            |
| Deferred income taxes-less current portion   | 67,044            | 57,125            |
| Other long-term liabilities  | -                 | 131               |
| Total liabilities  | 252,032           | 224,620           |
| <b>SHAREHOLDERS' EQUITY</b>  |                   |                   |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued  | -                 | -                 |
| Common stock, \$.01 par value, 40,000,000 shares authorized; 11,495,571 and 11,474,096 shares issued; 7,114,761 and 7,423,115 shares outstanding at September 30, 2015 and December 31, 2014, respectively | 115               | 115               |
| Additional paid-in capital   | 80,380            | 79,926            |
| Accumulated other comprehensive income   | 5,381             | 6,402             |
| Treasury stock, at cost; 4,380,810 and 4,050,981 shares, respectively  | (101,779 )        | (82,501 )         |
| Retained earnings  | 114,246           | 96,043            |
| Total shareholders' equity   | 98,343            | 99,985            |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$ 350,375</b> | <b>\$ 324,605</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)

|  | <b>Three Months<br/>Ended</b> |               | <b>Nine Months Ended</b> |                 |
|--|-------------------------------|---------------|--------------------------|-----------------|
|  | <b>September 30,</b>          |               | <b>September 30,</b>     |                 |
|  | <b>2015</b>                   | <b>2014</b>   | <b>2015</b>              | <b>2014</b>     |
| <b>OPERATING REVENUES:</b>                   |                               |               |                          |                 |
| Revenue, before fuel surcharge               | \$92,076                      | \$82,158      | \$265,813                | \$237,660       |
| Fuel surcharge                               | 15,034                        | 24,901        | 48,813                   | 71,563          |
| Total operating revenues                     | 107,110                       | 107,059       | 314,626                  | 309,223         |
| <b>OPERATING EXPENSES AND COSTS:</b>         |                               |               |                          |                 |
| Salaries, wages and benefits                 | 26,533                        | 28,333        | 79,032                   | 81,400          |
| Operating supplies and expenses              | 21,912                        | 31,696        | 69,202                   | 98,560          |
| Rent and purchased transportation            | 35,255                        | 23,037        | 97,883                   | 65,756          |
| Depreciation                                 | 8,452                         | 9,037         | 23,753                   | 27,329          |
| Insurance and claims                         | 3,889                         | 4,475         | 11,246                   | 12,125          |
| Other  | 2,200                         | 2,657         | 6,867                    | 7,582           |
| Gain on disposition of equipment             | (1,357 )                      | (626 )        | (4,611 )                 | (3,414 )        |
| Total operating expenses and costs           | 96,884                        | 98,609        | 283,372                  | 289,338         |
| <b>OPERATING INCOME</b>                      | <b>10,226</b>                 | <b>8,450</b>  | <b>31,254</b>            | <b>19,885</b>   |
| <b>NON-OPERATING (EXPENSE) INCOME</b>        | <b>(732 )</b>                 | <b>594</b>    | <b>385</b>               | <b>1,125</b>    |
| <b>INTEREST EXPENSE</b>                      | <b>(132 )</b>                 | <b>(632 )</b> | <b>(1,992 )</b>          | <b>(2,238 )</b> |
| <b>INCOME BEFORE INCOME TAXES</b>            | <b>9,362</b>                  | <b>8,412</b>  | <b>29,647</b>            | <b>18,772</b>   |
| <b>FEDERAL AND STATE INCOME TAX EXPENSE:</b> |                               |               |                          |                 |
| Current                                      | 337                           | 569           | 1,176                    | 1,185           |
| Deferred                                     | 3,230                         | 2,786         | 10,268                   | 6,228           |
| Total federal and state income tax expense   | 3,567                         | 3,355         | 11,444                   | 7,413           |



|   |                |                |                 |                 |
|---|----------------|----------------|-----------------|-----------------|
| <b>NET INCOME</b>                         | <b>\$5,795</b> | <b>\$5,057</b> | <b>\$18,203</b> | <b>\$11,359</b> |
| <b>INCOME PER COMMON SHARE:</b>           |                |                |                 |                 |
| <b>Basic</b>                              | <b>\$0.81</b>  | <b>\$0.63</b>  | <b>\$2.48</b>   | <b>\$1.42</b>   |
| <b>Diluted</b>                            | <b>\$0.80</b>  | <b>\$0.63</b>  | <b>\$2.46</b>   | <b>\$1.41</b>   |
| <b>AVERAGE COMMON SHARES OUTSTANDING:</b> |                |                |                 |                 |
| <b>Basic</b>                              | <b>7,186</b>   | <b>7,993</b>   | <b>7,346</b>    | <b>7,990</b>    |
| <b>Diluted</b>                            | <b>7,219</b>   | <b>8,032</b>   | <b>7,385</b>    | <b>8,034</b>    |

See notes to condensed consolidated financial statements.

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

**Condensed  
Consolidated  
Statements of  
Comprehensive  
Income**

(unaudited)

(in thousands)

|  | <b>Three Months<br/>Ended<br/>September 30,<br/>2015</b> |                | <b>Nine Months<br/>Ended<br/>September 30,<br/>2014</b> |                 |
|--|--|----------------|---|-----------------|
| NET INCOME   | \$5,795  | \$5,057        | \$18,203  | \$11,359        |
| Other comprehensive income, net of tax:  |  |                |   |                 |
| Reclassification adjustment for realized gains on marketable securities included in net income (1)                         | -  | (121 )         | -   | (121 )          |
| Reclassification adjustment for unrealized losses on marketable securities included in net income, net of income taxes (2) | 359  | -              | 359   | 1               |
| Changes in fair value of marketable securities (3)   | (1,537)  | (360 )         | (1,380 )  | 772             |
| <b>COMPREHENSIVE INCOME</b>  | <b>\$4,617</b>   | <b>\$4,576</b> | <b>\$17,182</b>   | <b>\$12,011</b> |

(1) Net of deferred income taxes of \$0, \$(74), \$0, and \$(74), respectively.

(2) Net of deferred income taxes of \$220, \$0, \$220, and \$0, respectively.

(3) Net of deferred income taxes of \$(940), \$(220), \$(844), and \$473, respectively.

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)

|   | <b>Nine Months Ended<br/>September 30,<br/>2015      2014</b> |           |
|---|---|-----------|
| <b>OPERATING ACTIVITIES:</b>  |   |           |
| Net income  | \$ 18,203   | \$ 11,359 |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |           |
| Depreciation  | 23,753  | 27,329    |
| Bad debt expense  | 432   | 506       |
| Sale leaseback deferred gain amortization   | (168 )  | (149 )    |
| Stock compensation-net of excess tax benefits                                     | 218   | 146       |
| Provision for deferred income taxes   | 10,268  | 6,228     |
| Reclassification of unrealized loss on marketable equity securities               | 579   | 1         |
| Recognized loss (gain) on marketable equity securities                            | 73  | (364 )    |
| Gain on sale or disposal of equipment   | (4,611 )  | (3,414 )  |
| Changes in operating assets and liabilities:                                      |   |           |
| Accounts receivable   | (5,853 )  | (3,515 )  |
| Prepaid expenses, deposits, inventories, and other assets                         | 2,987   | (315 )    |
| Income taxes refundable   | (1,319 )  | 230       |
| Income taxes payable  | -   | 27        |
| Trade accounts payable  | 20,628  | 1,256     |
| Accrued expenses and other liabilities  | 1,751   | 4,149     |
| Net cash provided by operating activities   | 66,941  | 43,474    |
| <b>INVESTING ACTIVITIES:</b>  |   |           |
| Purchases of property and equipment   | (106,230)   | (22,901 ) |
| Proceeds from disposition of equipment  | 29,888  | 28,403    |
| Change in restricted cash   | 8,019   | (2,275 )  |
| Sales of marketable equity securities   | 18  | 439       |
| Purchases of marketable equity securities, net of return of capital               | (2,372 )  | (931 )    |
| Net cash (used in) provided by investing activities                               | (70,677 )   | 2,735     |
| <b>FINANCING ACTIVITIES:</b>  |   |           |

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|  |                  |                |
|--|------------------|----------------|
| Borrowings under line of credit                                  | 407,317          | 365,015        |
| Repayments under line of credit                                  | (406,860)        | (362,140)      |
| Borrowings of long-term debt                                     | 64,752           | 19,299         |
| Repayments of long-term debt                                     | (41,723 )        | (51,821 )      |
| Borrowings under margin account                                  | 2,546            | 1,030          |
| Repayments under margin account                                  | (989 )           | (1,117 )       |
| Repurchases of common stock                                      | (48,021 )        | (16,006 )      |
| Exercise of stock options  | 236              | 841            |
| Net cash used in financing activities                            | (22,742 )        | (44,899 )      |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>      | <b>(26,478 )</b> | <b>1,310</b>   |
| <b>CASH AND CASH EQUIVALENTS-Beginning of period</b>             | <b>27,649</b>    | <b>1,172</b>   |
| <b>CASH AND CASH EQUIVALENTS-End of period</b>                   | <b>\$1,171</b>   | <b>\$2,482</b> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION-</b>        |                  |                |
| Cash paid during the period for:                                 |                  |                |
| Interest   | \$2,009          | \$2,256        |
| Income taxes   | \$2,495          | \$927          |
| <b>NONCASH INVESTING AND FINANCING ACTIVITIES-</b>               |                  |                |
| Purchases of property and equipment included in accounts payable | \$336            | \$387          |

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<br>Stock<br><br>Shares /<br>Amount |               | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income | Treasury<br>Stock  | Retained<br>Earnings | Total           |
|---|---|---------------|----------------------------------|---|--------------------|----------------------|-----------------|
| Balance at January 1, 2015  | 7,423                                     | \$ 115        | \$ 79,926                        | \$ 6,402  | \$(82,501 )        | \$96,043             | \$99,985        |
| Net Income  |   |               |                                  |   |                    | 18,203               | 18,203          |
| Other comprehensive loss, net of tax<br>of \$624                                      |   |               |                                  | (1,021 )  |                    |                      | (1,021 )        |
| Exercise of stock options and stock<br>awards-shares issued including tax<br>benefits | 21  | -             | 236                              |   |                    |                      | 236             |
| Treasury stock repurchases  | (329 )                                    |               |                                  |   | (19,278 )          |                      | (19,278)        |
| Share-based compensation  |   |               | 218                              |   |                    |                      | 218             |
| <b>Balance at September 30, 2015</b>  | <b>7,115</b>                              | <b>\$ 115</b> | <b>\$ 80,380</b>                 | <b>\$ 5,381</b>                                 | <b>\$(101,779)</b> | <b>\$114,246</b>     | <b>\$98,343</b> |

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, 2015**

**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, 2014 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, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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, 2014.

During the first quarter of 2015, the Company began to classify payments for fuel and operating taxes and licenses as operating supplies and expenses, and communications and utilities as other expenses, rather than separately as had been presented in reports prior to the period ended March 31, 2015. This reclassification has no effect on operating income, net income or earnings per share. The Company has made corresponding reclassifications to comparative periods shown.

**NOTE B: RECENT ACCOUNTING PRONOUNCEMENTS**

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-08 ("ASU 2014-08"), *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 changes the criteria for determining which disposals can be presented as discontinued operations and modifies the related disclosure requirements. Under the new guidance, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results and is disposed of or classified as held for sale. The standard also introduces several new disclosures. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. ASU 2014-08 is effective for annual and interim periods beginning after December 15, 2014, with early adoption permitted. The adoption of this guidance on January 1, 2015, did not have a significant impact on the Company's financial condition, results of operations, or cash flows.



In May 2014, the FASB issued ASU No. 2014-09, (“ASU 2014-09”), *Revenue from Contracts with Customers*. The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract’s performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. The new guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2017 for public companies. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. The adoption of this guidance will not have a material effect on the Company’s financial condition, results of operations, or cash flows.

In June 2014, the FASB issued ASU 2014-12, (“ASU 2014-12”), *Stock Compensation - Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The amendments in this update require performance targets that could be achieved after the requisite service period be treated as performance conditions that affect the vesting of the award. ASU 2014-12 is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company’s financial condition, results of operations, or cash flows.

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In July 2015, the FASB issued ASU 2015-11, (“ASU 2015-11”), *Simplifying the Measurement of Inventory*. The amendments in this update require entities that measure inventory using the first-in, first out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective on a prospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016, with earlier application permitted. The adoption of this guidance is not expected to have a significant impact on the Company’s financial condition, results of operations, or cash flows.

**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, 2015, the evaluation resulted in an impairment charge of approximately \$579,000 in the Company’s non-operating income in its statement of operations. For the quarter ended September 30, 2014, an impairment charge was not necessary.

For the nine-month period ended September 30, 2015, the evaluation resulted in an impairment charge of approximately \$579,000 in the Company’s non-operating income in its statement of operations. For the nine-month period ended September 30, 2014, the evaluation resulted in an impairment charge of approximately \$1,000 in the Company’s non-operating income in its statement of operations.

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The following table sets forth cost, market value and unrealized gains on equity securities classified as available-for-sale and equity securities classified as trading as of September 30, 2015 and December 31, 2014.

|                               | September<br>30,<br>2015 | December<br>31, 2014 |
|-------------------------------|--------------------------|----------------------|
|                               | (in thousands)           |                      |
| Available-for-sale securities |                          |                      |
| Fair market value             | \$24,736                 | \$ 24,592            |
| Cost                          | 16,061                   | 14,272               |
| Unrealized gain               | \$8,675                  | \$ 10,320            |
| Trading securities            |                          |                      |
| Fair market value             | \$216                    | \$ 303               |
| Cost                          | 157                      | 157                  |
| Unrealized gain               | \$59                     | \$ 146               |
| Total                         |                          |                      |
| Fair market value             | \$24,952                 | \$ 24,895            |
| Cost                          | 16,218                   | 14,429               |
| Unrealized gain               | \$8,734                  | \$ 10,466            |

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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, 2015 and December 31, 2014.

|                                | September<br>30,<br>2015 | December<br>31, 2014 |
|--------------------------------|--------------------------|----------------------|
| (in thousands)                 |                          |                      |
| Available-for-sale securities: |                          |                      |
| Gross unrealized gains         | \$ 10,078                | \$ 10,710            |
| Gross unrealized losses        | 1,403                    | 390                  |
| Net unrealized gains           | \$ 8,675                 | \$ 10,320            |

As of September 30, 2015 and December 31, 2014, the total net unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$5,381,000 and \$6,402,000, respectively.

For the nine months ended September 30, 2015, the Company had net unrealized losses in market value on securities classified as available-for-sale of approximately \$1,011,000, net of deferred income taxes. For the year ended December 31, 2014, the Company had net unrealized gains in market value on securities classified as available-for-sale of approximately \$237,000, net of deferred income taxes.

For the quarter ended September 30, 2015, the Company recognized dividends of approximately \$288,000 in non-operating income in its statements of operations. For the quarter ended September 30, 2014, the Company recognized dividends of approximately \$238,000 in non-operating income in its statements of operations.

As of September 30, 2015, the Company's marketable securities that were classified as trading had gross recognized gains of approximately \$59,000 and no gross recognized losses. As of September 30, 2014, the Company's marketable securities that were classified as trading had gross recognized gains of approximately \$89,000 and no gross recognized losses.

The following table shows recognized gains (losses) in market value for securities classified as trading for the periods indicated.

|        |        |
|--------|--------|
| Three  | Nine   |
| Months | Months |

|   | Ended      |            | Ended      |            |
|---|------------|------------|------------|------------|
|   | September  |            | September  |            |
|   | 30,        | 30,        | 30,        | 30,        |
|   | 2015       | 2014       | 2015       | 2014       |
|   | (in        | (in        | (in        | (in        |
|   | thousands) | thousands) | thousands) | thousands) |
| Trading securities                                      |            |            |            |            |
| Recognized gain at beginning of period                  | \$83       | \$ 57      | \$146      | \$ 8       |
| Recognized gain at end of period                        | 59         | 89         | 59         | 89         |
| Net recognized (loss) gain for the period               | \$(24)     | \$ 32      | \$(87 )    | \$ 81      |
| Net recognized (loss) gain for the period, net of taxes | \$(15)     | \$ 20      | \$(54 )    | \$ 50      |

There were no reclassifications of marketable securities between trading and available for sale categories during the first nine months of 2015 or 2014.

The following table shows the Company's realized gains during the first nine months of 2015 and 2014 on certain securities which were held as available-for sale. The cost of securities sold is based on the specific identification method and interest and dividends on securities are included in non-operating income.

|                              | Three      |            | Nine       |            |
|------------------------------|------------|------------|------------|------------|
|                              | Months     |            | Months     |            |
|                              | Ended      |            | Ended      |            |
|                              | September  |            | September  |            |
|                              | 30,        | 30,        | 30,        | 30,        |
|                              | 2015       | 2014       | 2015       | 2014       |
|                              | (in        | (in        | (in        | (in        |
|                              | thousands) | thousands) | thousands) | thousands) |
| Realized gains               |            |            |            |            |
| Sale proceeds                | \$18       | \$439      | \$18       | \$439      |
| Cost of securities sold      | 4          | 156        | 4          | 156        |
| Realized gains               | \$14       | \$283      | \$14       | \$283      |
| Realized gains, net of taxes | \$9        | \$171      | \$9        | \$171      |

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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, 2015 and December 31, 2014. These investments consist of equity securities. As of September 30, 2015 and December 31, 2014, there were no investments that had been in a continuous unrealized loss position for twelve months or longer.

|  | September 30, 2015 |            | December 31, 2014 |            |
|--|--------------------|------------|-------------------|------------|
|  | (in thousands)     |            |                   |            |
|  | Fair               | Unrealized | Fair              | Unrealized |
|  | Value              | Losses     | Value             | Losses     |
| Equity securities – Available-for-sale | \$5,595            | \$ 1,403   | \$3,961           | \$ 390     |
| Equity securities – Trading            | -                  | -          | -                 | -          |
| Totals                                 | \$5,595            | \$ 1,403   | \$3,961           | \$ 390     |

The market value of the Company's equity securities are periodically used as collateral against any outstanding margin account borrowings. As of September 30, 2015 and December 31, 2014, the Company had outstanding borrowings of approximately \$13,280,000 and \$11,723,000, respectively, under its margin account. Margin account borrowings are 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 Directors (the "Board") adopted, and shareholders later approved, the 2006 Stock Option Plan (the "2006 Plan"). Under the 2006 Plan, 750,000 shares were 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 closing price of the Company's common stock, on its primary exchange, on the same date that the option is granted. On March 13, 2014, the Company's Board of Directors adopted, and on May 29, 2014 our shareholders approved, the 2014 Amended and Restated Stock Option and Incentive Plan (the "2014 Plan") which replaced the 2006 Plan. The shares which remained reserved under the 2006 Plan were carried over to the 2014 Plan and are reserved for the issuance of stock awards to directors, officers, key employees, and others. Stock option exercise price under the 2014 Plan is the fair market value of the stock on the date the option is granted. The restricted stock purchase price under the 2014 Plan shall not be less than 85% of the fair market value of the Company's common stock on the date the award is made. 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 or award is granted.

Outstanding nonqualified stock options at September 30, 2015, must be exercised within either five or ten years from the date of grant. Outstanding nonqualified stock options granted to members of the Company's Board of Directors are

fully vested while outstanding nonqualified stock options issued to employees vest in increments of 20% each year.

During the first nine months of 2015, 1,225 shares of common stock were granted to non-employee directors under the 2014 Plan. This stock award had a grant date fair value of \$57.27 per share, based on the closing price of the Company's stock on the date of grant, and vested immediately.

The total grant date fair value of stock and stock options vested during the first nine months of 2015 was approximately \$158,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the third quarter of 2015 was approximately \$49,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the first nine months of 2015 was approximately \$218,000 and includes approximately \$70,000 recognized as a result of the grant of 175 shares to each non-employee director during the first quarter of 2015. The recognition of stock-based compensation expense decreased diluted earnings per share reported for the third quarter ending September 30, 2015 by approximately \$0.01 but did not have a recognizable impact on basic earnings per share reported for the third quarter ended September 30, 2015. The recognition of stock-based compensation expense decreased diluted and basic earnings per common share by approximately \$0.02 during the nine months ended September 30, 2015. As of September 30, 2015, the Company had stock-based compensation plans with total unvested stock-based compensation expense of approximately \$394,000 which is being amortized on a straight-line basis over the remaining vesting period. As a result, the Company expects to recognize approximately \$50,000 in additional compensation expense related to unvested option awards during the remainder of 2015 and to recognize approximately \$167,000, \$109,000, and \$68,000 in additional compensation expense related to unvested option awards during the years 2016, 2017, and 2018, respectively.

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The total grant date fair value of stock and stock options vested during the first nine months of 2014 was approximately \$148,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the third quarter of 2014 was approximately \$30,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the first nine months of 2014 was approximately \$146,000 and includes approximately \$60,000 recognized as a result of the grant of 504 shares to each non-employee director during the first quarter of 2014. The recognition of stock-based compensation expense did not have a recognizable impact on diluted or basic earnings per share reported for the third quarter ended September 30, 2014 but did decrease diluted and basic earnings per common share by approximately \$0.02 during the nine months ended September 30, 2014.

Information related to stock option activity for the nine months ended September 30, 2015 is as follows:

|                                   | 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 at January 1, 2015    | 86,348                     | \$ 11.09  |  |                                  |
| Granted                           | -                          | -   |  |                                  |
| Exercised                         | (20,250)                   | 11.65   |  |                                  |
| Cancelled/forfeited/expired       | -                          | -   |  |                                  |
| Outstanding at September 30, 2015 | 66,098                     | \$ 10.92  | 4.4  | \$1,462,611                      |
| Exercisable at September 30, 2015 | 32,393                     | \$ 10.88  | 2.3  | \$717,999                        |

\* 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, 2015, was \$33.05.

A summary of the status of the Company's nonvested options and restricted stock as of September 30, 2015 and changes during the nine months ended September 30, 2015, is presented below:

*Stock Options:*

| Number<br>of | Weighted-<br>Average |
|--------------|----------------------|
|--------------|----------------------|



|                                 | Options  | Grant<br>Date Fair<br>Value |
|---------------------------------|----------|-----------------------------|
| Nonvested at January 1, 2015    | 48,109   | \$ 6.10                     |
| Granted                         | -        | -                           |
| Canceled/forfeited/expired      | -        | -                           |
| Vested                          | (14,404) | 6.07                        |
| Nonvested at September 30, 2015 | 33,705   | \$ 6.11                     |

*Restricted Stock:*

|                                 | Number<br>of<br>Options | Weighted-<br>Average<br>Grant<br>Date Fair<br>Value |
|---------------------------------|-------------------------|---|
| Nonvested at January 1, 2015    | 7,600                   | \$ 42.65  |
| Granted                         | 1,225                   | 57.27   |
| Canceled/forfeited/expired      | -                       | -   |
| Vested                          | (1,225 )                | 57.27   |
| Nonvested at September 30, 2015 | 7,600                   | \$ 42.65  |

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The number, weighted average exercise price, and weighted average remaining contractual life of options outstanding as of September 30, 2015 and the number and weighted average exercise price of options exercisable as of September 30, 2015 are as follows:

| Exercise Price | Shares Under Outstanding Options | Weighted-Average Remaining Contractual Term<br>(in years) | Shares Under Exercisable Options |
|----------------|----------------------------------|---|----------------------------------|
| \$ 10.44       | 15,000                           | 2.4   | 15,000                           |
| \$ 10.90       | 6,000                            | 1.7   | 6,000                            |
| \$ 10.90       | 29,600                           | 6.7   | 2,000                            |
| \$ 11.22       | 7,498                            | 5.2   | 1,393                            |
| \$ 11.54       | 4,000                            | 1.4   | 4,000                            |
| \$ 11.75       | 4,000                            | 0.4   | 4,000                            |
|                | 66,098                           | 4.4   | 32,393                           |

Cash received from option exercises totaled approximately \$236,000 and \$841,000 during the nine months ended September 30, 2015 and September 30, 2014, 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,       |       |          |       | Nine Months Ended September 30, |       |           |       |
|--|--|-------|----------|-------|---------------------------------|-------|-----------|-------|
|  | 2015                                   |       | 2014     |       | 2015                            |       | 2014      |       |
|  | Amount                                 | %     | Amount   | %     | Amount                          | %     | Amount    | %     |
|  | (in thousands, except percentage data) |       |          |       |                                 |       |           |       |
| Truckload Services revenue               | \$80,220                               | 87.1  | \$76,036 | 92.5  | \$232,261                       | 87.4  | \$220,860 | 92.9  |
| Brokerage and Logistics Services revenue | 11,856                                 | 12.9  | 6,122    | 7.5   | 33,552                          | 12.6  | 16,800    | 7.1   |
| Total revenues                           | \$92,076                               | 100.0 | \$82,158 | 100.0 | \$265,813                       | 100.0 | \$237,660 | 100.0 |

**NOTE F: TREASURY STOCK**

The Company's stock repurchase program has been extended and expanded several times, most recently in May 2014, when the Board of Directors reauthorized 500,000 shares of common stock for repurchase under the initial September 2011 authorization. During the nine months ended September 30, 2015, the Company repurchased 31,263 shares of its common stock at an aggregate cost of approximately \$1,495,000 under this program.

On May 22, 2015, the Company commenced a tender offer to repurchase up to 80,000 shares of the Company's outstanding common stock at a price of up to \$63.00 per share. On June 23, 2015, the Company extended the offer and increased the offer from 80,000 shares to 150,000 shares. Upon expiration of the tender offer on July 9, 2015, the Company accepted 298,566 shares of its common stock for purchase at \$59.00 per share, including 148,566 oversubscribed shares tendered, at an aggregate cost of approximately \$17,783,000.

The Company accounts for Treasury stock using the cost method and as of September 30, 2015, there were 4,380,810 shares held in the treasury at an aggregate cost of approximately \$101,779,000.

Table Of Contents**NOTE G: ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table summarizes the changes in accumulated balances of other comprehensive income for the three and nine months ended September 30, 2015:

|   | Unrealized gains<br>and losses on<br>available-for-sale<br>securities<br>(in thousands) |
|---|---|
| Balance at June 30, 2015, net of tax of \$4,014   | \$ 6,559  |
| Other comprehensive loss before reclassifications, net of tax benefit of \$(940)              | (1,537 )  |
| Amounts reclassified from accumulated other comprehensive income, net of tax benefit of \$220 | 359   |
| Net current-period other comprehensive loss   | (1,178 )  |
| Balance at September 30, 2015, net of tax of \$3,294  | \$ 5,381  |
| Balance at December 31, 2014, net of tax of \$3,918   | \$ 6,402  |
| Other comprehensive loss before reclassifications, net of tax benefit of \$(844)              | (1,380 )  |
| Amounts reclassified from accumulated other comprehensive income, net of tax benefit of \$220 | 359   |
| Net current-period other comprehensive loss   | (1,021 )  |
| Balance at September 30, 2015, net of tax of \$3,294  | \$ 5,381  |

The following table provides details about reclassifications out of accumulated other comprehensive income for the nine months ended September 30, 2015:

Amounts  
Reclassified  
from  
Accumulated

| Details about Accumulated Other Comprehensive Income Component | Other Comprehensive Income (a)<br>Nine Months Ended<br>September 30, 2015<br>(in thousands) | Statement of Operations<br>Classification |
|--|---|---|
| Unrealized gains and losses on available-for-sale securities:  |   |   |
| Impairment expense   | \$ (579)  | ) Non-operating (expense) income          |
| Total before tax   | (579)   | ) Income before income taxes              |
| Tax benefit  | 220   | Income tax expense                        |
| Total after tax  | \$ (359)  | ) Net income                              |

(a)  
Amounts in parentheses indicate debits to profit/loss

Table Of Contents**NOTE H: EARNINGS PER SHARE**

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings 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 per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect on earnings per share. The computations of basic and diluted earnings per share were as follows:

|  | Three Months<br>Ended<br>September 30,<br>2015 |         | Nine Months<br>Ended<br>September 30,<br>2014 |          |
|--|--|---------|---|----------|
|  | 2015   | 2014    | 2015  | 2014     |
|  | (in thousands, except per share data)          |         |   |          |
| Net income   | \$5,795  | \$5,057 | \$18,203                                      | \$11,359 |
| Basic weighted average common shares outstanding   | 7,186  | 7,993   | 7,346   | 7,990    |
| Dilutive effect of common stock equivalents        | 33   | 39      | 39  | 44       |
| Diluted weighted average common shares outstanding | 7,219  | 8,032   | 7,385   | 8,034    |
| Basic earnings per share                           | \$0.81   | \$0.63  | \$2.48  | \$1.42   |
| Diluted earnings per share                         | \$0.80   | \$0.63  | \$2.46  | \$1.41   |

As of September 30, 2015 and September 30, 2014, there were no options outstanding to purchase shares of common stock that had an anti-dilutive effect on the computation of diluted earnings per share.

**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 the Company operates generally provide for a deficiency assessment statute of limitation period of three years, and as a result, the Company's tax years 2012 and forward remain open to examination in those jurisdictions.

In determining whether a tax asset valuation allowance is necessary, management, in accordance with the provisions of ASC 740-10-30, weighs all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is necessary. If negative conditions exist which indicate a valuation allowance might be necessary, consideration is then given to what effect the future reversals of existing taxable temporary differences and the availability of tax strategies might have on future taxable income to determine the amount, if any, of the required valuation allowance. As of September 30, 2015, management determined that the future reversals of existing taxable temporary differences and available tax strategies would generate sufficient future

taxable income to realize its tax assets and therefore a valuation allowance was not necessary.

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, 2015, 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, 2015 and 2014, the Company has not recognized or accrued any interest or penalties related to uncertain income tax positions.

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

The Company's financial instruments consist of cash and cash equivalents, marketable equity securities, accounts receivable, trade accounts payable, and borrowings.

The Company follows the guidance 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.

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.

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, 2015, the following items are measured at fair value on a recurring basis:

|                              | Total          | Level 1  | Level 2 | Level 3 |
|------------------------------|----------------|----------|---------|---------|
|                              | (in thousands) |          |         |         |
| Marketable equity securities | \$24,952       | \$24,952 | -       | -       |

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, 2015 was as follows:

|                | Carrying       | Estimated  |
|----------------|----------------|------------|
|                | Value          | Fair       |
|                | (in thousands) | Value      |
| Long-term debt | \$ 118,230     | \$ 118,373 |

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

**NOTE K: NOTES PAYABLE AND LONG-TERM DEBT**

During the first nine months of 2015, the Company's subsidiaries entered into installment obligations totaling approximately \$64.8 million for the purpose of purchasing revenue equipment. These obligations are payable in monthly installments ranging from 36 months to 60 months at a weighted average interest rate of 2.17%.

**NOTE L: OFF-BALANCE SHEET ARRANGEMENTS**

During the first nine months of 2015, the Company's subsidiaries entered into an operating lease for the lease of 50 trucks. Revenue equipment held under operating leases is not carried on our balance sheet and the respective lease payments are reflected in our consolidated statement of operations as a component of the Rents and purchased transportation category. Rent expense related to revenue equipment under operating leases totaled \$2.7 million and \$7.7 million for the three and nine months ended September 30, 2015, respectively.

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Leases for revenue equipment under non-cancellable operating leases expire at various dates through 2018. Future minimum lease payments related to non-cancellable leases for revenue equipment at September 30, 2015 are:

|                                     |                   |
|-------------------------------------|-------------------|
|                                     | (in<br>thousands) |
| 2015                                | \$ 1,801          |
| 2016                                | 9,784             |
| 2017                                | 6,128             |
| 2018                                | 188               |
| Total future minimum lease payments | \$ 17,901         |

**NOTE M: LITIGATION**

We are a defendant in a collective-action lawsuit which was filed on August 22, 2013, in the United States District Court for the Western District of Arkansas. The plaintiffs, who are current and former drivers and who worked for the Company during the period of August 22, 2010, through the date of the filing, allege claims for unpaid wages under the Fair Labor Standards Act and the Arkansas Minimum Wage Law. The complaint alleges that the Company failed to pay newly hired drivers minimum wage during orientation, training, and while traveling during normal business hours and that the Company failed to pay all drivers when working on assignment for more than 24 hours. The plaintiffs seek to enjoin the Company from continuing its current pay practices related to the allegations. They also seek actual damages, liquidated damages equal to accrual damages, court costs, and legal fees. During 2014, the Company reached a preliminary settlement with the plaintiffs in the amount of \$3,950,000 and accordingly, reserved this amount, along with estimated settlement costs, in its 2014 consolidated financial statements. During the first quarter of 2015, the Company negotiated a reduction in the settlement amount to approximately \$3,450,000. Should the settlement not be approved by the court, further negotiations may take place to reach a different settlement or the case may continue on to trial. Management has determined that any losses under this claim will not be covered by existing insurance policies.

**NOTE N: SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition and disclosure through the date these financial statements were filed with the United States Securities and Exchange Commission and concluded that no subsequent events or transactions have occurred that require recognition or disclosure in our financial statements.

**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.

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**CRITICAL ACCOUNTING POLICIES**

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in our Form 10-K for the fiscal year ended December 31, 2014.

**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. Truckload services revenues, excluding fuel surcharges, represented 87.1% and 92.5% of total revenues, excluding fuel surcharges for the three months ended September 30, 2015 and 2014, respectively. Truckload services revenues, excluding fuel surcharges, represented 87.4% and 92.9% of total revenues, excluding fuel surcharges for the nine months ended September 30, 2015 and 2014, respectively. The remaining revenues, excluding fuel surcharges, were generated from brokerage and logistics services.

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 benefits 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 fuel 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 months ended September 30, 2015 and 2014, approximately \$15.0 million and \$24.9 million, respectively, of the Company's total revenue was generated from fuel surcharges. During the nine months ended September 30, 2015 and 2014, approximately \$48.8 million and \$71.6 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 variable cost nature of certain expenses makes a comparison of changes in expenses as a percentage of revenue more meaningful than absolute dollar changes.

Table Of Contents**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<br>Ended<br>September 30,<br>2015 2014 |        | Nine Months<br>Ended<br>September 30,<br>2015 2014 |        |
|---|---|--------|--|--------|
|   | (percentages)                                       |        |  |        |
| Operating revenues, before fuel surcharge | 100.0   | 100.0  | 100.0  | 100.0  |
| Operating expenses:                       |   |        |  |        |
| Salaries, wages and benefits              | 32.6  | 37.0   | 33.6   | 36.7   |
| Operating supplies and expenses (1)       | 8.6   | 8.8    | 8.8  | 12.2   |
| Rent and purchased transportation         | 30.0  | 22.9   | 28.6   | 22.7   |
| Depreciation                              | 10.5  | 11.9   | 10.2   | 12.4   |
| Insurance and claims                      | 4.8   | 5.9    | 4.8  | 5.5    |
| Other (1)                                 | 2.7   | 3.5    | 2.9  | 3.4    |
| Gain on sale or disposal of property      | (1.7 )  | (0.8 ) | (2.0 )   | (1.6 ) |
| Total operating expenses                  | 87.5  | 89.2   | 86.9   | 91.3   |
| Operating income                          | 12.5  | 10.8   | 13.1   | 8.7    |
| Non-operating (expense) income            | (0.1 )  | 0.7    | 0.2  | 0.5    |
| Interest expense                          | (0.9 )  | (0.8 ) | (0.8 )   | (1.0 ) |
| Income before income taxes                | 11.5  | 10.7   | 12.5   | 8.2    |

(1) During the first quarter of 2015, the Company began to classify payments for fuel and operating taxes and licenses as operating supplies and expenses, and communications and utilities as other expenses, rather than separately as had been presented in reports prior to the period ended March 31, 2015. These reclassifications have no effect on operating income, net income or earnings per share. The Company has made corresponding reclassifications to comparative periods shown.

**THREE MONTHS ENDED SEPTEMBER 30, 2015 VS. THREE MONTHS ENDED SEPTEMBER 30, 2014**

During the third quarter of 2015, truckload services revenue, before fuel surcharges, increased 5.5% to \$80.2 million as compared to \$76.0 million during the third quarter of 2014. The increase was primarily due to an increase in the number of miles traveled which was due to an increase in the number of trucks operating in the fleet. Also contributing was an increase in the average rate charged to customers for our services. The average number of trucks operating in the fleet increased from 1,767 trucks during the third quarter of 2014 to 1,832 trucks during the third quarter of 2015. The increase in truck count resulted in an increase in the total number of miles traveled from 54.1

million miles during the third quarter of 2014 to 56.3 million miles traveled during the third quarter of 2015. The average rate charged to customers per total mile during the third quarter of 2015 increased \$0.02 as compared to the average rate charged during the third quarter of 2014.

Salaries, wages and benefits decreased from 37.0% of revenues, before fuel surcharges, in the third quarter of 2014 to 32.6% of revenues, before fuel surcharges, during the third quarter of 2015. The decrease relates primarily to a decrease in company driver wages paid during the third quarter of 2015 as compared to company driver wages paid during the third quarter of 2014. Our driver pool consists of both company drivers and third-party owner operator drivers. Company drivers are employees of the Company and perform services in company-owned equipment while owner-operator drivers provide services, under contract, using their own equipment. While each group is generally compensated on a per-mile basis, owner-operator payments are classified in the Company's financial statements under Rent and purchased transportation. The percentage-based decrease in Salaries, wages and benefits primarily resulted from a decrease in the proportion of total miles driven by company drivers during the third quarter of 2015 in comparison to the proportion of total miles driven by company drivers during the third quarter of 2014. This proportional decrease was the result of an increase in the average number of owner operators under contract from 332 during the third quarter of 2014 to 422 during the third quarter of 2015. Also contributing to the decrease, as a percentage of revenue, was the interaction of expenses with fixed-cost characteristics, such as general and administrative wages, with the increase in revenues for the periods compared.

Rent and purchased transportation increased from 22.9% of revenues, before fuel surcharges, during the third quarter of 2014 to 30.0% of revenues, before fuel surcharges, during the third quarter of 2015. The increase was primarily due to an increase in driver lease expense as the average number of owner operators under contract increased from 332 during the third quarter of 2014 to 422 during the third quarter of 2015. Also contributing to the increase was an increase in lease payments associated with the lease of an additional 324 trucks leased during and after the end of the third quarter of 2014. The increase in costs in this category, as they relate to the increase in owner operators, are partially offset by a decrease in other cost categories, such as repairs and fuel, which are generally borne by the owner operator.

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Depreciation decreased from 11.9% of revenues, before fuel surcharges, during the third quarter of 2014 to 10.5% of revenues, before fuel surcharges, during the third quarter of 2015. The decrease relates primarily to a decrease in the average number of company-owned trucks as a result of operating lease arrangements entered into throughout 2014 and early 2015. As of September 30, 2015, the Company's fleet consists of 468 leased trucks. The lease payments associated with these leases are reported in the Rent and purchased transportation category. This reduction was partially offset by an increase in depreciation related to purchases of new trailers which replaced older trailers within the fleet. These new trailer replacements have a significantly higher purchase price than those trailers that are being replaced and are being depreciated over a shorter period of time as the Company accelerates its trailer replacement cycle from every ten years to a replacement cycle of every seven years. This reduction in replacement cycle, combined with a higher purchase price, results in higher depreciation expense over a shorter period of time. The decrease in the trailer replacement cycle time is intended to improve driver and customer satisfaction and to reduce maintenance costs as well as increase fleet efficiency by reducing maintenance down-time.

Insurance and claims decreased from 5.9% of revenues, before fuel surcharges, during the third quarter of 2014 to 4.8% of revenues, before fuel surcharges, during the third quarter of 2015. The decrease relates primarily to a decrease in amounts reserved for the settlement of certain claims which were previously recorded during the third quarter of 2014 and subsequently paid.

Other expenses decreased from 3.5% of revenues, before fuel surcharges, during the third quarter of 2014 to 2.7% of revenues, before fuel surcharges, during the third quarter of 2015. The decrease relates primarily to a decrease in amounts expensed for professional services in relation to claims litigation.

Gains on sale or disposal of property increased from 0.8% during the third quarter of 2014 to 1.7% during the third quarter of 2015. The increase relates primarily to an increase in the number of trailers sold and to a more favorable used equipment market for trailers.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, improved from 89.2% for the third quarter of 2014 to 87.5% for the third quarter of 2015.

**NINE MONTHS ENDED SEPTEMBER 30, 2015 VS. NINE MONTHS ENDED SEPTEMBER 30, 2014**

For the first nine months ended September 30, 2015, truckload services revenue, before fuel surcharges, increased 5.2% to \$232.3 million as compared to \$220.9 million for the first nine months ended September 30, 2014. The increase was primarily due to an increase in the number of miles traveled due to an increase in both the number of



trucks operating in the fleet and an increase in equipment utilization. Also contributing was an increase in the average rate charged to customers for our services. The average number of trucks operating in the fleet increased from 1,786 trucks during the first nine months of 2014 to 1,813 trucks during the first nine months of 2015 while the average miles traveled per truck each work day increased from 466 miles during the first nine months of 2014 to 473 miles during the first nine months of 2015. The increase in truck count combined with the increase in average daily utilization resulted in an increase in the total number of miles traveled from 158.8 million miles during the first nine months of 2014 to 163.7 million miles traveled during the first nine months of 2015. The average rate charged to customers per total mile during the first nine months of 2015 increased \$0.03 as compared to the average rate charged during the first nine months of 2014.

Salaries, wages and benefits decreased from 36.7% of revenues, before fuel surcharges, in the first nine months of 2014 to 33.6% of revenues, before fuel surcharges, during the first nine months of 2015. The percentage decrease relates primarily to a decrease in company driver wages paid during the first nine months of 2015 as compared to company driver wages paid during the first nine months of 2014. Our driver pool consists of both company drivers and third-party owner operator drivers. Company drivers are employees of the Company and perform services in company-owned equipment while owner-operator drivers provide services, under contract, using their own equipment. While each group is generally compensated on a per-mile basis, owner-operator payments are classified in the Company's financial statements under Rent and purchased transportation. The percentage-based decrease in Salaries, wages and benefits primarily resulted from a decrease in the proportion of total miles driven by company drivers during the first nine months of 2015 in comparison to the proportion of total miles driven by company drivers during the first nine months of 2014. This proportional decrease was the result of an increase in the average number of owner operators under contract from 342 during the first nine months of 2014 to 395 during the first nine months of 2015. Also contributing to the decrease, as a percentage of revenue, was the interaction of expenses with fixed-cost characteristics, such as general and administrative wages, with the increase in revenues for the periods compared.

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Operating supplies and expenses decreased from 12.2% of revenues, before fuel surcharges, during the first nine months of 2014 to 8.8% of revenues, before fuel surcharges, during the first nine months of 2015. The decrease relates primarily to a decrease in the average surcharge-adjusted fuel price paid per gallon of diesel fuel and to an increase in the average miles-per-gallon (“mpg”) experienced during the first nine months of 2015 as compared to the first nine months of 2014. The average surcharge-adjusted fuel price paid per gallon of diesel fuel decreased as a result of more favorable fuel surcharge arrangements made with customers and to an increase in the number of owner operators in our fleet. Fuel surcharge collections can fluctuate significantly 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. Fuel surcharge revenue generated from transportation services performed by owner operators is reflected as a reduction in net operating supplies and expenses, while fuel surcharges paid to owner operators for their services is reported along with their base rate of pay in the Rent and purchased transportation category. These categorizations have the effect of reducing our net operating supplies and expenses while increasing the Rent and purchased transportation category, as discussed below. The average mpg experienced increased during the first nine months of 2015 as compared to the mpg experienced during the first nine months of 2014 as a result of replacing older trucks with newer trucks, which are more fuel efficient and equipped with auxiliary power units. Partially offsetting the decrease was an increase in amounts paid for driver recruiting and driver training schools during the first nine months of 2015 as compared to amounts paid during first nine months of 2014. The increase in driver recruiting and training costs are a result of heightened competition for qualified drivers as industry demand has increased and increased regulations have forced some drivers to exit the profession.

Rent and purchased transportation increased from 22.7% of revenues, before fuel surcharges, during the first nine months of 2014 to 28.6% of revenues, before fuel surcharges, during the first nine months of 2015. The increase was primarily due to an increase in driver lease expense as the average number of owner operators under contract increased from 342 during the first nine months of 2014 to 395 during the first nine months of 2015. Also contributing to the increase was an increase in lease payments associated with the lease of an additional 324 trucks beginning during or after the third quarter of 2014. The increase in costs in this category, as they relate to the increase in owner operators, are partially offset by a decrease in other cost categories, such as repairs and fuel, which are generally borne by the owner operator.

Depreciation decreased from 12.4% of revenues, before fuel surcharges, during the first nine months of 2014 to 10.2% of revenues, before fuel surcharges, during the first nine months of 2015. The decrease relates primarily to a decrease in the average number of company-owned trucks as a result of operating lease arrangements entered into throughout 2014 and early 2015. As of September 30, 2015, the Company’s fleet consists of 468 leased trucks. The lease payments associated with these leases are reported in the Rent and purchased transportation category. This reduction was partially offset by an increase in depreciation related to purchases of new trailers which replaced older trailers within the fleet. These new trailer replacements have a significantly higher purchase price than those trailers that are being replaced and are being depreciated over a shorter period of time as the Company accelerates its trailer replacement cycle from every ten years to a replacement cycle of every seven years. This reduction in replacement cycle, combined with a higher purchase price, results in higher depreciation expense over a shorter period of time. The decrease in the trailer replacement cycle time is intended to improve driver and customer satisfaction and to reduce maintenance costs as well as increase fleet efficiency by reducing maintenance down-time.

Insurance and claims decreased from 5.5% of revenues, before fuel surcharges, during the first nine months of 2014 to 4.8% of revenues, before fuel surcharges, during the first nine months of 2015. The decrease relates primarily to a decrease in amounts reserved for anticipated settlements of certain lawsuits.

Other expenses decreased from 3.4% of revenues, before fuel surcharges, during the first nine months of 2014 to 2.9% of revenues, before fuel surcharges, during the first nine months of 2015. The decrease relates primarily to a decrease in amounts expensed for professional services in relation to claims litigation.

The truckload services division operating ratio, which measures the ratio of operating expenses, net of fuel surcharges, to operating revenues, before fuel surcharges, improved from 91.3% for the first nine months of 2014 to 86.9% for the first nine months of 2015.

Table Of Contents**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.

|   | Three Months<br>Ended<br>September 30,<br>2015 |        | Nine Months<br>Ended<br>September 30,<br>2015 |        |
|---|--|--------|---|--------|
|   | 2014   | 2014   | 2014  | 2014   |
|   | (percentages)                                  |        |   |        |
| Operating revenues, before fuel surcharge | 100.0  | 100.0  | 100.0   | 100.0  |
| Operating expenses:                       |  |        |   |        |
| Salaries, wages and benefits              | 3.5  | 2.7    | 2.9   | 2.7    |
| Rent and purchased transportation         | 94.4   | 92.5   | 94.0  | 92.9   |
| Other                                     | 0.6  | 0.4    | 0.6   | 0.6    |
| Total operating expenses                  | 98.5   | 95.6   | 97.5  | 96.2   |
| Operating income                          | 1.5  | 4.4    | 2.5   | 3.8    |
| Non-operating (expense) income            | (0.1 )   | 0.1    | 0.0   | 0.1    |
| Interest expense                          | (0.4 )   | (0.1 ) | (0.3 )  | (0.2 ) |
| Income before income taxes                | 1.0  | 4.4    | 2.2   | 3.7    |

**THREE MONTHS ENDED SEPTEMBER 30, 2015 VS. THREE MONTHS ENDED SEPTEMBER 30, 2014**

During the third quarter of 2015, logistics and brokerage services revenue, before fuel surcharges, increased 93.7% to \$11.9 million as compared to \$6.1 million during the third quarter of 2014. The increase relates to an increase in the number of brokered loads during the third quarter of 2015 as compared to the third quarter of 2014.

Salaries, wages and benefits increased from 2.7% of revenues, before fuel surcharges, in the third quarter of 2014 to 3.5% of revenues, before fuel surcharges, during the third quarter of 2015. The increase relates to an increase in the number of employees assigned to the logistics and brokerage services division.

Rents and purchased transportation increased from 92.5% of revenues, before fuel surcharges, during the third quarter of 2014 to 94.4% of revenues, before fuel surcharges, during the third quarter of 2015. The increase relates to an increase in the negotiated amounts paid to 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 95.6% for the third quarter of 2014 to 98.5% for the third quarter of 2015.

**NINE MONTHS ENDED SEPTEMBER 30, 2015 VS. NINE MONTHS ENDED SEPTEMBER 30, 2014**

During the first nine months of 2015, logistics and brokerage services revenue, before fuel surcharges, increased 99.7% to \$33.6 million as compared to \$16.8 million during the first nine months of 2014. The increase relates to an increase in the number of brokered loads during the first nine months of 2015 as compared to the first nine months of 2014.

Salaries, wages and benefits increased from 2.7% of revenues, before fuel surcharges, during the first nine months of 2014 to 2.9% of revenues, before fuel surcharges, during the first nine months of 2015. The increase relates to an increase in the number of employees assigned to the logistics and brokerage services division.

Rents and purchased transportation increased from 92.9% of revenues, before fuel surcharges, during the first nine months of 2014 to 94.0% of revenues, before fuel surcharges during the first nine months of 2015. The increase relates to an increase in negotiated amounts paid to 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 96.2% for the first nine months of 2014 to 97.5% for the first nine months of 2015.

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**RESULTS OF OPERATIONS – COMBINED SERVICES**

**THREE MONTHS ENDED SEPTEMBER 30, 2015 VS. THREE MONTHS ENDED SEPTEMBER 30, 2014**

Net income for all divisions was approximately \$5.8 million, or 6.3% of revenues, before fuel surcharge for the third quarter of 2015 as compared to a net income of \$5.1 million, or 6.2% of revenues, before fuel surcharge for the third quarter of 2014. The increase in net income resulted in diluted earnings per share of \$0.80 for the third quarter of 2015 as compared to diluted earnings per share of \$0.63 for the third quarter of 2014.

**NINE MONTHS ENDED SEPTEMBER 30, 2015 VS. NINE MONTHS ENDED SEPTEMBER 30, 2014**

Net income for all divisions was approximately \$18.2 million, or 6.9% of revenues, before fuel surcharge for the first nine months of 2015 as compared to a net income of \$11.4 million, or 4.8% of revenues, before fuel surcharge for the first nine months of 2014. The increase in net income resulted in diluted earnings per share of \$2.46 for the first nine months of 2015 as compared to diluted earnings per share of \$1.41 for the first nine months of 2014.

**LIQUIDITY AND CAPITAL RESOURCES**

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, and borrowings under our lines of credit, installment notes, and investment margin account.

During the first nine months of 2015, we generated \$66.9 million in cash from operating activities. Investing activities used \$70.7 million in cash in the first nine months of 2015. Financing activities used \$22.7 million in cash in the first nine months of 2015.

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 2015, we utilized cash on hand, installment notes, and our lines of credit to finance purchases of revenue equipment and other assets of approximately \$106.2 million.

Occasionally, we finance the acquisition of revenue equipment through installment notes with fixed interest rates and terms ranging from 36 to 60 months. During the first nine months of 2015, the Company's subsidiary, P.A.M. Transport, Inc., entered into installment obligations totaling approximately \$64.8 million for the purpose of purchasing revenue equipment. These obligations are payable in either 36 monthly installments or 60 monthly installments at interest rates ranging from 1.97% to 2.39%.

During the remainder of 2015, we expect to purchase or lease approximately 140 new trucks and 300 new trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$11.8 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.

We currently intend to retain our future earnings to finance our growth and do not anticipate paying cash dividends in the foreseeable future.

During the first nine months of 2015, we maintained a \$40.0 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 1.50% (1.70% at September 30, 2015), are secured by our accounts receivable and mature on June 1, 2017. At September 30, 2015 outstanding advances on the line of credit were approximately \$1.6 million, including \$1.1 million in letters of credit, with availability to borrow \$38.4 million.

Cash and cash equivalents decreased from \$27.6 million at December 31, 2014 to \$1.2 million at September 30, 2015. The decrease relates primarily to the payment of \$28.7 million for shares of our common stock purchased under a tender offer completed during the fourth quarter of 2014 which was paid in 2015, and to the payment of \$17.8 million for treasury stock under a tender offer completed during the third quarter of 2015. These cash reductions were partially offset during the third quarter of 2015 through cash flows from continuing operations and the sale of older revenue equipment which was replaced with new revenue equipment subject to installment debt financing agreements.

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Trade accounts receivable increased from \$53.0 million at December 31, 2014 to \$55.2 million at September 30, 2015. The increase relates to a general increase in freight revenues, which flows through the accounts receivable account, during the third quarter of 2015 as compared to the last quarter of 2014.

Accounts receivable-other decreased from \$11.5 million at December 31, 2014 to \$6.7 million at September 30, 2015. The decrease relates primarily to a decrease in amounts receivable from the Company's third-party qualified intermediary. The Company contracts with a third-party qualified intermediary in order to accomplish tax-deferred, like-kind exchanges related to its revenue equipment. Under the program, dispositions of eligible trucks or trailers and acquisitions of replacement trucks or trailers are made in a form whereby any associated tax gains related to the disposal are deferred. To qualify for like-kind exchange treatment, we exchange, through our qualified intermediary, eligible trucks or trailers being disposed with trucks or trailers being acquired. Amounts held by the Company's third-party qualified intermediary are dependent on the timing and extent of the Company's revenue equipment sales and/or purchase activities, which can fluctuate significantly from period-to-period.

Prepaid expenses and deposits decreased from \$10.1 million at December 31, 2014 to \$6.7 million at September 30, 2015. The decrease relates to the amortization of prepaid truck and trailer license fees as well as prepaid insurance premiums. Truck and trailer registration fees of approximately \$2.2 million and insurance premiums of approximately \$1.3 million were paid in advance in December 2014. These prepaid expenses will continue to be amortized to expense through the remainder of the year.

Revenue equipment, which generally consists of trucks, trailers, and revenue equipment accessories such as Qualcomm™ satellite tracking units and auxiliary power units, increased approximately \$43.9 million from \$279.1 million at December 31, 2014 to \$323.0 million at September 30, 2015.. The increase relates to the purchase of new trucks and trailers in a greater quantity than the quantity of trucks and trailers sold. The increase is also reflective of the higher purchase price of new trucks and trailers compared to the trucks and trailers which are being replaced and sold.

Accounts payable decreased from \$41.7 million at December 31, 2014 to \$32.8 million at September 30, 2015. The net decrease of \$8.9 million was primarily related to the payment, during the first quarter of 2015, for shares of our common stock purchased under a tender offer completed during the fourth quarter of 2014 in the amount of \$28.7 million. This decrease was partially offset by an increase of \$13.7 million in the amount of bank drafts outstanding in excess of bank balance which had been reclassified as accounts payable at September 30, 2015 as compared to December 31, 2014, and to an increase of \$4.1 million in amounts accrued at the end of each period which were payable to third party logistics and brokerage service providers. Accounts payable accruals can vary significantly at the end of each reporting period depending on the timing of the actual date of payment in relation to the last day of the reporting period.



Accrued expenses and other liabilities increased from \$27.5 million at December 31, 2014 to \$30.8 million at September 30, 2015. The increase was primarily related to a \$3.2 million increase in amounts accrued at the end of the period which were payable to company drivers and third-party owner-operator drivers. Accrued expense accruals can vary significantly at the end of each reporting period depending on the timing of the actual date of payment in relation to the last day of the reporting period. Also contributing to the increase was an increase of \$1.6 million of margin account borrowings which were used for the purchase of investments in marketable equity securities. The Company periodically uses this margin account for the purchase of marketable equity securities and as a source of short-term liquidity. This increase was partially offset by a \$1.3 million reduction in amounts accrued for litigation claims due to adjusted settlement amounts and payments.

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, increased from \$95.2 million at December 31, 2014 to \$118.7 million at September 30, 2015. The increase was primarily related to the net effect of additional borrowings made during the first nine months of 2015 and installment note payments made during the first nine months of 2015.

Treasury stock increased from \$82.5 million at December 31, 2014 to \$101.8 million at September 30, 2015. The increase relates primarily to the payment of \$17.8 million for shares of our common stock purchased under a tender offer completed during the third quarter of 2015 and to common stock purchases of \$1.5 million under the Company's stock repurchase program made during the third quarter of 2015.

#### **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.

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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 increased to \$25.0 million at September 30, 2015 from \$24.9 million at December 31, 2014. The increase during the first nine months of 2015 includes purchases of equity securities with a cost basis of \$2.4 million and a decrease in 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 \$2.5 million. For additional information with respect to the marketable equity securities, see Note C to our condensed consolidated financial statements.

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 affected 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 2014 fuel consumption, a 10% increase in the average annual price per gallon of diesel fuel would increase our annual fuel expenses by \$8.9 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 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 2014 expenditures denominated in pesos, a 10% increase in the exchange rate would increase our annual operating expenses by \$60,000.

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, 2015, 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.

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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, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

We are a defendant in a collective-action lawsuit which was filed on August 22, 2013, in the United States District Court for the Western District of Arkansas. The plaintiffs, who are current and former drivers and who worked for the Company during the period of August 22, 2010, through the date of the filing, allege claims for unpaid wages under the Fair Labor Standards Act and the Arkansas Minimum Wage Law. The complaint alleges that the Company failed to pay newly hired drivers minimum wage during orientation, training, and while traveling during normal business hours and that the Company failed to pay all drivers when working on assignment for more than 24 hours. The plaintiffs seek to enjoin the Company from continuing its current pay practices related to the allegations. They also seek actual damages, liquidated damages equal to accrual damages, court costs, and legal fees. During 2014, the Company reached a preliminary settlement with the plaintiffs in the amount of \$3,950,000 and accordingly reserved this amount, along with estimated settlement costs, in its 2014 consolidated financial statements. During the first quarter of 2015, the Company negotiated a reduction in the settlement amount to approximately \$3,450,000. Should the settlement not be approved by the court, further negotiations may take place to reach a different settlement or the case may continue on to trial. Management has determined that any losses under this claim will not be covered by existing insurance policies.

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

The Company's stock repurchase program has been extended and expanded several times, most recently in May 2014, when the Board of Directors reauthorized 500,000 shares of common stock for repurchase under the initial September 2011 authorization. Following the reauthorization, the Company repurchased 33,341 shares of its common stock during 2014 under this repurchase program.

On May 22, 2015, the Company announced the commencement of a Dutch auction tender offer (the "2015 tender offer") to repurchase up to 80,000 shares of its common stock, par value \$0.01 per share, subject to the terms and conditions described in the 2015 tender offer pursuant to the Board of Directors approval on May 21, 2015. On June 23, 2015, the Company extended the offer and increased the offer from 80,000 shares to 150,000 shares. Through the 2015 tender offer, the Company's shareholders had the opportunity to tender some or all of their shares at a price within the range of \$59.00 to \$63.00 per share. Subject to certain limitations and legal requirements, the Company could purchase up to an additional 2% of its outstanding shares which totaled 148,566 shares. Upon expiration of the tender offer on July 9, 2015, the Company accepted 298,566 shares of its common stock for purchase at \$59.00 per share, including 148,566 oversubscribed shares tendered, at an aggregate purchase of approximately \$17.6 million, excluding fees and expenses related to the offer. The Company funded the purchase of the accepted shares tendered with available cash and accounted for the repurchase of these shares as treasury stock on the Company's condensed consolidated balance sheet as of September 30, 2015.

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The following table summarizes the Company's common stock repurchases during the third quarter of 2015 made pursuant to stock repurchase program and the 2015 tender offer. No shares were purchased during the quarter other than through these programs, 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, 2015      | 311,026                          | (1)\$ 58.86                  | 311,026  | (1) 454,199  |
| August 1-31, 2015    | -                                | -                            | -  | 454,199  |
| September 1-30, 2015 | 18,803                           | 42.69                        | 18,803   | 435,396  |
| Total                | 329,829                          | \$ 57.94                     | 329,829  |  |

(1) Includes 298,566 shares purchased pursuant to the 2015 tender offer and 12,460 shares purchased pursuant to the stock repurchase program.

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.)                  |
| 31.1           | Rule 13a-14(a) Certification of Principal Executive Officer  |
| 31.2           | Rule 13a-14(a) Certification of Principal Financial Officer  |
| 32.1           | Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 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 5, 2015 By: /s/ Daniel H. Cushman  
Daniel H. Cushman  
President and Chief Executive Officer  
(principal executive officer)

Dated: November 5, 2015 By: /s/ Allen W. West  
Allen W. West  
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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| 101.LAB        | XBRL Taxonomy Extension Labels Linkbase Document   |
| 101.PRE        | XBRL Taxonomy Extension Presentation Linkbase Document   |

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