

PAM TRANSPORTATION SERVICES INC  
Form 10-Q  
April 29, 2015  
Table Of Contents

**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 March 31, 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.)

Edgar Filing: PAM TRANSPORTATION SERVICES INC - Form 10-Q

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 April 28, 2015
Common Stock, \$.01 Par Value	7,428,340

---

Table Of Contents

P.A.M. TRANSPORTATION SERVICES, INC.

Form 10-Q

For The Quarter Ended March 31, 2015

Table of Contents

Part I. Financial Information

Item 1.	<u>Financial Statements (unaudited).</u>	
	<u>Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014</u>	1
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2015 and 2014</u>	2
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2015 and 2014</u>	3
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2015 and 2014</u>	4
	<u>Condensed Consolidated Statements of Shareholders' Equity for the Three Months Ended March 31, 2015</u>	5
	<u>Notes to Condensed Consolidated Financial Statements as of March 31, 2015</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	14
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	18
Item 4.	<u>Controls and Procedures.</u>	19
	<u>Part II. Other Information</u>	
Item 1.	<u>Legal Proceedings.</u>	20
Item 6.	<u>Exhibits.</u>	20
	<u>Signatures</u>	21
	<u>Exhibits</u>	22



Table Of Contents

## 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>March 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$2,982	\$27,649
Accounts receivable-net:		
Trade, less allowance of \$1,692 and \$1,611, respectively	54,193	52,983
Other	14,166	11,469
Inventories	1,463	1,306
Prepaid expenses and deposits	8,229	10,110
Marketable equity securities	27,377	24,895
Income taxes refundable	130	507
Total current assets	108,540	128,919
Property and equipment:		
Land	5,224	4,924
Structures and improvements	16,420	16,165
Revenue equipment	283,898	279,079
Office furniture and equipment	9,417	9,257
Total property and equipment	314,959	309,425
Accumulated depreciation	(118,077)	(116,178)
Net property and equipment	196,882	193,247
Other assets	2,439	2,439

<b>TOTAL ASSETS</b>	<b>\$307,861</b>	<b>\$324,605</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$18,225	\$41,695
Accrued expenses and other liabilities	31,532	27,517
Current maturities of long-term debt	38,309	42,908
Deferred income taxes-current	3,013	2,951
Total current liabilities	91,079	115,071
Long-term debt-less current portion	51,026	52,293
Deferred income taxes-less current portion	60,089	57,125
Other long-term liabilities	75	131
Total liabilities	202,269	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; 11,479,321 and 11,474,096 shares issued; 7,428,340 and 7,423,115 shares outstanding at March 31, 2015 and December 31, 2014, respectively	115	115
Additional paid-in capital	80,102	79,926
Accumulated other comprehensive income	6,464	6,402
Treasury stock, at cost; 4,050,981 shares	(82,501 )	(82,501 )
Retained earnings	101,412	96,043
Total shareholders' equity	105,592	99,985
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$307,861</b>	<b>\$324,605</b>

See notes to  
condensed  
consolidated  
financial  
statements.

Table Of Contents

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

**Condensed  
Consolidated  
Statements of  
Operations**

(unaudited)

(in thousands, except  
per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUES:</b>		
Revenue, before fuel surcharge	\$82,684	\$74,896
Fuel surcharge	16,799	22,924
Total operating revenues	99,483	97,820
<b>OPERATING EXPENSES AND COSTS:</b>		
Salaries, wages and benefits	25,933	26,035
Operating supplies and expenses	23,165	34,166
Rents and purchased transportation	29,057	20,761
Depreciation	7,557	9,126
Insurance and claims	3,406	3,742
Other	2,379	2,411
Gain on disposition of equipment	(1,161 )	(1,266 )
Total operating expenses and costs	90,336	94,975
<b>OPERATING INCOME</b>	<b>9,147</b>	<b>2,845</b>
<b>NON-OPERATING INCOME</b>	<b>245</b>	<b>272</b>
<b>INTEREST EXPENSE</b>	<b>(617 )</b>	<b>(862 )</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>8,775</b>	<b>2,255</b>
<b>FEDERAL AND STATE INCOME TAX EXPENSE:</b>		
Current	418	120
Deferred	2,988	778
Total federal and state income tax expense	3,406	898



<b>NET INCOME</b>	<b>\$5,369</b>	<b>\$1,357</b>
<b>INCOME PER COMMON SHARE:</b>		
<b>Basic</b>	<b>\$0.72</b>	<b>\$0.17</b>
<b>Diluted</b>	<b>\$0.72</b>	<b>\$0.17</b>
<b>AVERAGE COMMON SHARES OUTSTANDING:</b>		
<b>Basic</b>	<b>7,425</b>	<b>7,985</b>
<b>Diluted</b>	<b>7,467</b>	<b>8,033</b>

See notes to condensed consolidated financial statements.

Table Of Contents

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

**Condensed  
Consolidated  
Statements of  
Comprehensive  
Income**

(unaudited)

(in thousands)

	<b>Three Months Ended March 31, 2015    2014</b>	
NET INCOME	\$5,369	\$1,357
Other comprehensive income, net of tax:		
Changes in fair value of marketable securities (1)	62	422
<b>COMPREHENSIVE INCOME</b>	<b>\$5,431</b>	<b>\$1,779</b>

(1) Net of deferred income taxes of \$38 and \$259, respectively.

See notes to condensed consolidated financial statements.

Table Of Contents

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

**Condensed  
Consolidated  
Statements of Cash  
Flows**

(unaudited)

(in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$5,369	\$1,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,557	9,126
Bad debt expense	82	56
Sale leaseback deferred gain amortization	(56 )	(37 )
Stock compensation-net of excess tax benefits	119	86
Provision for deferred income taxes	2,988	778
Recognized loss on marketable equity securities	13	(44 )
Gain on sale or disposal of equipment	(1,161 )	(1,266 )
Changes in operating assets and liabilities:		
Accounts receivable	(2,422 )	(5,899 )
Prepaid expenses, inventories, and other assets	1,724	(1,794 )
Income taxes refundable	377	111
Trade accounts payable	5,410	1,295
Accrued expenses and other liabilities	1,810	1,761
Net cash provided by operating activities	21,810	5,530
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(14,581 )	(6,935 )
Proceeds from disposition of equipment	4,412	17,610
Change in restricted cash	(1,566 )	209
Purchases of marketable equity securities, net of return of capital	(2,395 )	12
Net cash (used in) provided by investing activities	(14,130 )	10,896
<b>FINANCING ACTIVITIES:</b>		
Borrowings under line of credit	133,644	135,196
Repayments under line of credit	(133,644)	(124,706)
Borrowings of long-term debt	10,473	5,709

Edgar Filing: PAM TRANSPORTATION SERVICES INC - Form 10-Q

Repayments of long-term debt	(16,338 )	(19,085 )
Borrowings under margin account	2,476	21
Repayments under margin account	(272 )	(215 )
Repurchases of common stock	(28,743 )	(14,216 )
Exercise of stock options	57	187
Net cash used in financing activities	(32,347 )	(17,109 )
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(24,667 )</b>	<b>(683 )</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>\$2,982</b>	<b>\$489</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION-</b>		
Cash paid during the period for:		
Interest	\$619	\$871
Income taxes	\$40	\$10
<b>NONCASH INVESTING AND FINANCING ACTIVITIES-</b>		
Purchases of property and equipment included in accounts payable	\$941	\$1,703

See notes to condensed consolidated financial statements.

Table Of Contents

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

**Condensed  
Consolidated  
Statements of  
Shareholders' Equity**

(unaudited)

(in thousands)

	Common Stock  Shares / Amount		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total
Balance at January 1, 2015	7,423	\$ 115	\$ 79,926	\$ 6,402	\$(82,501)	\$96,043	\$99,985
Net Income						5,369	5,369
Other comprehensive income, net of tax of \$38				62			62
Exercise of stock options-shares issued including tax benefits	5		57				57
Share-based compensation			119				119
<b>Balance at March 31, 2015</b>	<b>7,428</b>	<b>\$ 115</b>	<b>\$ 80,102</b>	<b>\$ 6,464</b>	<b>\$(82,501)</b>	<b>\$101,412</b>	<b>\$105,592</b>

See notes to  
condensed  
consolidated  
financial  
statements.

Table Of Contents

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

**Notes to Condensed Consolidated Financial Statements (unaudited)**

**March 31, 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 three-month period ended March 31, 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.

**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 2014-19 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, 2016 for public companies. Early adoption is not permitted. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. 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.

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.

#### **NOTE C: MARKETABLE EQUITY SECURITIES**

The Company accounts for its marketable securities in accordance with ASC Topic 320, ("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.

Table Of Contents

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.

Based upon this evaluation, the Company determined that an impairment charge was not necessary for the quarters ended March 31, 2015 and 2014.

The following table sets forth cost, market value and unrealized gain/(loss) on equity securities classified as available-for-sale and equity securities classified as trading as of March 31, 2015 and December 31, 2014.

	March 31, 2015	December 31, 2014
	(in thousands)	
Available-for-sale securities		
Fair market value	\$27,087	\$ 24,592
Cost	16,667	14,272
Unrealized gain	\$10,420	\$ 10,320
Trading securities		
Fair market value	\$290	\$ 303
Cost	157	157
Unrealized gain	\$133	\$ 146
Total		
Fair market value	\$27,377	\$ 24,895
Cost	16,824	14,429
Unrealized gain	\$10,553	\$ 10,466

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 March 31, 2015 and December 31, 2014.



March      December  
 31,        31, 2014  
 2015  
 (in thousands)

Available-for-sale securities:

Gross unrealized gains	\$10,974	\$ 10,710
Gross unrealized losses	554	390
Net unrealized gains	\$10,420	\$ 10,320

As of March 31, 2015 and December 31, 2014, the total net unrealized gain, net of deferred income taxes, in accumulated other comprehensive income was approximately \$6,464,000 and \$6,402,000, respectively.

For the quarter ended March 31, 2015, the Company had net unrealized gains in market value on securities classified as available-for-sale of approximately \$62,000, 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 March 31, 2015, the Company recognized dividends of approximately \$218,000 in non-operating income in its statements of operations. For the quarter ended March 31, 2014, the Company recognized dividends of approximately \$189,000 in non-operating income in its statements of operations.

Table Of Contents

As of March 31, 2015, the Company's marketable securities that are classified as trading had gross recognized gains of approximately \$133,000 and no gross recognized losses. As of March 31, 2014, the Company's marketable securities that are classified as trading had gross recognized gains of approximately \$52,000 and no gross recognized losses. The following table shows recognized gains (losses) in market value for securities classified as trading during the first three months of 2015 and 2014.

	Three Months Ended	
	March 31, 2015	March 31, 2014
	(in thousands)	
Trading securities		
Recognized gain at beginning of period	\$146	\$ 8
Recognized gain at end of period	133	52
Net recognized (loss) gain	\$(13 )	\$ 44
Net recognized (loss) gain, net of taxes	\$(8 )	\$ 26

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

There were no sales of marketable securities which were held as available-for-sale during the first three months of 2015 or 2014.

The following table shows the Company's investments' approximate gross unrealized losses and fair value of those securities in a loss position at March 31, 2015 and December 31, 2014. These investments consist of equity securities. As of March 31, 2015 and December 31, 2014, there were no investments that had been in a continuous unrealized loss position for twelve months or longer.

	March 31, 2015 (in thousands)		December 31, 2014	
	Fair	Unrealized	Fair	Unrealized
	Value	Losses	Value	Losses
Equity securities – Available-for-sale	\$5,280	\$ 554	\$3,961	\$ 390
Equity securities – Trading	-	-	-	-
Totals	\$5,280	\$ 554	\$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 March 31, 2015 and December 31, 2014, the Company had outstanding borrowings of approximately \$13,927,000 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 and are included in Accrued expenses and other liabilities on our balance sheets.

**NOTE D: STOCK BASED COMPENSATION**

The Company maintains a stock option plan under which incentive stock options, nonqualified stock options and other stock awards may be granted. On March 2, 2006, the Company's Board of Director's adopted, and stockholders 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 transferred 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 March 31, 2015, must be exercised within either five or ten years from the date of grant. Nonqualified stock options granted to members of the Company's Board of Directors vest immediately while nonqualified stock options issued to employees vest in increments of 20% each year.

During the first three months of 2015, 1,225 shares of common stock were granted to non-employee directors under the 2014 Plan. This stock award has 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 vests immediately.

Table Of Contents

The total grant date fair value of stock and stock options vested during the first three months of 2015 was approximately \$70,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the first three months of 2015 was approximately \$119,000 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 and basic earnings per common share by approximately \$0.01 during the three months ended March 31, 2015. As of March 31, 2015, the Company had stock-based compensation plans with total unvested stock-based compensation expense of approximately \$492,000 which is being amortized on a straight-line basis over the remaining vesting period. As a result, the Company expects to recognize approximately \$148,000 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.

The total grant date fair value of stock and stock options vested during the first three months of 2014 was approximately \$60,000. Total pre-tax stock-based compensation expense, recognized in Salaries, wages and benefits during the first three months of 2014 was approximately \$86,000 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 decreased diluted and basic earnings per common share by approximately \$0.01 during the three months ended March 31, 2014. As of March 31, 2014, the Company had stock-based compensation plans with total unvested stock-based compensation expense of approximately \$321,000 which is being amortized on a straight-line basis over the remaining vesting period.

Information related to stock option activity for the three months ended March 31, 2015 is as follows:

	Shares Under Options	Weighted-Average Exercise Price  (per share)	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value*
Outstanding-January 1, 2015	86,348	\$ 11.09		
Granted	-	-		
Exercised	(4,000 )	14.32		
Cancelled/forfeited/expired	-	-		
Outstanding at March 31, 2015	82,348	\$ 10.94	5.3	\$3,815,593
Exercisable at March 31, 2015	34,239	\$ 10.92	2.9	\$1,586,926

\* 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

March 31, 2015, was \$57.27.

A summary of the status of the Company's nonvested options and restricted stock as of March 31, 2015 and changes during the three months ended March 31, 2015, is presented below:

*Stock Options:*

	Number of Options	Weighted- Average Grant Date Fair Value
Nonvested at January 1, 2015	48,109	\$ 6.10
Granted	-	-
Canceled/forfeited/expired	-	-
Vested	-	-
Nonvested at March 31, 2015	48,109	\$ 6.10

*Restricted Stock:*

	Number of Options	Weighted- Average Grant Date Fair 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 March 31, 2015	7,600	\$ 42.65

Table Of Contents

The number, weighted average exercise price and weighted average remaining contractual life of options outstanding as of March 31, 2015 and the number and weighted average exercise price of options exercisable as of March 31, 2015 are as follows:

Exercise Price	Shares Under Outstanding Options	Weighted-Average Remaining Contractual Term (in years)	Shares Under Exercisable Options
\$ 10.44	15,000	2.9	15,000
\$ 10.90	6,000	2.2	6,000
\$ 10.90	41,400	7.2	-
\$ 11.22	11,948	5.7	5,239
\$ 11.54	4,000	1.9	4,000
\$ 11.75	4,000	0.9	4,000
	82,348	5.3	34,239

Cash received from option exercises totaled approximately \$57,000 and \$187,000 during the three months ended March 31, 2015 and March 31, 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 March 31,			
	2015		2014	
	Amount	%	Amount	%
	(in thousands, except percentage data)			
Truckload Services revenue	\$72,529	87.7	\$69,447	92.7
Brokerage and Logistics Services revenue	10,155	12.3	5,449	7.3
Total revenues	\$82,684	100.0	\$74,896	100.0

**NOTE F: TREASURY STOCK**

The Company accounts for Treasury stock using the cost method and as of March 31, 2015, 4,050,981 shares were held in the treasury at an aggregate cost of approximately \$82,501,000. The Company did not repurchase any shares of its common stock during the three months ending March 31, 2015.

**NOTE G: ACCUMULATED OTHER COMPREHENSIVE INCOME**

The following table summarizes the changes in accumulated balances of other comprehensive income for the three months ended March 31, 2015:

	Unrealized gains and losses on available-for-sale securities (in thousands)
Balance at December 31, 2014, net of tax of \$3,918	\$ 6,402
Other comprehensive income before reclassifications, net of tax of \$38	62
Balance at March 31, 2015, net of tax of \$3,956	\$ 6,464

There were no reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2015.

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 Ended March 31, 2015    2014 (in thousands, except per share data)	
Net income	\$5,369	\$1,357
Basic weighted average common shares outstanding	7,425	7,985
Dilutive effect of common stock equivalents	42	48
Diluted weighted average common shares outstanding	7,467	8,033
Basic earnings per share	\$0.72	\$0.17
Diluted earnings per share	\$0.72	\$0.17

As of March 31, 2015 and March 31, 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 we operate generally provide for a deficiency assessment statute of limitation period of three years, and as a result, the Company's tax years 2011 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 March 31, 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 March 31, 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 three months ended March 31, 2015 and 2014, the Company has not recognized or accrued any interest or penalties related to uncertain income tax positions.

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

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

The Company 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.



Table Of Contents

At March 31, 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	\$27,377	\$27,377	-	-

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 March 31, 2015 was as follows:

	Carrying Value	Estimated Fair Value
	(in thousands)	
Long-term debt	\$89,335	\$89,394

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 three months of 2015, the Company's subsidiaries entered into installment obligations totaling approximately \$10.5 million for the purpose of purchasing revenue equipment. These obligations are payable in monthly installments ranging from 36 to 60 months at a weighted average interest rate of 2.30%.



Table Of Contents**NOTE L: OFF-BALANCE SHEET ARRANGEMENTS**

During the first quarter of 2015, the Company's subsidiaries entered into operating leases 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 approximately \$2.6 million for the quarter ended March 31, 2015.

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 March 31, 2015 are:

	(in thousands)
2015	\$ 7,013
2016	9,844
2017	6,162
2018	188
Total future minimum lease payments	\$ 23,207

**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.

Table Of Contents

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

**FORWARD-LOOKING INFORMATION**

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

**CRITICAL ACCOUNTING POLICIES**

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 87.7% and 92.7% of total revenues, excluding fuel surcharges for the three months ended March 31, 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 benefit costs, independent broker costs (which we record as purchased transportation), insurance, and maintenance and capital equipment costs.

In discussing our results of operations we use revenue, before fuel surcharge, (and fuel expense, net of surcharge), because management believes that eliminating the impact of this sometimes volatile source of revenue allows a more consistent basis for comparing our results of operations from period to period. During the three months ended March 31, 2015 and 2014, approximately \$16.8 million and \$22.9 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 Ended March 31, 2015 2014 (percentages)	
Operating revenues, before fuel surcharge	100.0	100.0
Operating expenses:		
Salaries, wages and benefits	35.4	37.3
Operating supplies and expenses	8.8	16.2
Rents and purchased transportation	26.8	22.6
Depreciation	10.4	13.1
Insurance and claims	4.7	5.4
Other	3.2	3.5
Gain on sale or disposal of property	(1.6 )	(1.9 )
Total operating expenses	87.7	96.2
Operating income	12.3	3.8
Non-operating income	0.3	0.3
Interest expense	(0.8 )	(1.1 )
Income before income taxes	11.8	3.0

**THREE MONTHS ENDED MARCH 31, 2015 VS. THREE MONTHS ENDED MARCH 31, 2014**

During the first quarter of 2015, truckload services revenue, before fuel surcharges, increased 4.4% to \$72.5 million as compared to \$69.4 million during the first quarter of 2014. The increase was primarily due to an increase in equipment utilization, an increase in the average rate charged to customers and to a reduction in uncompensated miles. Although the average number of trucks declined from 1,812 during the first quarter of 2014 to 1,792 during the first quarter of 2015, the number of miles traveled increased from 51.0 million miles during the first quarter of 2014 to 51.8 million miles during the first quarter of 2015 as a result of an increase in the average number of miles traveled each work day from 447 miles during the first quarter of 2014 to 459 miles during the first quarter of 2015. The average rate charged per total mile during the first quarter of 2015 increased \$0.04 as compared to the average rate charged during the first quarter of 2014. The average percentage of uncompensated miles decreased from 6.9% of total miles for the first quarter of 2014 to 6.6% of total miles for the first quarter of 2015.

Salaries, wages and benefits decreased from 37.3% of revenues, before fuel surcharges, during the first quarter of 2014 to 35.4% of revenues, before fuel surcharges, during the first quarter of 2015. The decrease, as a percentage of revenue, relates primarily to the interaction of expenses with fixed-cost characteristics, such as general and administrative wages, maintenance wages, operations wages, and payroll taxes with an increase in revenues for the periods compared. Also contributing to the decrease was a decrease of \$0.5 million in costs associated with employee benefits such as group health insurance benefits and workers' compensation benefits during the first quarter of 2015 as compared to the first quarter of 2014.

Operating supplies and expenses decreased from 16.2% of revenues, before fuel surcharges, during the first quarter of 2014 to 8.8% of revenues, before fuel surcharges, during the first quarter 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 quarter of 2015 as compared to first quarter 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 quarter of 2015 as compared to the mpg experienced during the first quarter of 2014 as a result of replacing older trucks with newer trucks, which are more fuel efficient. The decrease also relates to a decrease in amounts paid for equipment maintenance costs during the first quarter of 2015 as compared to amounts paid during the first quarter of 2014 as a result of replacing older equipment with new equipment. Partially offsetting the decrease was an increase in amounts paid for driver recruiting and driver training schools during the first quarter of 2015 as compared to amounts paid during first quarter 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.

Table Of Contents

Rents and purchased transportation increased from 22.6% of revenues, before fuel surcharges, during the first quarter of 2014 to 26.8% of revenues, before fuel surcharges, during the first quarter of 2015. This increase relates primarily to lease payments associated with the lease of an additional 324 trucks since the end of the first quarter of 2014. Also contributing to the increase was an increase in driver lease expense as the average number of owner operators under contract increased from 352 during the first quarter of 2014 to 362 during the first quarter of 2015. 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 13.1% of revenues, before fuel surcharges, during the first quarter of 2014 to 10.4% of revenues, before fuel surcharges, during the first 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. As of March 31, 2015, the Company's fleet consists of 471 leased trucks. The lease payments associated with these leases are reported in the Rents and purchased transportation category.

Insurance and claims decreased from 5.4% of revenues, before fuel surcharges, during the first quarter of 2014 to 4.7% of revenues, before fuel surcharges, during the first quarter of 2015. The decrease relates primarily to a decrease in the amount reserved for the anticipated settlement of a lawsuit, which claims that the Company was in violation of minimum wage laws with regard to certain activities performed by employee drivers and is discussed in the section "Legal Proceedings" in Part II, Item 1, of this Report.

Gains on sale or disposal of property decreased from 1.9% of revenues, before fuel surcharges, during the first quarter of 2014 to 1.6% of revenues, before fuel surcharges, during the first quarter of 2015. The decrease relates primarily to a decrease in the number of trucks and trailers sold during the first quarter of 2015 compared to the number of trucks and trailers sold during the first quarter of 2014.

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 96.2% for the first quarter 2014 to 87.7% for the first quarter of 2015.

**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 Ended March 31, 2015 2014 (percentages)	
Operating revenues, before fuel surcharge	100.0	100.0
Operating expenses:		
Salaries, wages and benefits	2.6	2.9
Rents and purchased transportation	94.5	93.0
Other	0.6	0.6
Total operating expenses	97.7	96.5
Operating income	2.3	3.5
Non-operating income	0.1	0.1
Interest expense	(0.3 )	(0.3 )
Income before income taxes	2.1	3.3

### **THREE MONTHS ENDED MARCH 31, 2015 VS. THREE MONTHS ENDED MARCH 31, 2014**

During the first quarter of 2015, logistics and brokerage services revenue, before fuel surcharges, increased 86.4% to \$10.2 million as compared to \$5.4 million during the first quarter of 2014. The increase relates to an increase in the number of brokered loads during the first quarter of 2015 as compared to the first quarter of 2014.

Salaries, wages and benefits decreased from 2.9% of revenues, before fuel surcharges, in the first quarter of 2014 to 2.6% of revenues, before fuel surcharges, during the first quarter of 2015. The percentage decrease relates to the interaction of the fixed-cost characteristic of salaries expense with an increase in revenues for the periods compared.

Rents and purchased transportation increased from 93.0% of revenues, before fuel surcharges, during the first quarter of 2014 to 94.5% of revenues, before fuel surcharges during the first quarter of 2015. The increase relates to an increase in amounts paid to third party logistics and brokerage service providers.

Table Of Contents

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 96.5% for the first quarter of 2014 to 97.7% for the first quarter of 2015.

**RESULTS OF OPERATIONS – COMBINED SERVICES**

**THREE MONTHS ENDED MARCH 31, 2015 VS. THREE MONTHS ENDED MARCH 31, 2014**

Net income for all divisions was approximately \$5.4 million, or 6.5% of revenues, before fuel surcharge for the first quarter of 2015 as compared to net income of \$1.4 million or 1.8% of revenues, before fuel surcharge for the first quarter of 2014. The increase in income resulted in diluted earnings per share of \$0.72 for the first quarter of 2015 as compared to diluted earnings per share of \$0.17 for the first quarter 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 three months of 2015, we generated \$21.8 million in cash from operating activities. Investing activities used \$14.1 million in cash in the first three months of 2015. Financing activities used \$32.3 million in cash in the first three 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 three months of 2015, we utilized cash on hand, installment notes, and our lines of credit to finance revenue equipment purchases of approximately \$13.8 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 three months of 2015, the Company's subsidiary, P.A.M. Transport, Inc. entered into installment obligations totaling approximately \$10.5 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 2.17% to 2.35%.

During the remainder of 2015, we expect to purchase approximately 750 new trucks and 1,050 new trailers while continuing to sell or trade older equipment, which we expect to result in net capital expenditures of approximately \$83.0 million. Management believes we will be able to finance our near term needs for working capital over the next twelve months, as well as any planned capital expenditures during such period, with cash balances, cash flows from operations, and borrowings believed to be available from financing sources. We will continue to have significant capital requirements over the long-term, which may require us to incur debt or seek additional equity capital. The availability of additional capital will depend upon prevailing market conditions, the market price of our common stock and several other factors over which we have limited control, as well as our financial condition and results of operations. Nevertheless, based on our recent operating results, current cash position, anticipated future cash flows, and sources of financing that we expect will be available to us, we do not expect that we will experience any significant liquidity constraints in the foreseeable future.

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

During the first three 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% (1.67% at March 31, 2015), are secured by our accounts receivable and mature on July 1, 2016. At March 31, 2015 outstanding advances on the line of credit were approximately \$1.1 million, consisting entirely of letters of credit, with availability to borrow \$38.9 million.

Cash and cash equivalents decreased from \$27.6 million at December 31, 2014 to \$3.0 million at March 31, 2015. The decrease relates primarily to the payment for treasury stock related to a recently completed Dutch Auction in the amount of \$28.7 million during the first quarter of 2015.

Accounts receivable-other increased from \$11.5 million at December 31, 2014 to \$14.2 million at March 31, 2015. The increase relates primarily to an increase in amounts held with 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.



Table Of Contents

Prepaid expenses and deposits decreased from \$10.1 million at December 31, 2014 to \$8.2 million at March 31, 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.

Marketable equity securities increased from \$24.9 million at December 31, 2014 to \$27.4 million at March 31, 2015. The \$2.5 million increase was related to purchases of equity securities with a cost basis of approximately \$2.4 million during the first three months of 2015.

Revenue equipment, at March 31, 2015, which generally consists of trucks, trailers, and revenue equipment accessories such as Qualcomm™ satellite tracking units and auxiliary power units, increased approximately \$4.8 million as compared to December 31, 2014. The increase relates to the purchase of new trucks and trailers in excess 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 \$18.2 million at March 31, 2015. The \$23.5 million decrease was primarily related to the payment for treasury stock discussed above in the amount of \$28.7 million during the first quarter of 2015. This reduction was partially offset by an increase of \$2.5 million in amounts accrued which were payable to third party logistics and brokerage service providers at March 31, 2015 compared to March 31, 2014. This accrual can vary significantly throughout the year 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 \$31.5 million at March 31, 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 which can vary significantly throughout the year 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 \$2.2 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 \$1.1 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, decreased from \$95.2 million at December 31, 2014 to \$89.3 million at March 31, 2015. The decrease was primarily related to the net effect of additional borrowings made



during the first three months of 2015 and installment note payments made during the first three months 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.

### **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 \$27.4 million at March 31, 2015 from \$24.9 million at December 31, 2014. The increase during the first three months of 2015 includes an increase in the fair market value of \$0.1 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 \$2.7 million. For additional information with respect to the marketable equity securities, see Note C to our condensed consolidated financial statements.

Table Of Contents

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 under our line of credit for a full fiscal year, a hypothetical 100 basis point increase in LIBOR 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 within 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 March 31, 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.

*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 March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table Of Contents

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 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	

Edgar Filing: PAM TRANSPORTATION SERVICES INC - Form 10-Q

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

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

Table Of Contents

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: April 28, 2015 By: /s/ Daniel H. Cushman  
Daniel H. Cushman  
President and Chief Executive Officer  
(principal executive officer)

Dated: April 28, 2015 By: /s/ Allen W. West  
Allen W. West  
Vice President-Finance, Chief Financial  
Officer, Secretary and Treasurer  
(principal accounting and financial officer)

Table Of Contents

P.A.M. TRANSPORTATION SERVICES, INC.

Index to Exhibits to Form 10-Q

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
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document